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# Economic Bulletin for Latin America



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The recent evolution of the Latin American economy ■ International monetary reform, by Robert Triffin ■  
Social development and social planning: A survey of conceptual and practical problems in Latin America ■  
Social service in Latin America: Functions and relationships to development, by Virginia A. Paraiso ■ Income  
distribution in Argentina.



ECONOMIC COMMISSION FOR LATIN AMERICA

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*The Economic Bulletin for Latin America*, published by the secretariat of the Economic Commission for Latin America, appears twice yearly, with an annual Statistical Supplement from volume V onwards. In 1962 two bilingual Statistical Supplements were published separately, each with the corresponding table of contents. The essential purpose of the *Bulletin* is to provide a résumé of the economic situation of the region designed to supplement and bring up to date the information published in the Commission's annual economic surveys. Apart from this summary, which is to appear in every issue, special articles on different subjects related to the economy of Latin America are included, as well as informative and methodological notes.

Since 1964 the statistical information has been furnished separately in the *Statistical Bulletin for Latin America*.

The ECLA secretariat assumes entire responsibility for the *Bulletin*. Its content—intended for the information both of public officials and of the general reader—was not submitted to the Commission's member Governments before publication.

#### EXPLANATION OF SYMBOLS

Three dots (...) indicate that data are not available or are not separately reported.

A dash (—) indicates that the amount is nil or negligible.

A minus sign (—300) indicates a deficit or a decrease.

A space is used to separate thousands and millions (3 123 425).

A stroke (/) indicates a crop year or a fiscal year, e.g., 1954/55.

An asterisk (\*) is used to indicate partially or totally estimated figures.

"Tons" and "dollars" are metric tons and United States dollars, respectively, unless otherwise stated.

Minor discrepancies in totals and percentages are due to rounding.

ECONOMIC COMMISSION FOR LATIN AMERICA  
Santiago, Chile

# ECONOMIC BULLETIN FOR LATIN AMERICA

Vol. XI, No. 1, April 1966

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## THE RECENT REVOLUTION OF THE LATIN AMERICAN ECONOMY\*

Held midway through the decade that has witnessed the launching of a co-operative programme to combat under-development throughout the length and breadth of the Latin American continent, it is incumbent upon this meeting of the Inter-American Economic and Social Council to review the events of the last five years and to define the characteristics and problems of the current economic and social situation. The useful document presented by the Secretariat on *The future development of Latin America and the Alliance for Progress*, in common with those prepared by other organs of the inter-American system, make a valuable contribution to the work of comparison which should be the preamble to political action on the lines suggested by the findings of the analysis. On this occasion, as in the past, the United Nations Economic Commission for Latin America would like to add its points of view to this concerted search for the right path to lead Latin America towards progress and equity.

The recent evolution of the Latin American economies, which have shown, as a whole, a fairly high rate of over-all growth for two consecutive years, is a good augury for the future and it behoves us to reflect on its significance.

The appreciable fluctuations in the rate of the growth, and the short-lived advances followed by equally short-lived recessions, are no new phenomenon in the history of Latin America. Even the favourable growth rate of the domestic product in 1964 and 1965, which twice exceeded 6 per cent annually, was largely a recovery after the adverse trends of the two preceding years. In fact, the product's average

annual rate of growth for the whole period 1960-65 was only 4.5 per cent, or 1.6 per cent per capita, which is slightly below the figure of 1.7 per cent recorded in 1955-60 and lower still than that of 2.2 per cent for 1950-55.

But the expansion of the last two years cannot legitimately be regarded as simply a part of the see-saw movement that has characterized the evolution of the Latin American economy in the post-war period, since the development process has clearly departed from its past pattern and has come to embody a series of goals, decisions and instruments whose purpose is to bring about a radical transformation of the basic aspects of economic and social development in Latin America.

Because of our very understanding of the underlying causes of the obstacles to the region's development an examination of the results achieved in the first half of the sixties cannot be confined to the still inadequate levels of over-all growth. The efforts that are being made are aimed not merely at increasing the pace of economic expansion in quantitative terms, but at transforming the Latin American economies by modernizing and reshaping them so as to make the benefits of development equally accessible to all sectors of the population. It is as instruments in the service of this ideal that the work of planning and of structural reform acquires its full significance, and these are the aims that justify more intensive action to increase domestic savings and the fullest possible financial and technical aid from abroad.

Great headway has undeniably been made since 1960. Whatever the degree of formal acceptance given to the work of planning and the emphasis laid on a particular instrument or approach, it has helped to rationalize action in the public sector and to make better use of the resources available; the regional economic inte-

\* Statement by Mr. José Antonio Mayobre, Executive Secretary of the Economic Commission for Latin America, at the fourth annual meeting at the ministerial level of the Inter-American Economic and Social Council (Buenos Aires, 15 March to 1 April 1966).

gration structures can boast of a large and rapidly increasing flow of trade; new channels have been opened for external co-operation; and Latin America has participated, together with other developing regions, in the formulation of basic guide-lines for international trade.

These and other factors engender forces that are potentially capable of maintaining a reasonable rate of economic growth in our countries and of making it possible to fulfil the other aims of the development policy laid down. It would be unrealistic, however, to overlook the fact that, in many of its aspects, this task has only recently been embarked upon, and that formidable obstacles still remain whose removal will depend partly on the Latin American countries themselves and partly on decisions taken outside the region.

### *The effects of foreign trade*

Although the endogenous factors that stimulate Latin American growth have become much stronger, the external sector continues to exert enormous influence.

In 1960-65 the domestic product and the purchasing power of export rose at almost the same rates (about 4.5 per cent on an annual average), but the similarity between the fluctuations of the two variables during that period is even more marked, particularly if Argentina and Brazil are excluded because of the special features distinguishing the recent evolution of their respective economies. If Cuba is also excepted for want of comparable data, the highest rates of growth in the other Latin American countries were recorded in 1963 and 1964, when exports increased in volume and also commanded better market prices; in 1965, on the other hand, the growth rate of the purchasing power of exports plunged to 1.7 per cent from 8.3 per cent in the previous year, and was immediately followed by a steep drop in the growth rates of the product and income.

The instability of export earnings and their generally inadequate rate of growth thus continue to be a disrupting factor with a powerful influence on the tempo of economic development in the Latin American countries. This is all the more important in that the efforts to reverse the downward trend of Latin America's participation in world trade have proved unsuccessful. In current values, world trade expanded 45 per cent between 1960 and 1965, while exports from Latin America (excluding Cuba) rose by only 28 per cent.

The reduction of Latin America's relative share of world trade, as reflected in the above increases, occurred in most of the industrialized

markets that used to be traditional buyers from Latin America. The contraction has been modest in the countries of the European Economic Community (from 6 to 5.2 per cent) and Canada (from 5.5 to 5 per cent) larger in the European Free-Trade Area (from nearly 5.4 to slightly over 4 per cent) and particularly serious, because of the absolute figures involved, in the United States (from 21.3 to 17.2 per cent between the same years, always excluding Cuban exports). The only attenuating factors that averted an even sharper plunge were the substantial increase in sales to Japan and the rapid development of intra-regional trade.

The full import of this will be better understood if it is borne in mind that, had Latin America's proportion of United States purchases remained the same in 1965 as in 1960, its sales to that country would have exceeded those actually made by about 900 million dollars, while it may also be assured that its exports to the European Free-Trade Area would have risen by nearly 500 million dollars.

In the case of the United States, the reduction in its purchases from Latin America affects several of the region's main export items. For instance, between 1960 and January-November 1965, the relative share of our countries in the United States market shrank from 87 to less than 75 per cent for coffee, from 64 to under 35 per cent for iron ore, from 54 to 47 per cent for crude oil and petroleum products combined and from 48 to 31 per cent for non-ferrous metals. In some instances, the contraction was due to changes in consumer habits and lack of sales promotion on the part of the Latin American producers. This phenomenon should, however, be explored in depth since it is paradoxical that the relative decline in Latin America's share of the United States market should coincide with the years in which the greatest efforts were made to achieve economic co-operation between the two areas.

Latin American action to counterbalance these trends and reduce short-term fluctuations is still a matter of urgency and fundamental importance. But commodity agreements, which are one of the instruments for achieving this, are not progressing satisfactorily.

Of the four commodity agreements of importance to Latin America—those on wheat, sugar, coffee and tin—the coffee agreement has obtained good results, in spite of the difficulties it has experienced, while the sugar agreement became inoperative a few years ago when it proved impossible to make satisfactory arrangements for the distribution of export quotas. The negotiations for a cocoa agreement broke down



entirely at the end of 1963 after five years of preliminary discussions owing to differences of opinion on the floor and ceiling prices to be fixed by the agreement. Talks on cocoa and sugar are again being held, but they are unlikely to lead, in the near future, to the signature of the respective agreements.

The United Nations Conference on Trade and Development in 1964 considerably enlarged the scope and functions of the commodity agreements on the grounds that they could play a vital part in expanding trade and fostering the growth of the developing countries. To that end, it recommended the negotiation of arrangements of another kind from the purely formal agreements currently in force, such as study groups or other types of organization through which the countries could hold inter-governmental consultations. But the majority of countries are still imbued by the idea which they inherited from the Havana Charter that commodity agreements are special measures to be resorted to solely in an emergency of the sort that occurs when large production surpluses have been built up. It is precisely in an emergency, however, that it becomes most difficult to reconcile the respective interests of importer and exporter countries, which although seemingly in opposition, are not invariably so. When the market is highly unstable, some countries often try to turn the situation to immediate account even at the risk of foregoing the more lasting benefits to be obtained from stable and flourishing trade.

There is nothing to be gained from a repetition of this pattern. On the contrary, everything points to the need for a decided effort to increase the number of commodities on which the negotiation of an agreement would effectively contribute to stabilizing the markets and keeping prices at satisfactory levels.

In some cases, the effectiveness of action to regulate the commodity market depends on the domestic policy of the industrialized countries. In the Final Act of the Conference on Trade and Development the signatory States undertook not to raise additional trade barriers or to increase those already in existence with respect to imports of primary commodities of interest to the developing countries. Even so, maintenance of the *status quo* in the matter of restrictions is no guarantee that the developing countries will succeed in maintaining their present share of the developed markets, so long as policies designed to promote domestic production continue to be applied as is the case in the United States, the United Kingdom and the European Economic Community. Certain measures adopted by the industrialized countries in

1965, particularly in respect of sugar, meat and wheat, are therefore incompatible with the spirit of the commitments they have accepted. Ever since the entry into force of the Rome Treaty, the Latin American countries have been making constant representations to the European Economic Community with respect to the restrictive and discriminatory effects of its common agricultural policy and of the preferences granted to associate countries to the detriment of Latin American exports. Latin America's position is under consideration, but its interests are not yet given sufficient weight in the EEC's policy decisions.

Although we still lack a vantage point from which to judge the influence of the EEC's agricultural policy on current trade flows, it should be pointed out that, despite the absolute increase in Latin American exports to the Community, its share of the market is less than that of other areas. Furthermore, the financial assistance given to the associate countries and the agricultural development programmes that are being carried out there will help them to break through present supply limitations and to emerge as strong competitors of Latin America, with the added advantage of the preferential treatment established by the articles of association.

The uncertainty to which these developments give rise combined with the structural characteristics of demand for primary commodities increase the need for necessary unstinted action designed to achieve growing diversification of Latin American exports. The views propounded at the Trade Conference itself on access for manufactured goods from developing countries to the markets of the industrialized countries are still fully valid. This is, however, a longer-term objective, whose achievement will depend both on the decisions of the developed countries and on the unsparing efforts that we must make to relate our industrial production capacity to the opportunities that are opening before us.

The first and essential step is to bolster and organize the activities initiated at Brasilia and Alta Gracia in 1964 to harmonize the trade policies of the Latin American countries, their action in international organizations and their relations with importer countries and regional groups. Agreements on general principles is not enough; what is needed is concerted and unremitting action at all negotiatory meetings and collective support for the legitimate interests of each country. The mechanisms that exist are still embryonic, and their powers are therefore very limited. It is up to us to turn them into more efficient tools.

### *Economic integration movements in Latin America*

Closely associated with foreign trade problems are the movements towards the establishment of economic integration in Latin America.

The action taken in this respect has already had highly encouraging results. Between 1960 and 1965, reciprocal trade expanded considerably in both absolute and relative terms, with the increase in imports between the member countries of ALALC from 375 million to 735 million dollars and in exports among the countries of the Central American Common Market from 33 million to 142 million dollars. At the same time, the progress achieved in relation to some institutional aspects of integration was consolidated.

In the case of Central America, the advances made have brought about a certain amount of economic interdependence among the five countries and thus made integration a structural part of the development of their production systems. Having placed a number of regional agreements and institutions on a sound footing, their main concern is now to improve the legal basis and its instruments of action, to give the Common Market an economic infrastructure to suit its scope and to co-ordinate internal policies on taxes, monetary matters, foreign investment, industrial incentives, imports from third countries and even the progress of social programmes, so as to be able to deal effectively with the new problems that are bound to arise as integration moves forward.

In the last few years ALALC has also made important headway in institutional and technical matters. Its achievements include the establishment of a Council of Ministers for Foreign Affairs, the multilateral agreement on compensation of balances concluded among the central banks, the provisions for making the Standing Executive Committee more dynamic and the adoption of measures conducing to the institution of a system of *ad valorem* duties, the preparation of joint customs instruments and mechanisms, the formulation of a programme for modernizing and remodelling industries, and the development of credit facilities for exports.

Side by side with these, however, there are also areas in which little progress is being made. The concessions provided for in the Montevideo Treaty are not being negotiated on a satisfactory scale, and there are entire chapters and sections of the Customs Nomenclature in which no concession whatsoever has been agreed upon. Moreover, only 25 per cent of the concessions granted are for industrial products, the remaining 75 per cent being for raw materials and intermediate

goods. The sole complementarity agreements in force are concerned with electronic valves, and certain types of data-processing machine and similar equipment. Nor has much headway been made with the attempt to make the operation of the trade liberalization programme more automatic.

However substantial the volume of reciprocal trade already built up its scale and content must be measured against development requirements rather than past achievements. And, in this sense, the results still leave much to be desired.

To view the question from the standpoint of Latin America as a whole we have still to devise suitable procedures for formalizing what would be a fruitful relationship between ALALC and the Central American Common Market. The recent talks between Mexico and the Central American countries on the possibilities of increasing their reciprocal trade are a useful contribution in this respect. Any progress made towards this goal is also a step towards the establishment of a structure that would include the whole of Latin America, and also provides a yardstick for making a surer assessment of the potential benefits and risks involved in other sub-regional arrangements that might be set up in future.

### *Planning*

Among the established factors that are increasing Latin America's capacity to maintain steady and rising rates of economic growth by virtue of its own efforts, a place must undoubtedly be given to the development of planning activities. In the space of a few years, all the Latin American countries have set up planning offices, eighteen of them have prepared specific plans, one is shortly to conclude its plan and another is well advanced with the preparatory work. At the same time, much has been done to improve basic statistics, programming methods and personnel training, with ample technical co-operation from international organizations. Thus, over-all development policy and, in particular, public action, is gradually becoming rationalized—an irreversible process which cannot but perfect itself with the passage of time.

This work has naturally not been without its vicissitudes; misunderstandings still persist and there are difficulties to be overcome.

In some cases, the full potential of these activities has been deliberately reduced and planning has been used as an instrument for rationalizing traditional activities or facilitating the distribution of external resources rather than as a tool for shaping a new development policy and carry-

ing out with efficiency the reforms it would entail. In others, there has not been enough determination to make planning into a continuing activity that does not come to an end with the formulation of a single plan and from which comprehensive and dramatic results cannot be expected all at once. In many instances, the work of planning has been kept in a separate compartment from the machinery of public decision-making, with the result that a false and prejudicial distinction has grown up between economic plans and policy. Central planning offices often fail to make the necessary effort—or have lacked support—to share their task with decentralized bodies of a sectoral or regional type, and planning is thus superimposed on the traditional Government activities instead of becoming the normal method of work throughout the national administration. The want of adequate contact and participation on the part of the private sector—both employers and workers—has deprived planning of their useful assistance, has introduced an element of uncertainty into the achievement of targets that are not directly dependent on action by the public sector and has reduced the possibility of transforming plans into a means of marshalling the country's forces in support of the aims of development. In more than one instance, the work has been vitiated by fruitless discussions of apparent alternatives which have no real basis, such as the desirability of over-all rather than partial plans, for the long rather than the short term, and of general planning rather than specific projects. With respect to this last point, which has unfortunately been taken up by certain groups abroad, the opinions set forth in the excellent document submitted to this meeting by the experts of the Panel of Nine should be unreservedly endorsed.

All in all, however, the subsistence of these problems does not detract from the value of the achievements to our credit. On the contrary, it adds to our experience and clearly indicates the type of obstacle that can and must be overcome in the near future if planning is to be given the content and scope that it needs to become the instrument *par excellence* of development policy.

#### *Agrarian reform and progress in agriculture*

Over the long term, the value of planning will depend on the extent to which it is used as an instrument for increasing internal efforts and promoting the structural reforms that are essential in order to accelerate and reorient Latin America's development. In this respect, it must be admitted that little progress has been made in agrarian reform.

The broad measures applied earlier by Mexico and Bolivia have been supplemented by the ac-

tion taken in recent years by Cuba and Venezuela. However, after the Charter of Punta del Este, agrarian reform laws were enacted by Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Honduras, Nicaragua, Panama and Peru; but real progress in many of these countries has come up against a great many obstacles which have slowed down the process.

The economic reasons for assigning urgent priority to agrarian reform and to the modernization of agriculture are well known and have been confirmed anew by the fact that the 1965 per capita agricultural production figures are practically the same as those recorded in 1957-59. However, it is important to note, too, that over and above this realization there is a growing consensus of opinion in Latin America regarding certain basic questions relating to the patterns and objectives of land reform, although their relative importance must be judged in the light of the conditions prevailing in each country.

It is recognized, for instance, that agrarian reform does not consist solely of changes in the systems of land tenure, but must be accompanied by economic and social investment to step up agricultural productivity and improve the living conditions of the rural population, with far-reaching effects on urban life and industrialization. Agricultural policy, investment in agriculture and the transformation of the rural environment could be powerful instruments in combating one of the region's gravest social problems: excessive migration to the cities and the disproportionate growth of the marginal population.

The transcendental nature of the process naturally aggravates the difficulties hampering it, but does not detract from its urgency. Moreover, it entails the mobilization of huge financial resources, inasmuch as the structural changes in the land tenure system must be accompanied by simultaneous efforts to improve and modernize agricultural techniques and procedures. The financing of land reform and the system for distributing the resources among compensation to former owners, social services for the rural population benefiting from land reform, infrastructural works, machinery and equipment, the granting of credit and the purchase of inputs, etc. are problems which should command particular attention at the present time and some of them are particularly fruitful fields for international financial and technical assistance.

#### *Tax reform*

Nor can the progress hitherto made in tax reform be regarded as satisfactory, although

some appreciable advances are noted. In general, since 1960, tax revenue has followed an upward trend, which is particularly marked in Brazil, Chile, Mexico, Nicaragua and Venezuela, where real growth rates fluctuated on an average around 9 and 10 per cent annually. These advances are all the more significant if it is borne in mind that in several cases they have occurred in countries where inflationary pressures make it more difficult to maintain a flexible tax system and where the stabilization policy itself sometimes leads to a lack of monetary liquidity which tends to accentuate tax evasion.

However, the legal changes and administrative improvements introduced in the last five years have been confined mainly to the immediate objective of raising public tax revenue; but this has not always been accompanied by the longer-term aims of using taxation to influence the structure of demand, guide the private sector's activities and contribute towards a more progressive distribution of income. In other words, it has been a separate effort rather than part of a general development policy.

#### *Progress and limitations in the social sector*

A distinguishing feature of recent development policy has been the decision to give increasing importance to social questions, as defined, in some cases, in the more restricted sense of specific public services and, in others, in the broader terms of population, employment and income distribution, and full participation in the life of the nation.

The results of that decision are not easy to assess in quantitative terms. As a field that has come to enjoy priority in international financial assistance, there is no doubt that a larger flow of resources has been channelled into educational, health and housing projects, primarily through the public sector, and that the respective indexes have improved as a result. It is not so clear, however, whether the rate of that progress is compatible with the magnitude of the problem, or how significant it might be in the absence of simultaneous advances in other basic economic and social questions.

The former consideration relates to the difficulties hampering the expansion of the social services within the context of an increasingly rapid population growth and of even faster rates of urbanization. It is not surprising, therefore, that the world-wide concern at the present growth of the population should be felt also in Latin America; that some family planning measures are already in force; and that this sphere of action has begun to be included in external assistance programmes. Needless to say, it is a

subject which each country will examine in the light of thoroughly worthy considerations, and in any case it will have to be considered within the over-all framework of a development policy rather than as an alternative to greater efforts to expedite growth and structural changes.

As regards the second consideration, it is worth while reflecting on whether the long-term projects to expand particular social services, which are now under way, will be really effective unless equally forceful policies provide concurrently for an increase in employment opportunities, income redistribution, manpower training, etc. There is a risk that if the problem is approached too much from a sectoral angle it might sometimes be forgotten that certain deficit indexes are the reflection of a broader and deeper picture of social marginality. If not corrected simultaneously, this might have the effect of excluding large sectors of Latin America's population from access to housing, or deprive them of the opportunity to translate the benefits of education into real improvements in their living conditions, if it is considered that development cannot be sustained without the effective inclusion of the low-income sectors in economic life.

#### *The magnitude and orientation of the industrial development process*

Nearly all the major problems, both internal and external, affecting Latin America's development eventually lead to the industrial sector, imposing new and heavier tasks on industrialization. The diversification of exports largely implies strengthening the outflows of sales of manufactured products; Latin American integration primarily involves industrial development as oriented towards reciprocal trade in manufactures and adaptation of the industrial base in order to obtain the best possible results from technical progress and the resources available; the dramatic nature of the employment problem demands that a solution be sought in the acceleration and new patterns of industrialization; even the continuing improvement of social conditions might be jeopardized if unaccompanied by efforts in the industrial sector that would ensure the internal capacity to maintain it.

Industry is therefore having to shoulder unprecedented responsibilities, in addition to the traditional function of import substitution. Nevertheless, in contrast to its increasing responsibilities, recent experience has shown a disquieting reduction in the rate of industrial development. The growth rate of the manufacturing product has dropped from an annual average of 6 per cent in 1950-55 and 6.6 per cent in 1955-60

to only 5.6 per cent in 1960-65. Hence, the latter period marks the least change in the structure of the Latin American economy taken as a whole, from the standpoint of the sectoral composition of the product. Although the total product rose by about 30 per cent—enough to warrant considerable structural changes—manufacturing industry's share went up from 21.7 per cent in 1960 to only 22.7 per cent in 1965, a relative increase which was far below that registered in the second half of the fifties.

These over-all figures are certainly influenced by the recent characteristics of Brazil's economic development. Its industrial sector expanded nearly twice as fast as agriculture in 1950-55, and more than three times as fast in 1955-60, while the first half of the present decade witnessed a reversal of the ratio, to the extent that agricultural growth—favoured by exceptional weather conditions at the end of the period—easily outstripped the development of manufacturing industry. But even with those reservations, the signs of a tapering off in the industrialization process have spread to other countries, associated in large measure with the weaker traditional impetus of import substitution and the inability of other factors as yet to offer a new dynamic impulse.

To face the task now lying before the industrial sector with determination also affords the opportunity to tackle equally forcefully, within the framework of a more accelerated industrial development, the changes it is imperative to make in certain unfavourable patterns that have characterized past industrial growth. Some of the adverse features of existing Latin American industry are well known, and are largely the result of factors that have nothing to do with the industrial sector itself. However, the re-orientation of industrial development not only means that new criteria must be adopted for allocating resources—including those earmarked for production, location, absorption of techniques, etc.—for new manufacturing projects, but it also involves an effort to adapt and modernize the whole of the existing industrial base. The very interdependence between the various branches of industry, and between them and other sectors of the economy, would preclude the possibility of attaining competitive levels of productivity, efficiency and capacity in only a few manufacturing lines without the technical progress spreading throughout the national economies. The approach adopted to industrialization, i.e., an integrated Latin American market, the introduction of keener competition and concerted regional action in the basic industries with a view to investment programming, thus

become indispensable factors of a new Latin American industrial policy.

The relative delay in industrial planning is incompatible with those needs. While in infra-structural investment planning the instruments which were used in a piecemeal fashion for many years have gradually been brought into full operation, and while the planning of social services has been given a powerful stimulus, industrial planning seems in most cases to be a particularly weak point in Latin America's development programmes. Although this state of affairs is in part understandable, it should be remedied immediately in order to meet more effectively the imperative need to accelerate and reorient industrial development.

#### *Stabilization measures*

The long-term goals—like those reviewed under the head of industrialization—are contingent upon the surmounting of intermediate and overwhelming problems whose persistence represents additional obstacles to the achievement of these objectives. This applies to inflationary pressures, which have continued to affect the recent economic development trends in several Latin American countries. Two highly favourable developments in this period are the greater readiness on the part of the economic authorities to adopt decisive action against inflation, and the growing tendency to consider stabilization programmes strictly in relation to economic development requirements. By way of clarifying this assertion, I might add that although inflation is still the object of attention almost everywhere, it is no longer considered a separate problem which can be tackled without taking into account all the factors involving various threats to general equilibrium, and still less without considering the repercussions that any action might have on development trends. In other words, economic policy has made great strides in the sense of integrating its principal aim and of so using and co-ordinating the various instruments as to prevent any possibility of conflict, all of which finds specific expression in development programmes with clearly defined aims and means of implementation.

In recent years, perhaps more so than previously, inflation has presented different characteristics in each country and group of countries. Some of them—nearly all the Central American States, Panama, Venezuela and, to a certain extent, Mexico—have enjoyed virtual stability. Others, like Peru and Colombia, have registered fairly modest but steady price increases, with noticeable fluctuations in Colombia and a marked acceleration in 1965 in Peru. The infla-

tionary pressures in Bolivia, Ecuador and Paraguay have eased in the last few years. The southern-zone countries, on the other hand, present sharp contrasts. Argentina and Chile still record relatively high price increases, but there has been no acceleration of the movement, especially in Chile where 1965 witnessed a considerable slackening in the rate of inflation. Brazil, which reached an acute state of imbalance in 1963 and 1964, made good progress in 1965, although it still registers a fairly high rate of price increases. As to Uruguay, the present stage of disequilibrium seems to be as marked as that which affected some of the neighbouring countries in the last few years.

Although the difficulties inherent in anti-inflationary policy cannot be under-estimated, there might be grounds for viewing the prospects in the immediate future with a certain amount of optimism. Now that it is no longer time for unilateral approaches, which often caused as many setbacks as it was wished to overcome, the decision to combine all the parts of economic policy within the framework of development programmes leads to the assumption that some progress can be made towards that oft-proclaimed and elusive aim of maximum development and minimum disequilibrium.

#### *Capital formation and the expansion of production capacity. External financing*

It is not hard to associate persistent instability and the indirect effects of the policies adopted to counteract it, with one of the factors of gravest concern in the recent development of the Latin American economies, i.e., the rate of capital formation and of the growth of production capacity.

Gross capital formation, which still falls short of the levels that would ensure a satisfactory and lasting growth, has experienced fresh setbacks in the last few years by lagging behind the domestic product. In fact, the investment coefficient—or gross investment as a percentage of the total product—dropped from 17.3 per cent in 1960 to 16.3 per cent in 1965.

At the same time, there have been significant changes in the composition of investment according to its institutional channelling and distribution by sectors. Generally speaking, public investment has increased appreciably, in contrast to a steady decline in the private sector's contributions to capital formation. This is a serious matter, since it means that the greater efforts made through the public sector and external financial co-operation have in part proved sterile inasmuch as private investment has not increased in line with the over-all rate of economic growth.

Its consequences also extend to the structure of production capacity. The heavier accent on public investment in infrastructural works and social services, combined with the relative decline in private investment, may result in serious delays in the channelling of resources intended to expand the industrial base and other goods-producing sectors.

In the light of those considerations, it may be concluded that part of the economic growth registered in recent years has been attained through improvements in the use of existing production capacity. As a sign of greater efficiency in the use of available capital, it may be regarded as a positive development; but the fact remains that the process has its limits, and unless the present trends followed by capital formation improve, they will inevitably jeopardize the possibilities of ultimate growth.

The unsatisfactory evolution of the investment rate in the last few years does not necessarily mean that efforts to tap domestic savings have not increased, but is basically the result of opposite trends followed by domestic and external savings.

In 1961, after a period in which it rose steadily, external savings came to finance over 9 per cent of the region's gross investment, with a total of 1,300 million dollars; but since then, domestic savings has been increasingly offset by the contraction of net external financing, until in 1965 it represented 98 per cent of total investment. It should be recognized that this regional trend is strongly influenced by the trend in Argentina, Brazil and Venezuela. In the 1964 and 1965 balances of payments, the first two countries showed a surplus on current account, following periods of persistent deficits; while in Venezuela the petroleum industry has been operating as a net exporter of capital. The remaining sixteen Latin American countries—that is, excluding the three already mentioned and Cuba—maintained relatively high but not increasing levels of external savings in 1960-65, with an annual average of nearly 800 million dollars, which served to finance about 15 per cent of their gross domestic investment.

In any event, it is significant that since 1961 Latin America as a whole has been steadily increasing the proportion of domestic savings in the financing of regional investment. That fact, in turn, is influenced by the critical payments situation confronting the region as a result of the levels reached by the external debt. The restrictive policies that had to be adopted are reflected in a reduction in the deficit on current account from 1,100 million dollars in 1960 to only about 300 million in 1965, which took place

chiefly in Argentina, Brazil, Uruguay and, to a lesser extent, Chile.

The region's total capacity to import has remained constantly below total exports of goods and services, owing to the fact that total external factor payments have exceeded the net autonomous movement of capital. Venezuela, again, is the special case determining this situation, since if it is excluded the relationship will be reversed; but in the remaining countries of the region it will be noted that the increase in the capacity to import as represented by the autonomous movement of capital has taken a marked downward turn, to the point where in 1965 it became a negative factor. That trend has been influenced by the movement of direct private investment, which, after playing a predominating role in the previous decade, has declined sharply, being replaced largely by long-term loans from international financing institutions and the United States.

The net external financial position in 1965 reflects the present serious backlog of commitments deriving from the external debt, which, moreover, is showing signs of increasing in the next few years. It would be advisable, therefore, to analyse carefully how far the situation can be significantly eased in terms of refinancing the external debt, as has been done in some countries of the region, through bilateral or plurilateral agreements with creditor countries. In doing so, it would be as well to take into

account that the problem is becoming widespread in Latin America and that relatively short-term arrangements might not suffice once the situation becomes really critical. It seems that this is essentially a regional problem, which might call for a pattern of external co-operation involving co-ordinated action and procedures for contributing along lines different from those used in the past. While on the subject I should mention the valuable document on external financing presented at this meeting by the Panel of Nine, which should serve as a basis for a complete review of the patterns and procedures that have hitherto predominated in this field.

I said at the beginning that the best result that could be obtained from the present meeting would be to bring development policy into line with the conclusions of the analysis of the existing situation in the region. Economic policy cannot remain static: actual developments and the appraisal of the results obtained indicate the weak points and throw light on the instruments and measures that should be adopted if the objectives are to be accomplished in full. We hope and trust that our deliberations will culminate in bold and energetic action, both on the home front and in international co-operation. Even so, the Latin American nations will gain little if they remain isolated from the rest of the world. To strengthen and improve our instruments of co-operation is an indispensable requisite if our problems are to be solved and our just claims satisfied.

# INTERNATIONAL MONETARY REFORM

by Robert Triffin, Yale University\*

## INTRODUCTION

I feel very much honoured by ECLA's request to present a summary of the problem of international monetary reform, the current position of the negotiations now in progress, and the implications of alternative solutions for Latin America.

I understand this task as a very limited and practical one. It excludes from consideration the various improvements in Latin American monetary arrangements which are theoretically conceivable, but unrelated to the present negotiation of international monetary reforms. It also eschews any attempt to push forward specific Latin American interests that might be included in the so-called "negotiating position" presented at the conference table by the Latin American countries, but which could not be defended and justified as legitimate world-wide objectives, of interest to all the participating countries. Diplomats are all too prone, by training, to regard an international negotiation primarily as

a bargaining process seeking horse-trading compromises between divergent national interests, rather than as a constructive attempt to discover, and give operational significance to, the convergent interests of all their countries in the adjustment (*aggiornamento*) of outdated international institutions and policies to the realities of an increasingly interdependent world. It is only by approaching the problem in the latter spirit that we can hope to disentangle negotiable solutions serving the highest—rather than a much lower—common denominator of all the interests at stake. It is my sincere hope that the present paper will confirm this thesis and demonstrate that the interests of the Latin American countries, as well as of others, emerge far more clearly from a rational examination of the essential requirements of a world monetary system aiming exclusively at exploiting to the fullest the opportunities for non-inflationary growth of the world economy, rather than from a narrowly inspired investigation of the "concessions" that Latin American countries might attempt—realistically or not—to wring out of other countries in the course of the negotiations now in progress.<sup>1</sup>

\* The views expressed by the author are his own and do not necessarily reflect those of the Economic Commission for Latin America. The designations employed and the presentation of the material in this article do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country or territory, or of its authorities, or concerning the delimitation of its frontiers.

<sup>1</sup> Readers familiar with the current negotiations and their background can safely skip the first two sections of this paper, and turn directly to Section C.

## A. FUNCTIONING OF THE GOLD-EXCHANGE STANDARD IN RECENT YEARS

(1950-June 1965)

### 1. *Reserve requirements in an expanding world economy*

The demand for money is determined by the aggregate amount of the "cash balances" or "working balances" which firms and households find convenient to maintain, in a highly liquid form, in view of the different—and unpredictable—timing of their receipts and expenditures. It is supplied today by more than 100 national banking systems, operating in each country under the general guidance and responsibility of national monetary authorities.

International monetary reserves are essentially the cash or working balances accumulated by

these national monetary authorities in order to bridge, similarly, the gaps between the foreign expenditures and foreign receipts of each country's residents and avoid unwanted fluctuations in exchange rates between the national currency of which they are in charge and foreign currencies. Whenever the over-all receipts—on current and capital account—of the country's residents exceed their payments abroad, the monetary authorities have to sell additional amounts of their national currency to the market in order to prevent an appreciation of its exchange rate, and to accept either gold or foreign currencies in exchange. In the opposite case—of an excess of



payments over receipts—they must redeem in gold or foreign exchange the overflow of their national currency on the market, in order to prevent a depreciation of the country's exchange rate. International monetary reserves are built up in the first case, and drawn upon in the second, in order to preserve exchange rate stability. Undesirable and/or unsustainable—downward—movements in a country's exchange reserves are one of the factors that induce—or force—changes in the country's policies, in order to correct the undesired consequences of an excessive rate of accumulation of monetary reserves—inflationary pressures on the domestic economy—or of an excessive rate of depletion—internal deflationary pressures, and ultimately the inability of the monetary authorities to provide the market with foreign exchange needed to avoid exchange depreciation or restrictions.

These considerations do not lend themselves to any scientific determination of an "ideal" level of reserves, either for an individual country or for the world at large. There is certainly a very wide range of actual reserve levels which might be regarded as satisfactory, or acceptable by the monetary authorities and which would not induce them to modify their policies in such a way as to sacrifice other and more fundamental policy goals, such as desirable rates of employment and economic growth, price stability, etc. All that may be said in this respect is that richer countries will generally be more able and desirous than poorer countries to accumulate relatively high levels of monetary reserves, some of which could be used instead for foreign purchases of consumption or investment goods. (This brings out again the similarity of a country's reserves to the cash balances of an individual. Reserves, just as cash balances, are—at least within a very wide range—a luxury good whose normal holdings rise more than proportionately to income.)

The ratio of gross reserves to imports averaged 47 per cent for the developed countries in 1964, compared with 31 per cent for the less developed countries, and 91 per cent for the former in 1949 as against 47 per cent for the latter. (See table 1.) The spread of restrictions and devaluation in this second group of countries would further suggest that ratios much below 30 per cent are certainly less than ideal for countries subject to considerable instability in their export prices and proceeds. Currency convertibility was not restored after the war by European countries with a far more balanced economy until the ratio of reserves to imports had reached or exceeded, in most cases, this relatively low level. Yet some highly developed

countries—such as Sweden and the United Kingdom, for instance—have traditionally shown less aversion to lower reserve levels—20 to 25 per cent in most years since the war—than the continental countries of Western Europe where ratios of 35 per cent or more would not be regarded as excessive.

Desirable rates of increase in monetary reserves may be both easier to define and more important operationally than absolute levels at any given point in time. One might expect such rates of increase to be roughly related, for instance, to the average growth of a country's foreign trade and other international transactions. The growth of production in general, however, might be equally valuable as a rough guideline, since its long-run maintenance normally involves a parallel<sup>2</sup> expansion in money supply and in the demand liabilities of central banks. These will feel reluctant to see such liabilities increase at a much faster rate than the international reserves needed to underwrite them in a régime of free convertibility and fixed exchange rates.

These broad generalizations require considerable qualifications before they can be applied to any individual country. Faster rates of expansion may be aimed at to reconstitute previously depleted reserve levels, or to finance foreseeable or unpredictable repayments of foreign debts, etc. Conversely, some countries may prefer, or accept, lower rates of reserve increases if they feel their reserves to be excessively ample already, or if they assign a lower priority to the policy independence and other advantages derivable from high reserve levels than to other national increased imports, etc. Expected ability to borrow abroad, in case of need, at acceptable financial and political costs, may also play a role in such decisions.

These complex considerations obviously preclude the adoption of rigid and automatic guidelines as to the desirable rate of increase in world reserves, just as the complexities of national monetary management have always precluded the adoption by any country of rigid and automatic rules governing desirable increases of national money supply, Milton Friedman notwithstanding. The authorities in charge of either problem cannot escape the responsibility of formulating policies appropriate to varied and unpredictable conditions, in the light of the in-

<sup>2</sup> Parallel, but of course not equal: money supply tends in fact to rise more than proportionately to the Gross National Product in the developing countries, until a more advanced stage of development is reached in which substitute forms of liquidity increasingly replace—and reduce the needed growth of—money proper.

**Table 1**  
**GROSS MONETARY RESERVES AS A PERCENTAGE OF IMPORTS**  
**AND OF MONEY SUPPLY, 1949-1964**

	<i>As a percentage of imports</i>		<i>As a percentage of money supply</i>	
	1949	1964	1949	1964
I. <i>Developed areas</i>	91	47		
A. <i>Reserve centres</i>	173	53	21	10
1. United States	345	82	24	10
2. United Kingdom	21	15	8	7
B. <i>European Economic Community</i>	26	49	14	28
1. France	18	66	7	17
2. Germany	9	54	6	47
3. Italy	39	53	17	19
4. Netherlands	24	33	23	55
5. Belgium	54	37	31	36
C. <i>Other Paris Club countries</i>	31	39	34	21
1. Canada	42	38	33	37
2. Japan	25	25	9	8
3. Switzerland	192	87	66	48
4. Sweden	23	26	22	29
D. <i>Other Europe</i>	33	36		
E. <i>Australia, New Zealand, and South Africa</i>	47	43		
II. <i>Less developed areas</i>	47	31		
A. Latin America	54	33		
B. Middle East	62	44		
C. Other Asia	56	29		
D. Other Africa	9	20		
III. <i>World</i>	77	43		
A. Gold	57	26		
B. Foreign exchange	18	15		
C. Reserve positions in the Fund	3	3		

SOURCE: *International Financial Statistics*.

flationary or deflationary pressures which it is their task to observe, anticipate and combat. Yet, one might accept, as a rough and *presumptive* guideline for world reserve increases over the long run, an *average* growth rate of some 4 or 5 per cent annually, similar to that suggested by Professor Friedman for national money supply in the United States.

This does not mean, of course, that international monetary policies and institutions could ever underwrite such a growth rate—or any other, for that matter—to any individual country, irrespective of the wisdom or folly of its national policies. What may properly be asked of international monetary management is only to aim at a growth of the world's reserve pool that should enable countries to earn the increases in reserves deemed necessary or desirable to sustain feasible and non-inflationary rates of economic activity and development, provided that they follow appropriate policies aiming at the same objective. This would clearly rule out

—subject to the qualification below—a negative rate of average growth for world reserves, or even a rate far below the 4 or 5 per cent presumptive target mentioned above.

Some countries, at least, would then be forced into unnecessarily restrictive or deflationary policies, or into devaluation of their currency, to protect themselves against a raid on their reserves by others, even if all of them geared their policy to reserve increases consonant with economic growth but higher than available increases in the world reserve pool.

Increases of world reserves even far in excess of 4 or 5 per cent would not, on the other hand, *force* inflationary policies on any country. They would, however, weaken or eliminate the barriers which reserve losses erect against such policies and which can already be circumvented far too easily through trade or exchange restrictions or currency devaluation. Moderation in the expansion of world reserves can at least prevent some countries from financing their own in-

flationary excesses through unwanted transfers of real resources from the countries which pursue non-inflationary—or even simply less inflationary—policies.

A final qualification must be mentioned. High rates of world reserve increases might be necessary, or at least desirable, to make up for an initial shortage, or to offset an excessive hoarding of reserves by some countries, due to their pursuit of needlessly deflationary or restrictive policies. Lower levels of increase, on the other hand, may prove sufficient if they happen to be supplemented, for the countries pursuing reasonable policies, by large reserve losses from countries whose reserves were initially excessive, or which pursue inflationary policies at the cost of unwanted reserve losses. The importance of this qualification will be made apparent presently.

Reserve increases, for the world as a whole (see table 2), have averaged the very modest level of 2.8 per cent a year over the last fifteen years (1950-1964) in spite of much higher rates of increase of money supply in most countries and of world trade itself: 6.8 per cent for world imports over the same fifteen years, and 8.5 per cent over the last five years (1960-1964). Yet the United Nations indices of import prices, expressed in dollars—as the reserve increases quoted above—show average price rises of less than 0.5 per cent a year for the period as a whole, although substantially higher ones—about 2 per cent a year for the developed areas—in the last two years of the period (1963 and 1964).

All in all, world reserve increases well below the presumptive target of 4 to 5 per cent a year mentioned above do not seem therefore to have

elicited any pervasive deflationary tendencies in the world economy. A large part of the explanation, however, may lie in the fact that reserve increases for countries other than the United States were sustained at a much higher average level over this period—6.8 per cent a year, in fact exactly the growth rate of world trade—by the enormous net reserve losses of the United States. These account indeed for more than two thirds of the gross reserve increases of other countries. This vast redistribution of United States reserves to the rest of the world—well in excess of needs at the beginning of the period—corresponded, partly by design but largely by accident, to the last qualification ventured above regarding the calculation of desirable increases in the pool of world reserves.

It also explains the opposite views put forward by the United States and the United Kingdom, on the one hand, and by the continental European countries on the other, regarding the adequacy or shortage of international reserves in relation to needs.

## 2. Factors determining reserve creation

The factors determining reserve creation under our present monetary system do not bear any relation whatsoever to any rational criteria of legitimate reserve requirements. Gold remains, in theory, the base of the system, but has been increasingly supplemented by foreign exchange reserves, held primarily in the form of short-term dollar and sterling claims on the United States and United Kingdom banks and Treasuries. Net claims of member countries on the International Monetary Fund, accumulated through gold sub-

Table 2

### AVERAGE YEARLY GROWTH RATES OF RESERVES, IMPORTS AND MONEY SUPPLY, 1950-64

	<i>Reserves</i>	<i>Imports</i>	<i>Money supply</i>
I. <i>Reserve centres</i>	-2.9	6.1	2.7
A. United States	-3.0	5.5	2.7
B. United Kingdom	1.9	4.0	2.5
II. <i>All other countries</i>	7.0	7.3	
A. European Economic Community	14.7	10.0	9.7
B. Other Paris Club countries	6.8	9.5	10.3
C. Other developed areas	7.0	6.4	
D. Less developed areas	1.2	4.4	

SOURCE: Basic estimates are taken uniformly from *International Financial Statistics*, and expressed in United States dollars.

NOTE: Money supply estimates are recalculated in terms of United States dollars, in order to permit aggregation and comparability with other estimates. This time-consuming process has not been carried out here for all countries, particularly in view of the added difficulties resulting from multiple rate practices in a large number of them.

scriptions to the Fund's capital and net drawings of a member's currency by other members, constitute a third, and lesser, source of international reserves.<sup>3</sup>

1. Annual increases in gold reserves are determined by the hazards of gold production in the West *minus* the gold absorbed by the arts, industry, hoarding, and speculation, *plus* the gold sales (or *minus* the gold purchases) of the USSR, China and other communist countries, in Western markets.

(a) The sharp increase of private gold purchases in recent years, and particularly since 1960—more than 1,000 million dollars a year, or about 82 per cent of gross production—has reduced to a mere trickle the amounts of gold contributed by Western production to the gold reserve pool: about 405 million dollars a year in the 1950's, but only 235 million dollars, on the average, in 1960-64, representing no more than 10 per cent of reserve increases over these years, and fluctuating widely between 130 and 300 million dollars a year.

(b) Communist countries' gold sales in Western markets have contributed nearly 50 per cent more than Western gold production to central banks' reserves in 1960-64: about 340 million dollars a year, with lows of 200 million dollars in 1960 and 1962, and as much as 550 million dollars in 1963.

2. The contribution of gold to the world reserve pool has been dwarfed by that of foreign exchange holdings, fed mostly by United States and United Kingdom deficits: about 7,390 million dollars in all over the years 1960-64, i.e. 1,480 million dollars a year, or 65 per cent of gross reserve accumulation over the period as a whole. This dominant source of reserve creation, however, is also the most volatile of all, depending as it does not only on the balance-of-payments fluctuations of the United States and the United Kingdom, but also on the willingness or reluctance of central banks to retain dollars and sterling balances in their reserves rather than convert them into gold. The contribution of short-term foreign exchange debts to the world reserve pool was as high, for instance, as 2,560 million dollars in 1960, owing primarily to huge United States deficits in that year, but actually negative—and for opposite reasons—in 1957 and in the first six months of 1965. In 1957, ephemeral United States surpluses, associated with the Suez crisis, reduced the *supply* of United States foreign exchange

debts to the world reserve pool by nearly 800 million dollars. In the first half of 1965, on the other hand, a massive contraction of 2,175 million dollars in foreign exchange reserves reflected the massive liquidation of dollar and sterling balances accumulated by central banks over many years past.

3. Net reserve positions in the International Monetary Fund—*minus* gold purchases or *plus* gold sales by the Fund and the Bank for International Settlements—constitute a third, and lesser source of reserve increases: about 80 million dollars a year, on the average, in the 1950's and 210 million dollars a year in 1960-64 accounting for only 9 per cent of total reserve increases over the latter period. It may be called upon to play an increasing role in the future, but can do so only as the result of profound reforms in the present gold-exchange standard, to be discussed in later sections of this paper (see table 3).

### 3. *The adjustment of supplies to needs*

It is hardly necessary to conclude that the system described above does not provide any rational methods of adjustment of reserve supplies to reserve needs. The hazards of gold production—particularly in a country threatened with racial war—of the whims or policies of the Kremlin, of United States and United Kingdom balance-of-payments deficits, of private gold purchases for industrial, artistic, hoarding, and speculative purposes, and of central bankers' preferences as between gold, sterling and the dollar, would hardly be expected to add up to the amounts of reserves needed annually to sustain non-inflationary rates of economic expansion.

Total increases in world reserves from these various sources have indeed fluctuated, for instance, from less than 400 million dollars in 1962 to more than 3,400 million dollars in 1963. The basic erraticness and irrationality of such a system of reserve creation are the first and most blatant defects calling for correction and reform.

A second, and closely related, problem is that of the short-run vulnerability and long-run unviability of the large and growing foreign exchange component of world reserves. Central banks are legally free to shift, at any time, from dollars, sterling, or other foreign exchange assets, into gold. They did so, indeed on a massive scale in the first half of 1965, when the developed countries other than the two reserve centres—the United States and United Kingdom—liquidated, over the short space of six months 3,200 million dollars of their foreign exchange holdings. Less

<sup>3</sup> International Monetary Fund credit tranches and standby agreements and bilateral swap and swap standby agreements are classified as "credit facilities" rather than as reserves proper. See below p. 17.

Table 3  
SOURCES OF WORLD RESERVE INCREASES, 1950-JUNE 1965  
(At average yearly rates)

	In millions of United States dollars			As a percentage of totals I and II		
	1950-59	60-64	Jan.-June 1965	50-59	60-64	Jan.-June 1965
I. Countries other than reserve centres	1 556	3 324	-200	100	100	-100
A. Western gold	406	234	-60	26	7	-30
1. Production	939	1 289	1 400	60	39	700
2. Private absorption (—)	-533	-1 056	-1 460	-34	-32	-730
B. USSR gold sales	116	340	—	7	10	—
C. International institutions <sup>a</sup>	35	46	528	2	1	264
D. United States and United Kingdom net reserve losses	999	2 461	620	64	74	310
1. United States	1 205	2 065	-128	77	62	-64
(a) Gross assets	452	966	1 820	29	29	910
(b) Reserve liabilities	753	97	-1 948	48	33	-974
2. United Kingdom	-206	396	748	-13	12	374
(a) Gross assets	-105	97	-952	-7	3	-476
(b) Reserve liabilities	-101	299	1 700	-6	9	850
E. Other foreign exchange, errors and omissions	—	243	-1 288	—	7	-644
II. World gross reserves	1 209	2 261	-1 068	100	100	-100
A. Liabilities of reserve centres (ID 1b and 2b)	652	1 398	-248	54	62	-23
B. Other sources (IA, B, C and E)	557	863	-820	46	38	-77

SOURCE: *International Financial Statistics*.

<sup>a</sup> Increases of reserve positions in the International Monetary Fund, minus increases in Fund and Bank for International Settlements gold holdings and United Kingdom and United States liabilities to the Fund (the latter being included in United States and United Kingdom net reserve losses, but not in gross reserves).

than 700 million dollars of this amount corresponded to gross reserve losses associated with over-all balance-of-payments settlements. The largest portion by far (more than 2,500 million dollars) represented a shift from foreign exchange holdings in national currencies—primarily dollars and pounds sterling—into gold (1,545 million dollars) and gold-value guaranteed claims on the International Monetary Fund (965 million dollars) (see table 4).

The threat posed to the reserve currencies—and thus to the international reserve system itself—by such sudden and massive conversions would be bound to rise year after year if the growth of world reserves continued to be fed, in the future as it has been in the past, by the precarious piling up of United States and United Kingdom IOU's in the books of other central banks. The Group of Ten unanimously came,

more than a year ago,<sup>4</sup> to the obvious conclusion that this process could not continue indefinitely. Yet its cessation would—as we have seen above—dry up at the source the foreign exchange inflows on which the world has come to depend for as much as two thirds of total reserve growth over recent years.

The gold-exchange standard mechanism thus carries within itself the seeds of its own destruction. Its process of reserve creation is not only highly erratic and increasingly vulnerable, but is bound to lead, sooner or later, either to a sudden collapse, as in 1931, or to a gradual tapering off of the reserve increases necessary to sustain feasible rates of growth in world trade and production.

<sup>4</sup> *Ministerial Statement of the Group of Ten and Annex Prepared by the Deputies*, August 1964.

#### B. ALTERNATIVE REFORM PLANS

The reforms needed for the survival of an orderly international monetary system have been, over the last five years, a constant topic for studies and negotiations, at the highest level,

among national and international experts and officials. A number of steps have been taken already, and served the crucial function of gaining time for the more protracted discussions

**Table 4**

LIQUIDATION (—) OF FOREIGN EXCHANGE RESERVES IN THE FIRST HALF OF 1965  
(In millions of United States dollars)

	Total (a)	Over-all reserves (b)	Reserve switches		
			Total (c=b-a= d+e) (c)	To gold (d)	To IMF (e)
I. <i>Industrial Europe</i>	-2 125	+20	+2 145	+1 435	+700
Germany	-706	-430	+276	+130	+146
France	-459	+429	+887	+704	+183
Italy	-346	+128	+474	+277	+197
Switzerland	-178	-113	+64	+64	...
Netherlands	-142	-10	+132	+68	+64
Belgium	-103	+72	+175	+112	+63
Denmark	-167	-135	+30	+5	+25
Austria	-96	-33	+63	+63	—
Sweden	+33	+77	+43	+13	+30
Norway	+35	+35	—	—	—
II. <i>Other Europe</i>	-490	-235	+255	+220	+35
Spain	-262	-63	+198	+164	+34
Finland	-83	-84	—	—	—
Ireland	-47	-46	+1	+1	—
Portugal	-45	-21	+24	+24	—
Other countries	-50	-20	+30	+30	—
III. <i>Other developed areas</i>	-585	-480	+110	-110	+220
Canada	-258	-66	+191	+63	+128
Japan	-82	+6	+88	+23	+65
Australia, New Zealand and South Africa	-247	-418	-170	-195	+25
IV. <i>Total</i>	-3 200	-695	+2 510	+1 545	+965

SOURCE: *International Financial Statistics*.

NOTE: Total reserve switches (column c) into gold (column d) and reserve position in the International Monetary Fund (column e) equal, with reverse signs, total sales (—) of foreign exchange (column a) minus the portion absorbed by the settlement of over-all balance-of-payments deficits, or plus the foreign exchange currently accruing from balance-of-payments surpluses (column b).

necessary to agree on the fundamental reforms whose long-run indispensability is no longer denied. Bilateral swap and swap stand-by agreements have been concluded by the United States with a dozen major countries, in order to provide, with maximum speed and discretion, short-term credits in case of need. Agreements have also been reached among the main central banks to co-ordinate somewhat their interventions in the London gold market. Medium-term bonds, carrying guarantees against exchange risks, have been placed by the United States with a number of central banks in order to bolster their willingness to refrain from excessive conversions of unrequired dollars into gold. Recurrent sterling crises have been plugged by large purchases of sterling by central banks, undertaken on a multilateral but extremely short-term basis, and liquidated a few months later

through United Kingdom drawings on the International Monetary Fund (sterling claims being exchanged, in effect, for claims on the Fund). The General Arrangements to Borrow were negotiated to replenish the Fund's holdings in the currencies of the major creditor countries, when depleted as a result of these, and other, operations. Finally, some modest increases in Fund quotas have been agreed by members and should come into operation in the near future.

These and other measures and policy actions have enabled the world to live dangerously over the last few years, but are obviously far short of the reforms needed to consolidate and improve the long-run functioning of the international monetary system, and which are now under active consideration by the Fund, the Group of Ten, and the United Nations Conference on Trade and Development.

### 1. *An emerging consensus*

The first report of the Group of Ten, in August 1964, and the 1964 Annual Report of the International Monetary Fund gave most encouraging signs of the revolutionary progress of official thinking on the major issues involved. The diagnosis of the problem revealed a unanimous consensus regarding the basic defects of the present system, very much along the lines summarized in the first section of this paper. Both reports agreed that gold production had long been, and would remain, vastly insufficient to assure a satisfactory growth of world reserves and that the United States dollar could not be expected to continue to fill the whole gap between available gold supplies and the minimum reserve requirements of an expanding world economy.<sup>5</sup>

Both reports were still somewhat vague and tentative with regard to the exact nature of the reforms that might be proposed later. Yet agreement was also reached on a number of important conclusions, both negative and positive.

Among the possible solutions of the problem, two were firmly and unanimously discarded at the very outset of the investigation: a revaluation of the price of gold and a recourse to flexible exchange rates. The "communiqué" of 2 October 1963, recording the establishment of the Group of Ten had stated: "In reviewing the longer-run prospects, the Ministers and Governors agreed that the underlying structure of the present monetary system—based on fixed exchange rates and the established price of gold—has proven its value as the foundation for present and future arrangements." The same view was quoted and reaffirmed in the August 1964 Report.

The Deputies also rejected as a solution any proliferation of the reserve currencies: "There is no immediate prospect of any other currency assuming the function of an international reserve currency. Indeed, at the present juncture such a development could raise problems without substantially strengthening the system."<sup>6</sup> Indeed by opening the door to reserve shifts from one currency into another—as well as from currencies into gold—such a proliferation would increase the instability of the system.

<sup>5</sup> See *Annex Prepared by Deputies*, sub-paragraphs 25 (a) and (b) and *1964 Annual Report of the IMF*, p. 31. Sterling was not mentioned in this connexion in either report.

<sup>6</sup> See *Annex Prepared by Deputies*, sub-paragraph 25 (c). Since this follows a sub-paragraph (b) referring to the reserve role of the dollar alone, the words "any other currency" mean "any currency other than the dollar" and would imply a recognition by all—including the United Kingdom—that sterling has already ceased to be acceptable as a truly international reserve currency.

"Recently developed bilateral facilities for swaps and *ad hoc* support operations have already, in periods of stress, been effective in maintaining orderly conditions for international payments in the exchange market. They should ... continue to play an essential role...." Extremely important, however, are the two passages deleted by me from this quotation and now cited separately to highlight their importance: "within a suitable framework for multilateral surveillance" and "for short-term purposes."<sup>7</sup> The International Monetary Fund Report spelled out more bluntly the meaning of "short-term" by stating that bilateral swap arrangements "are not appropriate to meet disequilibria for more than a few months." The Fund also stressed the fact that "the possibility of undertaking such arrangements is in practice open only to a relatively restricted group of countries. By contrast, multilateral institutions can extend the scope of their operations to a world-wide membership."<sup>8</sup>

Both reports, therefore, clearly rejected bilateral arrangements of this sort as meeting the need for long-run, permanent reserve increases. They were grouped, in the Deputies Report, with the Fund's transactions themselves, not as sources of reserve creation, but as "credit facilities" that "will continue to play an essential part in financing imbalances. Particularly for *medium-term* credit, the IMF fulfils a valuable and unique function and should continue in its central role".

Turning now to the more positive and constructive recommendations of the report, we must take notice of two bold recommendations unanimously endorsed by both reports.

The first is that "the need may in time be felt for some additional kind of reserve asset. We think it would be timely to investigate the problems raised by the creation and use of such an asset, the possible forms it might take and the institutional aspects associated with it."<sup>10</sup> While this revolutionary conclusion was understandably couched in extremely cautious language, a "Study Group on the Creation of

<sup>7</sup> *Ibid.*, sub-paragraph 25 (f).

<sup>8</sup> *1964 Annual Report of the IMF*, p. 33.

<sup>9</sup> *Annex Prepared by Deputies*, sub-paragraph 25 (e). Italics are mine. It was also noted later, however, under sub-paragraph 25 (g) that "when credits provided by monetary authorities are availed of by the debtor, a form of reserve asset is created in the process." This qualification opens the door to the use of the Fund for reserve creation purposes, but would, of course, require new resources and procedures to meet this objective—unforeseen in the Articles of Agreement—and particularly to avoid—or compensate for—the "reserve destruction" implicit in medium-term repayment obligations.

<sup>10</sup> *Ibid.*, sub-paragraph 25 (d).

Reserve Assets" had nevertheless been established already by the time the report was issued.

The second major conclusion of the Group of Ten was that "the process of adjustment and the need for international liquidity are closely interrelated... The need being to supply sufficient liquidity to finance temporary payments imbalances without frustrating the required process of international adjustment in individual countries, it is desirable to bring under multilateral review and appraisal the various means of financing surpluses or deficits". Various steps were therefore taken by the Group to "provide a basis for multilateral surveillance of the various elements of liquidity creation".<sup>11</sup>

The Managing Director of the International Monetary Fund, Mr. Schweitzer, rightly interpreted this conclusion, in several speeches, as indicating "the emerging consensus among the international community that the creation of international liquidity, like the creation of domestic liquidity, should become a matter of deliberate decision".

## 2. Negotiating divergences among the Ten

### (a) Basic differences

The agreement skilfully reached and worded in the August 1964 report of the Group of Ten disguised, however, fundamental differences between the two reserve currencies debtors—the United States and the United Kingdom—and the major reserve currencies creditors—the continental European countries, particularly France.

The reserve currencies debtors focused attention on the shortage of liquidity and viewed any new reserve asset to be created only as a *supplement*, but not as a *substitute*, for already existing forms of liquidity creation. It would be absurd, they argued, to put upon this new and untried liquidity asset any more burden than would prove strictly necessary. As long and in so far as dollars and pounds can fill the gap between insufficient gold supplies and legitimate liquidity requirements, this traditional and familiar form of reserve-holding should be encouraged, rather than discouraged. The new reserve asset should be used only to supplement it, in case of need.

The Europeans, on the other hand—particularly the French Minister of Finance, Mr. Giscard d'Estaing, disagreed both with this diagnosis and with the prescription following from it. The major defect of the present system of reserve creation is its *haphazardness*, which may trigger inflationary excesses as well as deflationary shortages, and has indeed done so in recent years and

continues to do so today, owing primarily to its monetization of huge and persistent deficits of the reserve currency countries. The mere insertion of an additional type of reserve asset into the system would not remedy this situation and might indeed aggravate it if it were used, under powerful political pressure by the United States and/or the United Kingdom, to mop up *ex post* the dollar and sterling balances arising from further deficits of these two countries whenever central banks refused to accumulate and retain them voluntarily as reserves.

These economic arguments of the French Finance Minister were blown up into a major political argument by President de Gaulle in his press conference of 4 February 1965. Why should the two richest countries of the world be allowed to monopolize the benefits of international reserve creation for the financing of their own deficits? Why should the Bank of France be expected to participate—by its purchases of dollars—in the financing of United States policies in which France has no voice, and with which she might be in fundamental disagreement? Are not the United States deficits ascribable, at least in part, to the flurry of United States private investments abroad—substituting United States for French ownership—to United States assistance to Chiang Kai-shek, to the escalation of the war in South-east Asia, etc.?

If new reserve assets are to be created, it should be by joint decisions, for agreed purposes, and to replace—rather than merely supplement—the economically irrational and politically unacceptable privilege now enjoyed in this respect by the two Anglo-Saxon currencies.

A second major source of disagreement within the Group of Ten related to the distribution of voting power in the collective decision-making process to be adopted. The United Kingdom and the United States, finding themselves in a small minority in the Group of Ten, argued that since the decisions called for would affect the interests of the world at large, they should be taken by a world body, the International Monetary Fund, rather than by any restricted group increasingly dubbed "the rich nations' club". The countries of the European Economic Community, on the other hand, were unwilling to run the risk of being too easily outvoted in the Fund's Executive Board in which they hold only about one fifth of the voting power, while contributing currently more than 70 per cent of the resources actually used by the Fund. They were understandably reluctant to abandon vital decisions as to the size and management of their additional contributions to an Executive Board in which present—and prospective?—net bor-

<sup>11</sup> *Ibid.*, paragraphs 5, 25 (h), and paragraph 37.



rowers control nearly two thirds of the total voting power (see table 5).

The Europeans thus favoured retaining control within the Group of Ten itself, in which they commanded a clear majority. The most conservative of the countries' representatives even insisted, in spite of this majority, that future decisions would continue to require a unanimous vote, thus allowing even a single country to veto any creation of new reserve assets which it might regard as inflationary.

(b) *Initial negotiating proposals and approaches*

These basic divergences—and others—are reflected in the diversity of proposals advanced by the participating members of the Group of Ten, which are briefly summarized below.<sup>12</sup>

The only concrete and detailed plan presented to the Group of Ten is that of the French. It initially envisaged the possible future creation of so called "composite reserve units" (CRU) distributed among the members of the group only, in strict proportion to each country's gold reserves. Later reserve settlements among the participating countries would be effected through simultaneous transfers of gold and CRU reserves, in accordance with the over-all proportions of these two types of reserve assets outstanding at the time of such settlements as a result of the cumulative creation of CRU's in the past. Dollar, sterling and other foreign exchange balances would be excluded from such settlements among the participating countries, and outstanding balances would be gradually replaced also by CRU balances. Other countries, regarded as belonging to the dollar or sterling areas could continue however, to accumulate and retain dollar or sterling balances in reserves if they so wished. Finally, all decisions relating to the creation of new composite reserve units would be taken by unanimous vote, and each country would retain the right to convert its accumulated CRU balances into gold at any time, even though this would presumably entail, in effect, its withdrawal from the system and, if imitated by other members, might trigger off its enforced liquidation.<sup>13</sup>

<sup>12</sup> A fuller account is precluded by the secrecy surrounding the negotiations and would be of little value anyway in view of the highly precarious significance of mutually incompatible "negotiating positions", reconcilable only through radical alterations in the course of future negotiations. For a painstaking record and analysis of these negotiating divergences, see the *Report of the Study Group on the Creation of Reserve Assets*, released on 31 May 1965, and referred to below as the "Ossola Report".

<sup>13</sup> While the CRU technique as such was closely modelled upon the original proposals of E. M. Bernstein, they were inserted by the latter in an extremely expansionist—rather than conservative—framework, pre-

The French plan seems to have been substantially endorsed by the Dutch, but to be acceptable only in part by the other countries of the European Economic Community. All of them agreed on the need to erect strong barriers against inflationary abuses of any new technique for reserve creation and to isolate the creation of "earned", "owned", "unconditional" reserves "to hold", from the creation of "borrowed", "conditional" reserves "to spend" and thus finance any individual country's balance-of-payments deficits. They also wished to keep the creation of new reserve assets under the effective control of the Ten, but recognized on the other hand the desirability of inserting it within the world-wide framework of the International Monetary Fund. The German and Italian representatives, moreover, showed particular interest for proposals aiming at a more "harmonious" composition of reserves as between gold and foreign exchange. While logically attractive, of course, this position also corresponded to their own interest, since they held a relatively smaller proportion of their total reserves in gold than the other EEC countries, and a larger one in "unrequired" foreign exchange balances. Finally, Belgium pressed particularly for the adoption of legal techniques aimed at strengthening—and making more obvious—the fully liquid and transferable character of the new reserve assets, and their unquestionable eligibility as a normal component of monetary reserves.

The United States, the United Kingdom, Sweden, Canada, and Japan generally stressed the need for reserve expansion and for weighted IMF voting rather than for unanimous decisions restricted to the Group of Ten. The first two countries—particularly the United States—insisted particularly on the need to avoid any weakening of the traditional role of their own currencies in the *process of reserve creation*. The British, however, were more willing than the United States to grant exchange-value and even gold-value guarantees on reserve currency holdings, to the extent necessary to induce foreign central banks to accumulate and retain them in settlement of their future surpluses, and refrain from "de-stabilizing" and "deflationary" conversions of such holdings into gold-metal.

(c) *Prospective compromises?*

These opposite views hardened into a monetary "cold war" culminating in the "summit clash" between President de Gaulle and President

\_\_\_\_\_ serving a large role for dollar and/or sterling balances, and supplemented by substantial increases in the amount and automaticity of IMF lending. See my article on "The Bizarre Proposals of Dr. Bernstein for International Monetary Reform" in *Kyklos*, 1964, Fasc. 3, pp. 328-345.

**Table 5**

NET FUND POSITIONS AND VOTING POWER  
(As a percentage of total net claims and voting power)

	Net claims, or debts (—) <sup>a</sup>	Voting rights <sup>b</sup>	
		By country	By executive directors
I. <i>Net claims on IMF</i>	100	33.5	36.1
A. European Community	72	16.0	20.8
B. Other developed areas	28	17.5	15.3
II. <i>Net debts to IMF</i>	64	66.5	63.9
A. United States and United Kingdom	49	33.2	33.2
B. Less developed areas	16	33.3	30.7
III. <i>IMF gold</i>	43	...	
IV. <i>IMF profits = II + III — I</i>	7	...	

<sup>a</sup> As of 30 September 1965.

<sup>b</sup> As of 30 April 1965. Since the voting power of small countries is pooled and exercised in fact by an executive director elected jointly by them, but who casts a single vote for all the countries which elected him the latter column redistributes voting rights in accordance with the nationality of the executive directors.

Johnson in their respective press conferences of February 1965, and in massive gold conversions by the French and other European countries (2,300 million dollars in nine months, from October 1964 through June 1965).

Some signs of a renewed effort toward negotiations and compromises emerged, during the following months, from the European tour of Secretary Fowler in the summer, the annual meeting of the International Monetary Fund in September, and the reunion of the Group of Ten in Paris in November.

A communiqué of the Ministers and Governors of the Group of Ten, issued on 28 September, revealed three substantial concessions of the Europeans to the Anglo-American points of view:

(1) Agreement that the General Arrangements to Borrow should be renewed for a second period of four years (from October 1966 to October 1970), subject to review and adaptation in October 1968, or later;

(2) Agreement to intensify, in a first phase, their discussions of "contingency planning" regarding the "improvements needed in the international monetary system, including arrangements for the future creation of reserve assets, as and when needed, so as to permit adequate provision for the reserve needs of the world economy. The Deputies should report to the Ministers in the spring of 1966 on the progress of their deliberations and the scope of agreement that they have found".

(3) Recognition that "as soon as a basis for agreement on essential points has been reached, it will be necessary to proceed from this first phase to a broader consideration of the questions that affect the world economy as a whole. They [the Ministers and Governors] have agreed that it would be very useful to seek ways and means by which the efforts of the Executive Board of the Fund and those of the Deputies of the Group of Ten can be directed toward a consensus as to desirable lines of action, and they have instructed their Deputies to work out during the coming year, in close consultation with the Managing Director of the Fund, procedures to achieve this aim, with a view to preparing for the final enactment of any new arrangements at an appropriate forum for international discussions".

The statement of the French Minister of Finance at the IMF meeting was largely directed at drawing support from the under-developed countries and relaxed, for the first time, the rigid link which France had previously advocated between the new reserve asset and gold:

"An agreement could be made to establish a relationship between the creating of additional reserve assets and the organizing of the markets for certain commodities... It is conceivable that a distribution of additional reserve assets could take into account, among various criteria, the actual efforts made by each country in favor of developing countries."

Convergent—and obviously concerted—statements of the spokesmen for the other EEC countries put considerable emphasis on another aspect

of the problem which had been carefully avoided throughout most of the previous debates. Governor Holtrop, of the Netherlands, referred to "the instability of the system, which is partly due to the freedom of conversion from one reserve medium into another". He had himself applauded this instability at the IMF Vienna Meeting of 1961 as a protection both against excessive and inflationary accumulation of foreign currency reserves and against their massive and deflationary liquidation into gold-metal. "Now, with the benefit of recent experience, there is reason again to ask the question whether it might not be preferable to replace—at least within a limited group of industrialized countries—liberty of action in regard to switching from one reserve medium to another by certain rules of behaviour with respect to the proportion of different reserve media to be held in official reserves. And also to investigate whether the present unilateral responsibility of reserve currency countries for the consequences of fluctuations in the total volume of reserve currency held by third countries in official and non-official balances, might not be replaced by some collective sharing of that responsibility. I am convinced that the solution of these two problems should form an integral part of any future reform of the international monetary system."

Governor Blessing, of Germany, stated the view that "the most acute problem is not the artificial creation of new liquidity, but rather the danger that existing liquidity could be destroyed by a sudden run on one country or a group of countries".

The most detailed, concrete, and constructive discussion of this problem was that of Minister Colombo of Italy. Stressing also the urgent need to protect the stability of the international monetary system against the immediate danger that the volume of reserve may contract as a result of sudden or massive switches from reserve currencies into gold, he advocated concerted moves toward a more harmonious composition or reserves as between gold and credit assets, and the conversion of unrequired currency balances either into IMF claims or mutual currency accounts.

Finally, Governor Ansiaux, of Belgium, propounded changes in the Fund's Articles of Agreement designed to enhance the acceptability and attractiveness of credit claims on the Fund as international reserves for central banks: exchange-value guarantees, unconditional and liquid usability for balance-of-payments settlements, free transferability, etc.

The statements of the United States and United Kingdom Governors were far less ex-

PLICIT, Secretary Fowler emphasizing that "the United States is wedded to no specific plan, . . . are impressed with the wide variety of technical possibilities which have been developed in the writings of distinguished economists here and abroad;" and Chancellor Callaghan "making it clear that we in the United Kingdom are ready to consider with an open mind all of these proposals that have been brought forward. The major requirement in my view is that we should make a maximum effort to secure the agreement of all parties legitimately concerned on the way the international monetary system should develop. There is no advantage to the world in all of us holding fast to our particular preferences for achieving such evolution if the result should be that we were not ready to meet the need deliberately to create more reserves as that need arises".

These indications of flexibility in the United States and United Kingdom approaches to future negotiations were reinforced by the publication of former Under Secretary of the Treasury Roosa's volume on *Monetary Reform for the World Economy* (Harper and Row, 1965), which was widely regarded—rightly or wrongly—as reflecting the trend of official thinking in the United States and suggested a possible relaxation of former United States opposition to:

(1) Exchange-value or even gold-value guarantees on United States indebtedness to central banks;

(2) Special voting-power provisions reinforcing the influence of prospective European contributors in all decisions regarding the size and management of any additional reserve asset to be created in the future;

(3) The acceptance of some sort of CRU formula for the creation and distribution of this new reserve asset.

### 3. *The International Monetary Fund proposals*

The views of the Fund itself on a problem so central to its responsibilities and objectives are set forth most authoritatively, but also most cautiously and guardedly, in the 1964 and 1965 annual report of its Executive Board. The Executive Directors, however, could hardly be expected to disagree with the positions adopted in the Group of Ten negotiations by the countries of which they are themselves the representatives in the Fund. Nor could they be expected to agree on any specific proposals on which their countries were still at loggerheads in these negotiations. Given these constraints, the comments of the Executive Directors may be regarded as remarkably positive and suggestive.

They refer to the focus placed by the Group of Ten studies "on the deliberate creation of reserves by collective international action in the light of an appraisal of the general need for reserves rather than on their creation in response to immediate needs of particular countries for balance of payments assistance".<sup>14</sup> While recognizing that "the task of influencing the total level of world reserves could be carried out by a new institution..." they stress the arguments that can reasonably be offered to support the view that "a matter which is of concern to all countries should be handled in an institution that has been organized as an instrument of financial co-operation on a world-wide basis".<sup>15</sup>

After noting the agreements already reached, or in prospect, regarding quota increases and the renewal of the General Arrangements to Borrow, they focus on the specific contributions which the Fund could make toward the supply of "unconditional" liquidity.<sup>16</sup> Unconditional liquidity is already created, under the present system of operations of the Fund, for any member whose "automatic" gold tranche, or reserve position, with the Fund increases as a result of drawing of its currency by other members. This creation of unconditional liquidity, however, occurs "only as a by-product of drawings, and in amounts that are small compared with total quotas".<sup>17</sup>

Three new techniques are mentioned as possible ways for the Fund to expand systematically unconditional liquidity if and when this is deemed desirable.

The first would be to enlarge automatic borrowing rights beyond the gold tranche, into some portion of the present credit tranches. The second would be "to substitute for a portion of the gold subscription of the Fund an alternative method of payment, e.g., by means of gold certificates".<sup>18</sup>

Either of these two methods, however, would enlarge automatic drawing rights on the Fund without supplying it with the resources necessary to honour such drawings in the creditor currencies needed by members for balance-of-payments settlements. By the end of October 1965, for instance, the Fund had already been forced to replenish its depleted holdings of EEC currencies through gold sales and GAB borrowings for a total amount of more than 1,600 million dollars. Yet in spite of this, its total

holdings of these currencies had dropped to less than 500 million dollars. Any enlargement of the Fund's lending commitments might quickly prove unsustainable and illusory, therefore, if it were not accompanied by a parallel expansion of its access to the creditor currencies needed to finance such lendings.

The third technique suggested by the Fund is directly inspired by the nature of the problem to be solved—i.e. the prospective shortage of liquidity—rather than by efforts to meet it indirectly as a by-product of its traditional lending operations. Fund investments, in currency or in gold, would be undertaken on the initiative of the Fund, rather than of any individual country, for the very purpose of creating liquidity, rather than in response to any particular balance-of-payments need. They might be distributed among all member countries, or on a selective basis to support jointly agreed policies.

The resources needed to finance such investments would be provided under negotiated lines of credit, by "deposits" according to suitable criteria, or in other ways. "In order that the Fund's investment should in fact increase unconditional liquidity, it would be essential that members treat the resulting liquid claims on the Fund as reserves.... The precise nature of these Fund liabilities (i.e. members' reserves assets) would have to be worked out, but could include at least the following: (1) the facility of the asset to be cashed in for useful currency at least as freely as gold tranche position or, alternatively, to be transferred directly to other members; (2) a gold-value guarantee; (3) interest at a modest rate reflecting the gold value of the claim. It will be noted that claims under the General Arrangements to Borrow have these three characteristics."<sup>19</sup>

#### 4. Report of UNCTAD's experts

The *Report of the Group of Experts*<sup>20</sup> appointed by the United Nations Conference on Trade and Development draws essentially—as pointed out in paragraph 70—on the studies under way in the Fund and in the Group of Ten, facilitating thereby the dialogue between them and the under-developed countries which had, so far, played little or no role in a negotiation in which their interests are also vitally involved.

It gives only lukewarm endorsement, "as a preliminary or interim stage in the process of deliberate reserve creation" to the Fund's suggestion for "the extension of automatic drawing

<sup>14</sup> 1965 *Annual Report of the IMF*, p. 15.

<sup>15</sup> *Ibid.*, p. 18.

<sup>16</sup> The distinction properly drawn by the Group of Ten between the creation of liquidity and the provision of credit facilities was referred to on p. 18, above.

<sup>17</sup> 1964 *Annual Report of the IMF*, p. 38.

<sup>18</sup> *Ibid.*, p. 38.

<sup>19</sup> 1964 *Annual Report of the IMF*, p. 39, and 1965 *Annual Report*, p. 19.

<sup>20</sup> *International Monetary Issues and the Developing Countries*, Doc. TD/B/32 and TD/B/C.3/6, 1 November 1965.

rights, of the type now applied in the gold tranche, into the credit tranches," (paragraphs 84 and 85) and reserves its main fire for the ways and means ensuring maximum benefits for the under-developed countries from the setting up of a mechanism... "devised for the 'deliberate creation of reserves by collective international action in the light of an appraisal of the general need for reserves,' in place of primary reliance [as of now] upon largely fortuitous accretions of monetary stocks of gold and upon reserve currency holdings arising from the deficits of reserve centres" (paragraph 67 (a)).

While the words quoted in this passage are taken from the 1965 *Annual Report* of the Fund (p. 15), the concrete mechanism later propounded by the UNCTAD experts is essentially based on the French CRU proposal, considerably revamped to fit the under-developed countries' objectives. Participation would be extended beyond the Group of Ten to all members of the Fund (paragraph 77) and even to "countries not now members, if they are prepared to take part in both the benefits and the obligations of new monetary arrangements designed to serve the interests of the international community as a whole" (paragraph 68 (d)).

The mechanism is operated by the Fund, rather than by a separate Agent and *presumably* [italics mine] the rule of unanimity gives way to weighted voting. The CRU units are re-baptized "Fund units in the new context... Otherwise the system could conceivably be reproduced exactly as before" (paragraph 74).

That is to say, Fund units, endowed with a gold guarantee, would be created in amounts determined each year by the participating countries, and distributed among them in accordance with some agreed formula, against counterpart deposits of their own national currencies. They would be held exclusively by the monetary authorities and used only for balance-of-payments settlements, together with gold and in a uniform ratio with it, this ratio being equal to the aggregate ratio of outstanding Fund units to gold reserves at the time of settlement. Gold and Fund units would be reshuffled periodically among the participants in order to restore the agreed proportion of Fund units to gold in the global reserves of each country.<sup>21</sup> Finally, "the counterpart deposits of national currencies would be called upon only in the event of the withdrawal of a member, the liquidation of the system or a decision to cancel part of the outstanding total of CRU's" (paragraph 71).

<sup>21</sup> See my article on "The Bizarre Proposals of Dr. Bernstein for International Monetary Reform" in *Kyklos*, 1964, Fasc. 3, pp. 333-337.

The final provision just quoted, however, glosses over—to say the least—the crucial revamping of the CRU plan entailed by the experts' later proposal that the counterpart deposits of the developed countries be lent by the Fund "to the World Bank and its affiliates for investment in the developing countries, receiving IBRD bonds in exchange. This would not alter the total of Fund Units created in the light of the world monetary situation nor to any significant extent the distribution of these Units between developed and developing countries, taken as a whole. But it would mean that each developed country would have to compete for the additional orders for development goods engendered by the World Bank investments, in order to retain the full addition to its reserves represented by the initial distribution of Fund Units. To the extent that each country's share in the additional orders (or, more strictly, in the aggregate trading surplus corresponding to the Bank finance) matched the share of its currency in the Bank loan expenditure, the initial distribution would remain intact; otherwise there would be some reshuffling of reserves amongst developed countries according to the pattern of excesses and short falls between orders secured and currencies contributed. This reshuffling could, of course, affect only that part of the original reserve creation in respect of which the counterpart currencies were lent to the Bank, and not that part in respect of which the counterpart currencies were retained by the Fund," (paragraph 81).

This proposed link between the creation of reserves needed for monetary purposes, on the one hand, and international development financing, on the other, constitutes to my mind the most valid and significant aspect, by far, of the experts' recommendations. A whole chapter of their report (Chapter IV) is devoted to further clarification of the complex issues involved, and to defence of the "propriety" of such a link against traditional and obvious objections, inspired by deep-rooted confusions between the restraint within which an individual banking firm must operate to safeguard its solvency and liquidity, and the totally different criteria that should guide the policies of national monetary authorities and, even more, those of international reserve creation within a world-wide framework.<sup>22</sup>

Far more controversial to my mind—for reasons that will be made clearer in the last section of this paper—is the experts' endorsement of the CRU proposal for the initial distribution of Fund units on the basis of a rigid

<sup>22</sup> For a fuller discussion, see pp. 26-28, below.

formula, bearing little or no relation to the actual need for—and usability of—the counterpart deposits to be handed over to the Fund. Among the three alternative formulas mentioned in this respect in the Ossola Report, the UNCTAD experts retain the one—i.e. the proportionate share of each participating country in the IMF quotas—which would maximize the share allotted to the under-developed countries. (See table 6.) Even then, the share allotted to all the under-developed countries, taken together, is no more than 24 per cent, of which 9 per cent is for Latin America as a whole. If the more defensible test of “total reserves” prevailed in fact in the negotiations, these ratios would drop further to 15 per cent and 4 per cent, respectively.

**Table 6**  
ALTERNATIVE CRITERIA FOR DISTRIBUTION  
OF FUND UNITS

(As a percentage of world totals, as of mid-1965)

	Gold	Total	IMF
	reserves	reserves	quotas
I. <i>Under-developed countries</i>	17	15	24
Latin America	3	4	9
Others	4	11	15
II. <i>Developed countries</i>	93	85	76
Group of Ten <sup>a</sup>	86	73	66
Others	8	12	10
III. <i>World Totals</i>	100	100	100

<sup>a</sup> Including Switzerland in first two columns.

### C. CONVERGENT INTERESTS AND OPERATIONAL SOLUTIONS

The Ossola Report sets forth, most clearly and usefully, the various arguments with which the Group of Ten negotiators justify their opposite answers and solutions to the basic questions on which they will have to agree, in the end, if the present system is not to drift inexorably toward collapse and chaos.

The same questions will be examined below—although in different order—in the light of the convergent interests of all countries, under-developed as well as developed, debtors as well as creditors, in the long overdue readjustment of our haphazard, vulnerable, and outdated international monetary system to the operational requirements of orderly, non-inflationary, growth of the world economy. This examination may

This provides a first—even if purely cyclical and nationalistic—reason for the under-developed countries not to waste their negotiating ammunition on such a feeble objective, but to direct it instead toward the use of a sizable portion, at least, of counterpart deposits for development financing.

The second reason justifying this strategy, on broader grounds, is that the only currencies really useful and usable for this purpose, as well as for the monetary stabilization purposes of the IMF, are those of the surplus countries to which settlements have to be made by the others. The allocation of Fund units to a country should not be regarded as a privilege, but as compensation for its willingness and ability to transfer real resources to the countries in deficit. The currencies which the Fund should purchase against Fund units are those which the deficit countries need and of which the Fund is running short: not Brazilian cruzeiros, Argentine pesos, Chilean escudos, Indian rupees, etc. with which its coffers are already overflowing, but French francs, German marks, Italian lire, Austrian schillings, etc.

This is not to say that this situation may not change in the future. On the contrary, the volatility of balances of payments over time assures that it will, and that the currencies needed by the Fund tomorrow will not be exactly the same as those which it needs today. This, however, is precisely the reason why no rigid formula, such as the relative size of IMF quotas, should serve as a criterion for the distribution of Fund units. This distribution should adjust instead to the actual needs that will develop over future years, as reflected in the countries' balances of payments, changes in monetary reserves, and net position in the Fund.

best be divided into two parts: (1) long-run objectives and solutions the negotiation of which should not be hurried unduly at the cost of accepting “second-best” compromises for the sake of quick agreement; and (2) the most immediate and less divisive issues on which early agreement is both most urgent and most feasible.

#### 1. *Long-run objectives and solutions*

##### (a) *Aggregate volume of reserve creation*

This is a question on which a broad consensus has already been reached but cannot—unfortunately—be made fully operational before many other questions, relating to its concrete implementation, have also been solved to the satisfaction of all participants.

The basic consensus has been aptly summarized in the 1965 *Annual Report of the IMF* (p. 15) as a recognition of the need for "the deliberate creation of reserves by collective international action in the light of an appraisal of the general need for reserves rather than on their creation in response to immediate needs of particular countries for balance of payments assistance," and—we might add—as the further haphazard result of gold production, USSR gold sales, and speculation on the future rate of exchange between gold and the reserve currencies.

It is further agreed that this will involve, at some future stage, the creation of a new type of international reserve asset, supplementing—or replacing—the predominant role assigned today to national reserve currencies, and primarily the dollar, in the process of reserve creation.<sup>23</sup> This need is felt more urgently today by the United States and the United Kingdom, whose gross reserve losses and increasing indebtedness to other countries' central banks have supplied nearly two thirds of these countries' total reserve increases over the ten years 1950-1959, and three fourths over the years 1960-1964. The countries of the European Economic Community, on the other hand, whose gross reserves have increased, as a result, by as much as 15 per cent a year, on the average, over this fifteen year period, consider the adoption of any new type of reserve asset as likely to add further inflationary fuel to an already excessive level of reserve creation, as long as it is superimposed upon large and continuing United States and United Kingdom deficits.

The United States and the United Kingdom have agreed with the Europeans to compromise their differences of views on this issue by initiating right now "contingency planning" on measures that will be put into actual operation only *if* and *when* needed to combat the deflationary consequences which would follow from a *durable* elimination of the United States and United Kingdom deficits. In the meantime, however, the Europeans have not only ceased to accumulate further dollar and sterling balances as reserves, but have begun to convert massively into gold and gold-guaranteed claims on the Fund some of the dollar and sterling balances accumulated by them in the past.

A different approach would, of course, be far more logical as an answer to the problem, and far less dangerous to the stability of the dollar and the pound and of the international monetary system itself. Rather than postpone agreement

<sup>23</sup> See *Ministerial Statement of the Group of Ten and Annex Prepared by the Deputies* (referred to below as "Group of Ten Report"), paragraph 25 (a), (b), (c) and (d), and 1964 *Annual Report of the IMF*, p. 31.

on deliberate reserve creation until equilibrium in the United States and United Kingdom balance of payments has been achieved and maintained for some time—how long?—the new machinery could have been put into place right away, with the understanding that it would be used, *irrespective of United States and United Kingdom deficits or surpluses*, but only:

(1) Automatically—or at least by simple majority decisions—to prevent the actual decline in reserves entailed in the liquidation of outstanding dollar and sterling balances by central banks, or private gold purchases in excess of newly available supplies from current production and USSR sales;

(2) By qualified vote—two thirds or more of the total voting power—to supplement or replace other sources of reserve increases, in the event of a recognized deficiency in relation to needs.

The criteria for the discretionary decisions called forth under (b) are necessarily imprecise, and inseparable—as in the case of national monetary management—from human and fallible judgement. Significant and agreed symptoms of a developing strain and generalized scarcity of reserves are listed in paragraph 10 of the Ossola Report.

One need not wait, however, for such developments to forecast confidently large and imperative needs for concerted reserve creation over the long-run future. National money supply will have to grow to sustain feasible growth of production, even in the absence of any inflationary price rises; and international reserves will have to grow both to underwrite such increases in national money stocks, in a world of convertible currencies, and to cushion temporary disequilibria in expanding levels of world trade.

National money supply—translated into United States dollars as a common unit of measurement—has nearly doubled, over the last fifteen years, for the Group of Ten countries taken together, i.e., by about 4.7 per cent a year, on the average. World imports have risen, over the same period, at an average pace of 6.8 per cent a year.<sup>24</sup> The projection of much lower rates of increase than these, let us say 3 or 4 per cent a year, over the next fifteen years, would require an expansion of 38,000 million dollars to 55,000 million dollars of the world reserve pool, of which less than 10,000 million dollars is likely to become available from new gold production

<sup>24</sup> Exactly equal to the growth rate of international reserves outside the two reserve centre countries whose net reserve losses made such a growth rate compatible with the much lower growth rate of only 2.8 per cent a year for world reserves as a whole.

and USSR gold sales. The enormity of such figures makes it easier to understand the importance attached by all countries to the rules that will determine their relative influence and voting power in the collective decisions governing the creation, distribution, and uses of reserves in the future.

(b) *Participation and voting rights*

The arguments for and against world-wide membership are summarized in paragraphs 117-122 of the Ossola Report, and the weight of opinion within the Group of Ten itself—but obviously not outside it—is fairly reflected in the following conclusion: “Any discrimination in the choice of participants is obviously absurd. But it is also absurd that countries should participate which, because of their past behaviour, do not provide adequate guarantees of financial solidity and solvency.”<sup>25</sup>

This, again, suggests a limping compromise between opposite viewpoints, calling for a most controversial forecast of future behaviour, distinguishing sheep and goats on the basis of an equally controversial appraisal of past performance. A more logical line of approach would recognize that:

(1) All countries have vital and legitimate interests in the problem and should be associated, in some form, in its solution;

(2) Different countries may be called upon, at different times, to grant the international community *immediately effective* claims on their real resources—in the form of balances in their national currency required to settle their current surpluses with the rest of the world—in exchange for *future* claims on other countries’ resources—in the form of national reserves usable only to settle their own deficits in the future;

(3) The voting power of participating countries in the management of the system must be related, at least in part, to the relative size of their contributions, if these are to be elicited from them on the appropriate—and vast—scale required for the fulfilment of its basic objectives.

Such an approach would substitute objective and operational criteria for the controversial appraisals and guesswork suggested in the Ossola Report. These criteria would be determined essentially by the developing pattern of balances of payments and official settlements between the

<sup>25</sup> This sentence does not appear as such in the *pros* and *cons* of the report itself, but on page 84 of a most faithful, lucid and convenient summary by Mr. Ossola himself, which appears under the title “On the Creation of New Reserve Assets: the Report of the Study Group of Ten” in the *Banca Nazionale del Lavoro Quarterly Review*, No. 74 (September 1965), pp. 272-292.

participating countries. Surplus countries would have to limit their claims to gold settlement to the available supplies, at most, and to accept partial settlement of their claims in the form of the new reserve asset to be created.

This general principle could be implemented in a variety of ways, the simplest of which would be the obligation for each country to keep, in the form of Fund reserve deposits an agreed proportion, at least, of either its total reserves or of its future reserve increases, this proportion being determined in the light of the ratio of available gold supplies to the total amount of reserves needed to sustain feasible rates of non-inflationary growth in world trade and production. The guidelines presently applied by the Fund in the selection of currencies to be used in drawings and repayments already approximate this result. As pointed out in the *1965 Annual Report* (p. 17), “the Fund... strives to ensure an equitable distribution of reserve positions in the Fund in the light of the balance of payments and reserve positions of the countries whose currencies are considered for drawing. Over the long-run, the reserve positions in the Fund of members whose currencies are suitable for drawing have, as a result of this arrangement, tended to *approximate a uniform proportion of their total reserves*”. (Italics mine.) This procedure could be simplified, if desired, and extended to all members if:

(1) The full liquidity and transferability of Fund reserve positions were spelled out in the manner suggested by Governor Ansiaux at the last Fund meeting;<sup>26</sup> and

(2) Capital subscriptions to the Fund were dispensed with, and replaced by the minimum deposit obligations suggested above.

In the meantime, pending such a drastic overhaul of the Fund’s machinery, contributions might be called and accepted, in exchange for IMF reserve positions, only from those countries whose currency threatens to become scarce in the Fund. Such a procedure would be based on Article VII of the present Articles of Agreement and would build on the precedent created by the General Arrangements to Borrow.

(c) *Reserve deposits with the Fund as source of Fund financing*

Reserve deposits would not be created for the purpose of financing credit operations, and their global amounts would be determined in the light of over-all reserve requirements rather than of any particular country’s or countries’ balance-of-payments deficits. They would, however, in-

<sup>26</sup> See p. 21, above.



crease as an inevitable *by-product* the lending capacity of the Fund. How should this lending capacity be used?

It could, of course, be used in normal drawing operations in so far as legitimate and approved needs for such drawings exceed the normal lending capacity of the Fund, derived from the present Articles of Agreement. A special form of this use, extremely important under convertibility conditions, would be that contemplated under the General Arrangements to Borrow, i.e. the need to offset, through official compensatory financing by the Fund, perturbing but reversible movements of short-term capital between major financial centres. This need might better be served, however, through a reshuffling of the IMF investments to be discussed presently than by the traditional drawing procedure of the Articles of Agreement. Temporary flights of short-term capital from London to New York, for instance, could be offset, in routine manner, by corresponding shifts in the IMF investment assets from United States dollars into pounds sterling, without necessitating a United Kingdom request for drawings susceptible of weakening confidence in the pound.

In the long-run, however, a sizable proportion of the Fund's added resources should most usefully be channelled in such a way as to contribute to the financing of the less developed countries' development needs. Indeed, if Fund lending were to remain constricted—as it has been so far under its normal drawings procedures—to medium-term loans, of three to five years' maturity, the gross lending that would prove necessary, year after year, to offset repayments and feed desired increases in world reserves would soon exceed all reasonable needs and uses for such medium-term assistance, while far more crying needs for longer-term development financing would remain starved for adequate sources of funds.

I am well aware, of course, of the traditional objections to the use of liquid monetary deposits for long-term financing of this sort, either by commercial banks, or even by national central banks. These objections, however, would be totally irrelevant—as brilliantly and wittily shown by Professor Machlup<sup>27</sup>—to the operations of a world-wide reserve centre, such as

<sup>27</sup> See "The Cloakroom Rule of International Reserves: Reserve Creation and Resources Transfer", *Quarterly Journal of Economics*, Vol. LXXIX, No. 3 (August 1965), p. 343; "For international payments in the same world, the assets (amounts, quality, composition, liquidity) of the international reserve bank (or an appropriately organized IMF) are irrelevant; they become relevant only for payments to persons, banks, or reserve banks on other planets, that is, for *interplanetary payments*."

recommended here. The inflationary dangers of long-term lending—as well as of short-term lending, for that matter—should be adequately guarded against through the limitation of overall reserve creation by the Fund to recognized non-inflationary growth needs for reserve increases. Further protection against inflationary abuses by the Fund of its new lending potential could be established by treaty in the form of presumptive ceilings on annual increases of the Fund's outstanding credits, qualified votes of two thirds, four fifths, or more, being required to approve increases beyond such ceilings.

As for the danger of illiquidity, usually associated with long-term loans, it could not arise under the proposed system. The world pool of reserves being destined to grow over time, with little or no probability that circumstances would ever require a sudden or massive contraction, the Fund should never have to face any drastic reduction of its deposit liabilities, forcing it to liquidate any substantial portion of its global assets. Balance-of-payments settlements among IMF reserve holders will reshuffle the Fund's deposit liabilities among its members, but should not reduce their total amount.

Yet there exist some valid reasons to limit the maturity of Fund loans and investments. The first is that such limitations will provide added flexibility for shifting the Fund's assistance from some countries to others, whose needs may be greater and exceed what the Fund can currently contribute from desirable increases in the total pool of world credit reserves.

A second reason why the Fund should not engage directly in long-term development lending is that such lending requires a very different type of knowledge and expertise than those that should be relevant to its primary tasks and purposes, i.e.:

(1) A rate of creation of over-all world reserves most appropriate to sustain non-inflationary rates of economic growth;

(2) A distribution of its corresponding lending power designed to stimulate the adoption and implementation of desirable readjustment policies by the beneficiaries;

(3) The reshuffling of such lending that may be needed to compensate large, but reversible, movements of private capital, particularly among major monetary and financial markets whose general policies are consonant with longer-term equilibrium in their balance of payments.

The bulk of the Fund's assistance to long-term development financing should thus, in all probability, be channelled through—and cushioned by—intermediary institutions, specializing in such

long-term lending. The Fund might, for instance, distribute its investment portfolio between marketable obligations of international institutions, such as the International Bank for Reconstruction and Development, and other short-term or medium-term investments in the major financial centres—New York, London, Paris, Frankfurt, Amsterdam, etc.—enabling these to engage more boldly and actively in long-term lending, in the knowledge that temporary pressures on the country's reserves would be offset by a reshuffling of the Fund's own investment portfolio. As already noted before, such reshuffling would be particularly appropriate to meet the objectives now served by the Fund's General Arrangements to Borrow.

(d) *Pressures for balance-of-payments adjustment, and their distribution between surplus countries and deficit countries*

A recurrent theme of the Group of Ten discussions is the desirability of isolating the process of reserve creation from the financing of balance-of-payments deficits. Reserves should be "earned, owned, unconditional, and to hold" rather than "borrowed, conditional, and to spend".

The first two of these criteria are certainly irreconcilable with the automatic distribution of the new reserve assets to be created among eleven countries, in accordance with some arbitrary formula, and against the assumption of equivalent liabilities—in their national currencies—by the beneficiaries, as advocated in the CRU proposals. CRU's would be neither earned nor fully owned, and would leave the *net* reserves of the group unchanged, increasing gross reserves only *pari passu* with equivalent increases in reserve liabilities.

The only way, indeed, in which net reserves can increase in a form other than gold<sup>28</sup> is through the accumulation of "credit-reserves", i.e. of reserve claims entailing international credit operations in one form or another. The suggestions outlined above would fit far better

<sup>28</sup> Or other "commodity-reserves", as proposed in a former report to UNCTAD by Messrs. Hart, Kaldor, and Tinbergen, and in a recent speech of Mendes-France. In order not to lengthen even further an already overlong paper, I have refrained from discussing here a proposal which obviously has no chance to rally agreement, or even to be seriously considered in the present negotiations. While superior to a pure gold reserve system, a commodity reserve system would seem to me highly wasteful and too blindly automatic—along largely arbitrary lines—to be defensible on economic grounds. This is not to say, however, that some of the Fund lending and investments should not be properly aimed at supporting international efforts to avoid excessive fluctuations in the prices of the major commodities entering international trade.

the very criteria insisted upon by the CRU proponents. While any country might, tomorrow as today, increase its gross reserves through borrowings—from the Fund or other sources—the net reserve claims accumulated on the Fund would have to be "earned" through balance-of-payments surpluses—rather than be received automatically—and would be fully owned and unconditional. Such reserves, moreover, would be accumulated only by countries ready and able to do so, and to "hold" them.

It would be absurd, however, to bar countries from "spending" reserves previously earned by them, or even to "borrow" reserves in order to meet temporary balance-of-payments deficits. This is indeed what owned reserves and Fund drawings are for.

As for the "automatic" distribution among eleven countries—or more—of the newly created CRU reserve assets, it would also contravene directly the other cardinal principle, repeatedly emphasized in the Group of Ten discussions, i.e. the close interrelationship between the process of adjustment and the need for international liquidity (paragraph 5 of the Group of Ten Report), the desirability "to bring under multilateral review and appraisal the various means of financing surpluses or deficits" (paragraph 25 (*h*)), and the need "for multilateral surveillance of the *various forms of liquidity creation* (italics mine), with a view to avoiding excesses or shortages in the means of financing existing or anticipated surpluses and deficits in the balance-of-payments, and to discussing measures appropriate for each country in accordance with the general economic outlook" (paragraph 37).

The improvement of the present adjustment mechanism should indeed be an essential objective of the proposed reform, and the distribution of the credits which are the counterpart of any accumulation of fiduciary reserves should be determined in that light rather than by any automatic and arbitrary formula. Let us consider separately the nature of the pressures which the present system puts on debtors to eliminate their deficits, and on creditors to eliminate their surpluses.

The pressures on the *deficit countries* are obvious enough. Their ability to finance deficits is limited by the size of their owned reserves and by their access to credit. The owned reserves of deficit-prone countries are, in the vast majority of cases, smaller than might be desirable for the legitimate purpose of offsetting temporary deficits and providing the breathing space needed for the successful working-out of the most desirable, but relatively slow-acting, domestic

readjustment policies. Access to credit should encourage, but be subordinated to, the adoption and implementation of such policies, as the only alternative to undesirable and unnecessary trade and exchange restrictions and/or devaluation. Currency devaluation may, however, be proved desirable, or even unavoidable, if cost and price disparities have been allowed to develop up to the point where the domestic fiscal and credit policies needed to restore external equilibrium would entail an unacceptable slowdown of employment and production growth.

The financing of even temporary deficits, however, involves some transfer of real resources by the surplus countries to the deficit countries. The over-all amount of credit facilities available for this purpose for the world as a whole derives from two sources:

(1) The willingness of private and official investors to limit their own *immediate* claims on goods and services in exchange for *deferred* claims, through lending and investment operations;

(2) The desire of monetary authorities, particularly in the more affluent countries, to earn and accumulate unconditional, owned monetary reserves, in order to retain greater freedom for their own policies in the event of later deficits in their international transactions.

It is this second source which is most directly at stake in the discussion of our present international monetary institutions, and the need for international monetary reform. Conservative estimates of non-inflationary requirements for world reserve increases over the next fifteen years range from 38,000 million dollars to 74,000 million dollars, i.e. from 2,500 million dollars to 5,000 million dollars a year, and for fiduciary reserve increases (i.e. increases in reserves other than gold-metal) from 29,000 million dollars to 65,000 million dollars, i.e. roughly from 2,000 million dollars to 4,000 million dollars a year. These requirements have been met primarily, under the gold-exchange standard as it has functioned in recent years, by massive and persistent lending to the United States and the United Kingdom by the monetary authorities of other countries. This, in turn, allowed the United States and the United Kingdom to sustain much larger capital exports to other countries—developed as well as underdeveloped—than they would have been able to do otherwise, but at the cost of making themselves increasingly vulnerable to unpredictable conversions into gold of the growing indebtedness accumulated by them, in the process, toward foreign central banks.

The advocacy of a new type of reserve asset derives from the fact that future reserve creation can no longer be fed, on an appropriate scale, by a method involving indefinite increases, by 2,000 million dollars a year at the very least, in United States and United Kingdom IOU's convertible at any time into gold-metal. The adoption of a new system of collective, concerted reserve creation should not, however, entail any substantial reduction in the volume of non-inflationary requirements for world reserve growth.

Turning now from the deficit countries to the *surplus countries*, it is equally obvious that the present system does not place as stringent limitations on their ability to accumulate large and persistent surpluses as on the ability of the deficit countries to finance large and persistent deficits. It allows each of them, moreover, to expand, or contract, the portion of the world reserve pool available by deciding unilaterally at any point in time:

(1) Either to accept fiduciary reserve assets in settlement of its current surpluses, and/or in exchange of previously accumulated gold reserves; or, on the contrary;

(2) To exact from other countries excessive amounts of limited gold supplies by insisting on gold settlement of its current surpluses, and even of fiduciary reserves accumulated over many years past.

The forthcoming reform of the international monetary system should distribute more equitably and rationally between surplus and deficit countries the burden of balance-of-payments adjustments. The over-all pace of reserve creation, or destruction, should be a matter for concerted, collective decisions between all the interested countries. Surplus countries, taken as a group, should be required to accumulate and retain in the form of fiduciary reserve assets the portion of their surpluses which exceeds available gold supplies. Any individual surplus country, however, would retain a free choice between three possible lines of action:

(1) To decrease its current account surpluses by pursuing more expansionary fiscal and monetary policies; or, if this subjects it to undesirable inflationary price pressures, by liberalizing its tariff and other import restrictions, or, ultimately, by revaluing its exchange rate upward. (The more frequent use of this latter technique would combat the bias toward devaluation—as opposed to revaluation—characteristic of the present system.)

(2) Expand its foreign lending, private and/or official.

(3) Accumulate fiduciary reserves, with full exchange—value and liquidity guarantees, but at correspondingly low rates of interest, and in a form susceptible of helping finance the long-term development needs of less developed countries.<sup>29</sup>

(e) *Regional monetary integration*

I doubt whether any negotiable aspect of the proposed reform of the international monetary system is as crucial to the interests of the less developed countries as the more rational and equitable distribution of balance-of-payments pressures between surplus and deficit countries advocated under (d) above. It involves, however, the acceptance of considerable discretion by the Fund authorities in appraising the readjustment policies which deficit countries should follow in order to qualify for Fund assistance.

This, of course, is not new: borrowers—nations as well as individuals—have always had to discuss with the lenders the purposes for which loans are granted and the conditions attached to them. Yet, the Fund's lending policies have been subject to considerable—and, at times, valid—criticism on this score, and prospective borrowers would undoubtedly welcome some extension of their automatic borrowing rights, as suggested, for example, by Dr. Bernstein, the UNCTAD report and the IMF itself.

While welcoming myself some move in that direction, I cannot but feel that automatic borrowing rights should be limited to moderate amounts, and relatively short maturities, designed to meet unforeseen situations and to provide the time necessary for a deliberate examination of a country's problem and for the reaching of joint agreements on the amounts and purposes of the Fund's assistance. But it would be revolutionary and utopian, indeed, to expect the lenders to accept large automatic commitments to finance blindly the future deficits of all and any country, without regard for the wisdom or folly of the policies which may be at the root of these deficits.

The acceptance of full-fledged discussion with the Fund, as a condition for its assistance, does not involve any surrender of existing national sovereignty. Any country remains free, of course, to reject the Fund's advice, together with the financing facilities subordinated to it. Yet a greater decentralization of the international monetary system, building upon the growing movement toward regional monetary co-operation and integration in many parts of the world,

might help avoid unnecessary conflicts between borrowing members and the IMF, and assuage at the same time the objections of prospective surplus countries against surrendering to the Fund full control over the large contributions which they should be called upon to make, in the future, to the required expansion of the world reserve pool.

These contributions would be reduced to a more manageable size if they were designed only to finance disequilibria between each regional group and the rest of the world, and if disequilibria within each group itself were financed from resources contributed to it and on which it retained full control. This is, indeed, the system envisaged for the EEC countries by article 108 of the Treaty of Rome, and which would be most logically implemented—and probably will be some day—through the creation of the European Reserve Fund, long advocated by Jean Monnet's Action Committee for the United States of Europe.

The Central American countries have already made greater progress in this direction with the establishment of the Central American Clearing House in 1961 (Cámara de Compensación Centroamericana) and the 1964 Agreement for the Establishment of the Central American Monetary Union (Acuerdo para el Establecimiento de la Unión Monetaria Centroamericana). While more modest in scope, the agreements already concluded among the ALALC countries could serve as a basis for similar co-operation in the future.

The maintenance by each Latin American central bank of an agreed portion of its total reserves in the form of deposits with a central clearing house would provide the latter with some lending potential enabling it to provide partial assistance at least, even though on a modest and insufficient scale in most cases, to any member in balance-of-payments difficulties. The conditions attached to such lending would be discussed among the Latin American countries themselves, and might be more realistically conceived than those imposed at times by the IMF Executive Board. If a further approach to the Fund proved necessary—as would undoubtedly often be the case—to supplement the scant resources of the Latin American Clearing House, it could take the form of a "concerted action" by all members, as foreseen in article 108, 2(a) of the Rome Treaty. Such support would carry all the more weight as it would have been underwritten in advance by other members' willingness to commit their own resources to the support of the readjustment policies of the borrowing country.

<sup>29</sup> See pp. 27-28, above.

If, on the other hand, the policies of the prospective borrower were deemed inadequate by its Latin American partners to justify their own financial assistance, they could not then blame the IMF for insisting also on further policy action as a condition for its own lending.<sup>30</sup>

## 2. An urgent first step

### (a) Arguments for negotiating priority

The solution of the long-run problems discussed above—the adjustment of reserve creation to the monetary requirements of economic growth, and the use of the resulting lending potential to reinforce desirable pressures for adjustment on both surplus and deficit countries—will exercise a crucial influence, for better or for worse, on the future of our world, for many years to come. They are also problems, however, which still raise complex and divisive issues among the negotiators, in view of conflicting economic, political, and emotional reactions regarding the desirable pace and legitimate purposes of reserve increases, the role of gold in the system, the necessary surrenders—or rather mergers—of national monetary sovereignty that may be required, the selection of countries that should participate in these decisions, their relative voting power, the degree of automaticity that might prove acceptable as an alternative to continuous negotiations in cases of disagreement, etc., etc. Any practical reconciliation of views of these matters is most likely to require considerable time still, and undue haste in reaching agreement would most probably entail undesirable compromises centring on the lowest—rather than the highest—common denominator between the opposite objective and techniques now favoured by the major reserve-

debtors and reserve-creditors of the Group of Ten.<sup>31</sup>

The major reserve holders of Continental Europe, without whom an optimum agreement on these long-term issues remains impossible, continue to view with suspicion any discussion of concerted reserve increases that might be used to underwrite in advance future international rescue operations in favour of the reserve currencies, whenever their central banks refuse to add further amounts of dollar and sterling IOU's to holdings which they deem already far in excess of their requirements.

The removal of this obstacle to a negotiated agreement depends primarily on the United States and the United Kingdom on the one hand, and the major reserve holders of continental Europe, on the other, rather than any action that could be undertaken by the less developed countries. Yet, any agreement that could be reached to protect the dollar and the pound against unnecessary devaluation would also be of major interest to them, since they hold in fact most of their monetary reserves in the form of dollar and sterling balances. Moreover, concrete agreement on ways and means to *expand* reserves, when needed, in the most rational and efficient manner, would be greatly facilitated if a machinery had already been established previously—along the lines suggested below—to prevent their contraction.

Such an agreement should be given the highest priority in the current negotiations, as it is both far more urgent and should prove far easier to negotiate rapidly, than measures aiming at future reserve increases.

It is more urgent in view of the large mass of foreign exchange reserves (about 22,000 million dollars) legally convertible at any time into gold-metal by their holders, directly or indirectly. Such conversions could be triggered by political as well as strictly economic development: fears of blocking, refusal to ease the financing of the debtor countries' deficits, fears of a change in gold parities, etc. *The liquidation of 3,200 mil-*

<sup>31</sup> The danger of some such undesirable compromise looms larger indeed as this manuscript goes to press, and adds to the urgency of a more active and forceful participation by the less developed countries in the forthcoming IMF debate. The major issue at stake is the link between reserve creation and development financing (see B (4) and C (1) (C) IIIA3 above) advocated by UNCTAD, but strongly opposed so far by the Group of Ten. Support for such a "link" may be building up in the United States Congress. See the recent Report to the Joint Economic Committee by Representatives Henry S. Reuss (Chairman of the Subcommittee on International Exchange and Payments) and Robert F. Ellsworth: *Off Dead Center: Some Proposals to Strengthen Free World Economic Cooperation* (Washington, D.C., December 1965).

<sup>30</sup> For further discussion of these issues and of alternative methods for implementation, see: "Intégration économique et politique monétaire", in *La Restauration des monnaies européennes* (special issue of the *Revue d'économie politique*, December 1960), Sirey, Paris, pp. 58-81; translated as "Integración Económica Europea y Política Monetaria", in *Coordinación Monetaria Regional*, CEMLA, Mexico, 1963, pp. 43-63; *La Communauté économique européenne et la coopération monétaire internationale* (report to the Tenth Round Table on Europe's Problems, Basle, November 1962), reproduced in *Problèmes de l'Europe*, 1963; "Una Cámara de Compensación y Unión de Pagos Latinoamericana" in *Cooperación Financiera en América Latina*, CEMLA, Mexico, 1963, pp. 95-117; "Hacia una Organización Monetaria Latinoamericana" in *La Integración de América Latina: Experiencias y Perspectivas*, Miguel Wionczek, ed., Fondo de Cultura, México and Buenos Aires, 1964; "International Monetary Arrangements, Capital Markets, and Economic Integration in Latin America", *Journal of Common Market Studies*, Oxford, 1965; Economic Commission for Africa, *Report of the Expert Group on an African Payments Union*; (E/CN.14/262, 4 February 1964), Annex VI.

lion dollars of foreign exchange reserve assets by developed countries other than the United States and the United Kingdom in the first six months of this year (1965) testifies to the reality of this danger. (See above, pp. 14-15.)

Such measures should also be far easier to negotiate, as they do not require any reconciliation of views about the desirable pace of reserve increases, the geographical distribution of such increases, the policies which they would support, etc. All that is involved is avoidance of any massive contraction of already outstanding foreign exchange claims and debts, accumulated over many years past and long incorporated into the existing structure of world reserves.<sup>32</sup>

(b) *Broad features of proposed initial agreement*

Eight countries (United States, the United Kingdom, Switzerland, France, West Germany, Italy, Belgium, and the Netherlands) have long held traditionally in gold-metal a much larger proportion of their total monetary reserves than other countries. As of last June, for instance, gold accounted for about 85 per cent, and foreign exchange for only 15 per cent, of their combined gold and foreign exchange holdings. In contrast, other countries held only 33 per cent of their reserves in gold, and 67 per cent in foreign exchange. The gold holdings of these eight countries accounted, as of the same date, for more than four fifths of the total for all the countries in the world outside the Communist bloc.

Future compatibility between global demand and supply of monetary gold, at present gold prices, is crucially dependent on concerted action by these countries, limiting their total demand for gold to available supplies. Any agreement of this sort, however, would clearly be unnegotiable at the present juncture, if it implied the obligation for the six continental European countries to accumulate and retain in the currencies of the other two (the United Kingdom and the United States) all or most of any future accruals to their present monetary reserves. This would hardly be in the interests of the under-developed countries themselves, and would clash directly with the "multilateral surveillance" principle repeatedly affirmed in the Group of Ten report, since it would earmark quasi-automatically the largest portion of prospective reserve accumulation for loans—required or unrequired—to the United States and the United Kingdom.

If this is to be avoided, and if the use of the lending counterpart of reserve accumulation is

<sup>32</sup> For a more detailed discussion of negotiability, see sub-section (c) below, pp. 33-34.

to be brought under multilateral surveillance, reserve-holders should be provided with an alternative reserve asset, sufficiently safe and attractive to serve as a substitute for gold itself as well as for dollars and sterling.

The agreement outlined in the appendix would set up for this purpose a Gold Conversion Account, administered jointly by the participating countries. Each of these would deposit with this Gold Conversion Account any excess of foreign currency balances accumulated by its monetary authority over and above normal working balances needed for stabilization interventions in the exchange markets and anticipated needs for debt repayments to the country (or countries) in the currency of which such balances are held.

Deposits with the Gold Conversion Account would carry full gold-value guarantees<sup>33</sup> and a modest rate of interest. They would be used primarily and on sight (or short notice) to replenish depleted working balances in any participating currency. They could, moreover, also be converted at any time into gold-metal by any depositor whose ratio of gold to total reserves (defined as the monetary authorities' holdings of gold, foreign exchange, and deposits with the Account) is lower than the average ratio for the participating countries taken together. Conversely, the countries whose gold ratio is the highest would agree to sell gold to the Account—against equivalent increases in their gold-guaranteed deposits with the Account—to the extent necessary to meet the actual gold withdrawals of other members.

Future currency balances accruing to any country and turned over by it to the Account would be automatically and immediately repayable in gold to the Account by the debtor countries, in so far as they exceeded the foreign currency balances turned over by these countries themselves to the Account. This rule, however, would not be applied to the currency balances already *outstanding* at the time the agreement entered into force, and accumulated over long years of functioning of the present gold-exchange standard. Indeed, one of the primary purposes of the agreement would be to guard against the sudden and immediate contraction of the world reserve pool, the unsustainable gold losses by the reserve currency countries, and the consequent

<sup>33</sup> Other guarantees against default, blocking, etc., are spelled out in my paper on "The International Monetary System" in *Moorgate and Wall Street* (summer 1965), pp. 33-34, reprinted in *Guidelines for International Monetary Reform* (Hearings before the Subcommittee on International Exchange and Payments of the Joint Economic Committee of Congress, Washington, D.C., 1965), Part 2: Supplement, pp. 358-359.

threat of collapse of the international monetary system, which such conversions might entail. The *outstanding* currency balances *initially* transferred to the Account would therefore be retained by it, subject to agreement with the debtors on full gold-value guarantees and modest interest payments. They would be gradually amortized over a period of years:

(1) As a minimum, to reduce excessive demands by the debtors for conversion into gold of the surpluses accumulated by them in the future;

(2) If needed to reach agreement, by periodic instalments, at a rate not exceeding 2 or 3 per cent a year, such contractual amortization to be postponed, however, whenever deemed in conflict with the general stabilization objectives of the Fund.

(c) *Negotiability of such an agreement*

The last column of table 7 shows the *maximum* amounts of gold reshufflings which might have been entailed by the proposed agreement, if it had come into operation as of 30 June 1965. While a different date would, of course, modify these estimates, they can be used nevertheless as a rough indication of the magnitudes involved and of the privileges and commitments involved for the prospective participants.

(i) *Acceptability to the reserve currency creditors of continental Europe.* The reserve currency creditors of continental Europe, taken as a group, would limit to about 1,600 million dollars theoretical gold conversion rights totalling, as of June 30, 1965, more than 5,000 million dollars (columns 6 and 2, respectively, table 7).

Table 7  
WORLD MONETARY RESERVES AND IMPACT OF PROPOSED CONSOLIDATION  
(As of 30 June 1965)

	In millions of United States dollars <sup>a</sup>			Foreign exchange as a per- centage of total <sup>b</sup>	In millions of United States dollars	
	Gold	Foreign exchange	Total		Prop. hold <sup>*c</sup>	Max. gold conver. <sup>d</sup>
I. Major gold holders	33 844	6 180	40 024	15	6 180	—
A. Reserve currency debtors	16 534	1 112	17 646	6	2 724	-1 612
1. United States	14 308	546	14 854	4	2 293	-1 747
2. United Kingdom	2 226	566	2 792	20	431	+135
B. Reserve currency creditors	17 310	5 068	22 378	23	3 456	+1 612
3. Switzerland	2 789	220	3 009	7	465	-245
4. Netherlands	1 763	254	2 017	13	311	-57
5. France	4 433	917	5 350	17	826	+91
6. Belgium	1 563	437	2 000	22	309	+128
7. West Germany	4 378	2 015	6 393	32	987	+1 028
8. Italy	2 384	1 225	3 609	34	557	+668
II. Other countries	7 555	15 520	23 075	67		
A. In Group of Ten	1 618	3 534	5 152	69		
9. Canada	1 089	1 400	2 489	56		
10. Sweden	202	721	923	78		
11. Japan	327	1 413	1 740	81		
B. Other developed areas	3 117	4 616	7 733	60		
1. In Europe	2 511	3 019	5 530	55		
2. Australia, New Zealand and South Africa	606	1 597	2 203	72		
C. Less developed areas	2 820	7 370	10 190	72		
1. Latin America	1 070	1 865	2 935	64		
2. Middle East	785	1 775	2 560	69		
3. Other Asia	665	2 545	3 210	79		
4. Other Africa	155	1 185	1 340	88		

\*Proportionate holdings

<sup>a</sup> Basic estimates in columns 1-3 are derived from the December 1965 issue of *International Financial Statistics* (pp. 16-17).

<sup>b</sup> Column 4 = (column 2 + column 3) × 100.

<sup>c</sup> Column 5 = column 3 multiplied by average foreign exchange ratio for the 8 major gold holders taken together (15.44 per cent rounded up to 15 per cent on first line of column 4).

<sup>d</sup> Column 6 = column 2 minus column 1, and shows the *maximum* limit of gold reshufflings under the proposed agreement.

This would leave most of them free to convert into gold, if they wished, substantial amounts of foreign exchange reserves (up to more than 1,000 million dollars in the case of West Germany). Only two countries (Switzerland and the Netherlands) might be forced to sell minor amounts of their gold holdings to the Account, and this only in the unlikely case in which the first countries all used to the full their gold conversion rights.

Actual gold conversions, however, would be likely to be far more modest than these maximum estimates would indicate. A substantial portion of their outstanding foreign exchange assets would have to be retained by them in any case as working balances needed for daily stabilization interventions on the exchange markets. These "required" foreign exchange reserves may be roughly estimated at somewhere between 5 per cent and 10 per cent of their total reserve holdings of 22,000 million dollars, i.e. at about 1,000 million dollars to 2,000 million dollars. This would reduce to between 3,000 million dollars and 4,000 million dollars, at most, the amounts that they might transfer into Gold Conversion Account deposits.

The availability of both interest-earnings and full guarantees against devaluation, default, blocking, etc. on these new Gold Account deposits would hardly induce massive conversions of such deposits into gold-metal by countries which previously refrained from converting into gold unguaranteed foreign exchange assets exposed to all these risks. Actual conversions into gold would, therefore, be most likely to remain well below the maximum figures shown in column 6 of table 7. In the course of time, after sufficient experience had been gained with the new system, one should even expect opposite shifts to take place, i.e. to have participating countries sell gold voluntarily to the Account in exchange for gold-guaranteed and interest-earning Gold Account deposits, as freely usable as gold itself for balance-of-payments settlements.

(ii) *Acceptability to the reserve currency debtors.* The United Kingdom's gold reserves were slightly smaller, as of 30 June 1965, than the amounts which it would be entitled to require and retain under the proposed agreement. Its position was, therefore, in this respect, similar to that of the majority of the continental European participants discussed above.

The United States, on the other hand, would expose itself to gold conversions, totalling as a maximum, about 1,750 million dollars,<sup>34</sup> but

<sup>34</sup>In view of the guarantees attached to the Gold Account deposits which the United States would require in exchange, these could properly continue to be re-

likely to be far smaller in fact—or even nil—for the reasons brought forth under (i) above. It would also, however, be fully guaranteed against the much larger gold conversions—up to a theoretical maximum of 5,600 million dollars—that the other seven participating countries might legally exact from it today or tomorrow, either in anticipation of a revaluation of gold, or because of their refusal to participate in the financing of United States deficits and policies with which they disagree, or as a bludgeoning weapon to force the United States to change such policies, or in order to protect themselves against possible United States blocking of their dollar accounts in the extreme case of more acute political divergences, etc.

This is only one of the reasons why the United States should regard such an agreement as of major benefit to itself, independently of its interest in the other, and broader, objectives of international monetary reform. Another reason is the fact that the consequent abatement of any expectation of a forced revaluation of gold—as a result of massive dollar conversions by the increasingly reluctant holders of continental Europe—would almost certainly induce a spectacular reversal in gold and currency speculation which is probably responsible today for most, or all, of the residual deficits in the United States balance of payments. Hoarding and speculative gold purchases—not accounted for by industrial and artistic uses—more than doubled, following the gold flare-up of October 1960, and were running in the first half of 1965 at nearly four times their average amounts in the decade of the 1950's. Speculative gold stocks have thus risen by a total amount of 5,000 million dollars or more, in the last six years alone. An agreement—such as suggested here—making both obvious and operational the determination of the major gold-holding countries to avoid any change in gold prices would undoubtedly dishearten the gold speculators and induce them to unload several billions of the enormous and costly gold hoards accumulated by them in anticipation of a proximate revaluation of the price of gold. The funds released by such dishoarding would have to be reinvested, and the largest portion of them would have to seek such reinvestment in the major financial markets of the world, i.e. in New York, and even London, thus reversing the heavy flights of short-term capital to which these countries have been exposed in recent years.

garded as part of the United States gold reserves, just as no deduction is now made from them for the amounts due to foreign or international monetary authorities, even when these entail a full gold commitment (as is the case, e.g., for the 800 million dollars of IMF gold invested in United States securities).



The over-all deficits of the United States balance of payments today are far smaller indeed than the 2,600 million dollar reversal in average yearly short-term capital movements experienced by the United States beginning with the spread of revaluation rumours in 1960, and which replaced about 1,000 million dollars a year of normal *inflows* toward a major financial centre in the late 1950's (1955-1959) with abnormal *outflows* of 1,600 million dollars a year in the first half of the 1960's (1960-1964).<sup>35</sup>

Two possible United States objections to the proposed agreement require a final word of comment.

The first is the cost of the gold-value guarantee on the short-term dollar balances initially transferred to the Account and consolidated by it into long-term obligations. Such a guarantee would, of course, be a prerequisite for such consolidation, but it should prove costless in fact, if it helps us honour our repeatedly reiterated pledge to maintain the stability of the dollar, by removing a major threat to our ability to do so. We would, moreover, effect right away substantial savings on the balances so transferred, since interest costs would be far lower on such gold-guaranteed obligations than on present unguaranteed dollar balances.

The second objection is that we would have to give up the expectation of having our future deficits financed in large part and quasi-automatically by further piling-up of dollar balances as reserves by the participating countries. Such an expectation, however, would hardly seem realistic at this stage and its abandonment would be a small price to pay for the protection gained against far more likely conversions into gold of our *outstanding* indebtedness to them. It would, moreover, clash head-on with the "multilateral surveillance" principle under which such financing should be subject to multilateral consultation and remain available to us, on a vast scale indeed, through the Fund, the General Arrangements to Borrow, and the further provisions that might expand, in a second stage of negotiations, the functions of the Gold Conversion Account itself (see under (e) below). In any case, our present *gross* reserve assets—equivalent to about 75 per cent of annual imports—should amply cover any legitimate needs for future deficit financing, if they could be earmarked for this purpose alone and

<sup>35</sup> A more sophisticated econometric study of Jerome L. Stein similarly estimates at about 2,500 million dollars a year the impact of speculative capital movements on the United States balance of payments in the absence of interest-rate differentials. See his "International Short-Term Capital Movements", in the *American Economic Review*, March 1965, pp. 40-66.

protected against sudden or massive liquidation of our most vulnerable reserve liabilities.

#### (d) *Extension to other countries*

The adoption of the proposed agreement by the eight countries listed above would, in itself, benefit all other countries—with the main exception of South Africa, of course—by removing one of the main and most immediate threats to the stability of the currency in which they hold the bulk of their reserves and, as a consequence, to the stability of the international monetary system itself.

Yet other countries might wish to join the Agreement, and the accession of some of them at least would be highly desirable to enlarge the scope of multilateral surveillance.

The main difficulty to be faced arises from the fact that the accession of many other countries, on similar terms, might lead to a substantial lowering of the minimum gold ratio that could be guaranteed to members. As long as the eight initial members of the Agreement retain their traditional attachment to gold reserves, they might resist the dilution of their gold ratio that might be entailed by the accession of other countries to the system.

This obstacle would become weaker, however, and should indeed be totally overcome in time if, as foreseen above, familiarity with the advantage of Gold Account deposits gradually induces a preference for them as a more attractive medium than sterile gold hoards for reserve holding.

In the meantime, it could be overcome through the negotiation of separate agreements regarding the maximum use which a new member might wish, or be able, to make of its gold conversion rights, particularly with regard to its already outstanding foreign currency reserves. Both desire and ability to request such conversions would be far lower in any case than might be suggested by the estimates reported in columns 2 and 4 of table 7:

(1) Because the global reserves of most countries other than the initial signatories are far closer to minimum working levels needed for interventions in the market, and leave therefore relatively little room for conversion into Gold Account deposits;

(2) Because a substantial portion of these reserves is derived from relatively short-term borrowings in New York or London, which might not be renewed if their central banks decreased their deposits in these centres;

(3) Because preference for gold is traditionally much weaker in most of these countries, and more than offset by their desire to maximize

earnings (available from foreign exchange reserves and, at a much lower rate from Gold Account deposits, but not from gold reserves) ;

(4) In the case of the so-called sterling area, because of somewhat more formal arrangements inducing the overseas sterling members to retain a large portion of their reserves in the form of sterling balances in London.

Finally, the abatement of gold revaluation fears and the gold-value guarantees offered on Gold Account deposits would also contribute to decreasing even further the likelihood of any sudden and irrational desire for gold, on the part of countries in which the gold thirst is not deeply rooted in past habits, routines and tradition. In their case, even more than in the case of Europe, one might expect opposite shifts from sterile gold hoards into voluntarily held Gold Account deposits.

(e) *Link to long-term objectives*

The implementation of the initial Agreement suggested above would not solve, admittedly, the long-run problem of providing for adequate reserve increases in an expanding world economy. It would, however, facilitate later negotiation of the measures required for this purpose and which could, most easily and logically, be grafted upon the machinery put in place to guard against the threat of a sudden decline in already existing reserve levels.

Three such lines of development may be mentioned briefly here, even though it would be wise to postpone such "contingency planning" until the problem becomes actual—and evident to all—and sufficient confidence has been built in the new Gold Conversion Account deposits as a safe, liquid, and highly attractive medium for reserve accumulation by central banks.

(i) *Integration of the GAB into the Gold Conversion Account Agreement*

(1) Whenever circumstances arose under which the participating countries would agree to resort to the present GAB provisions, they could instead direct the Gold Conversion Account to invest an appropriate portion of its gold assets in gold-guaranteed obligations of the country requesting an exchange transaction or stand-by arrangement "necessary in order to forestall or cope with an impairment of the international monetary system... in the new conditions of widespread convertibility, including greater freedom for short-term capital movements..." (GAB, paragraph 6 and preamble).

(2) The increasing preference of members for Gold Account deposits rather than gold-metal reserves should provide ample resources for such

operations. If, however, and to the extent that the gold resources of the Account might become inadequate for this purpose, recourse would be taken to paragraph 6 of the proposed Gold Conversion Account Agreement, preferably under the more flexible voting provisions suggested for the operation of the latter. (It might still be possible, if no agreement on voting rules could be reached otherwise, to recognize the right of minority countries to abstain from participation in an operation decided by majority vote. Only the majority countries would, in that case, agree to raise the proportion of their total reserves to be held in the form of deposits with the Gold Conversion Account.)

(ii) Exactly the same procedures (as under (i), 1 and 2, immediately above) could be used whenever the participating countries agreed on the *need to increase world reserves*, by any given amount.

I have long argued myself that such a decision might then best be carried out through investments in IBRD obligations or in gold-guaranteed obligations of the countries most able and willing to engage in long-term financing of the development needs of the under-developed areas of the world. (See, e.g., *The Evolution of the International Monetary System: Historical Re-appraisal and Future Perspectives*, Princeton, 1964, pp. 33-35.) This, after all, is the only way in which the richer industrial countries could increase their "earned" *net* reserves, as opposed to "mutually borrowed" *gross* reserves. Official opinion, in continental Europe at least, still seems to incline toward other and more automatic solutions, distributing the new reserve assets *pro rata* of each country's gold holdings, or IMF quotas, or other pre-determined criteria. To my mind, this would be incompatible with their repeatedly asserted objective of linking increases in world reserves to the improvement of the present balance-of-payments adjustment mechanism and policies.

In any case, I see no reason to try to force an immediate, once-and-for-all resolution of these conflicting views in favour of a single formula. The choice between the above alternatives—and indeed others—could be left to the *ad hoc* decision of the participating countries at the time when they agree on need for a reserve increase, and might differ with each individual case, in the light of prevailing conditions and major policy objectives at that time. Whatever reserve increase is then deemed desirable could be implemented in a variety of ways, including not only those briefly summarized above, but also, for instance, Gold Conversion Account gold or currency deposits with the IMF designed to enlarge the

capacity of the Fund to finance normal drawings under the Articles of Agreement.

(iii) A third possible use of Gold Conversion Account investment might occasionally arise in connection with the repayment of IMF drawings at the end of the maximum three to five year period specified in the Executive Board's decisions of 13 February 1952, and 23 December 1953. Circumstances might arise under which such repayment might be deemed undesirable both from the point of view of the country concerned—in the light of its circumstances and policies at the time—and from that of the evolution of world reserves themselves. The members of the Gold Conversion Account might then deem it appropriate to offset the unwanted impact of such repayment through investments in the obligations of the repaying country. Such investments would not, by themselves, lead to any new increases, but merely avoid a decline in the outstanding level of world reserves.

(Such a procedure might, for instance, prove useful to smooth out over a longer period of time the United Kingdom's large IMF repayment obligations, in view of the extremely low and inadequate reserve levels of that country.)

(f) *On the relation of the above proposals to other current proposals for international monetary reform*

The proposals above combine into a single package various suggestions made in the past by the negotiators of the Group of Ten, and particularly:

(1) Mr. Roosa's suggestion for a less asymmetrical system of assuring the convertibility of the major currencies used in world trade. Only the United States and France now redeem directly into gold-metal excess holdings of their currencies presented for conversion by central banks. This, however, is due to the fact that these two countries hold the bulk of their mone-

tary reserves in gold, and relatively little in foreign exchange. If other countries were to be asked to redeem their currency in gold—rather than as now in dollars—this might induce them to convert much of their present dollars into gold. This is obviously not what Mr. Roosa wants.

My alternative suggestion for a Gold Conversion Account would restore full symmetry between all participating currencies with respect to their conversion rights and obligations, without entailing massive losses of gold by the present reserve currency countries.

(2) French, German, and Dutch suggestions for a more harmonious and equitable distribution of gross reserves between gold and foreign currencies.

(3) Belgian suggestions aiming at making fully liquid—and thus acceptable as monetary reserves—central banks' assets other than gold-metal alone.

(4) Italian and other suggestions—from Mr. Roosa, for instance—for applying this technique to the consolidation of the excessive short-term indebtedness of the United Kingdom, while preserving the liquidity of such claims.

(5) French suggestions to base such assets upon adequate gold-value and gold-convertibility guarantees.

(6) Former Chancellor of the Exchequer Maudling's plan, with three modifications designed (i) to mop up *ex ante*, rather than *ex post*, unrequired foreign currency reserves whose sudden unloading may at any time trigger crises for the debtor country, (ii) to ensure the full acceptability and transferability of his "mutual currency accounts", and (iii) to clarify the repayment obligations of the debtor countries.

(7) The IMF proposals for Fund investments, decided at the initiation of the Fund, and financed by members' reserve deposits.

#### D. SUMMARY AND CONCLUSIONS

The main interest of the Latin American countries in the monetary negotiations now in process coincides with that of other countries.

*In the short run* it lies in a speedy agreement among the major gold-holding countries, removing the major threat to the existing level of reserves and to the stability of the present international monetary system, i.e. the danger of wanton liquidations into gold-metal of the excessive short term indebtedness accumulated by the reserve centres over many years of functioning of the gold-exchange standard.

This objective could be met by assigning first priority in the current negotiations to the establishment of a *Gold Conversion Account*, limiting such conversions to available gold supplies, and providing a more appropriate and highly attractive medium for reserve holdings, superior in many ways to gold itself.

*In the longer run* the essential interests of all lie in a more rational organization of the process of reserve creation:

(1) Substituting world-wide requirements for non-inflationary growth of trade and production

as the main criterion for the over-all pace of reserve increases, in lieu of the totally irrelevant and haphazard factors which determine it primarily today, i.e. the profitability of gold-mining, the USSR gold sales in Western markets, private gold absorption into arts, industry, hoarding, and speculation, and central banks' switches from gold into reserve currencies, or vice versa;

(2) Bringing under multilateral surveillance and collective decisions the use of the lending potential deriving from future accumulation of the fiduciary reserve (or "credit-reserves") that will be needed, on an increasing scale, over future years to supplement inadequate gold supplies (or even to replace them entirely) when central bank officials have acquired sufficient familiarity with, and confidence in, the qualities of the new type of reserve asset to be established.

Among the multiple aspects of such an "aggiornamento" of our outdated international monetary system, two are of crucial importance to all countries, but particularly to the less developed areas of the world:

(1) A more effective and equitable distribution of necessary adjustment pressures and disciplines between surplus countries and deficit countries, in the light of the deflationary, or inflationary, trends that need to be combated by monetary action;

(2) A proper allocation of a substantial portion of the lending counterpart of needed reserve accumulation in ways that can contribute to long-term development financing, without endangering in the least the liquid character of reserve holdings for balance-of-payments settlements.

The Latin American countries, and other under-developed countries, would best serve their own interests, as well as those of other countries, by focusing their negotiating influence on the achievement of these objectives rather than by frittering it away in futile efforts to extract from other countries unilateral concessions of one sort or another, but less directly related to the convergent interests of all countries in the establishment of a most efficient international monetary order.

Annex I

EVOLUTION OF INTERNATIONAL MONETARY RESERVES

Table A

SOURCES AND DISTRIBUTION OF INTERNATIONAL MONETARY RESERVES, 1949-JUNE 1965

(In millions of United States dollars)

	End of			June 1965
	1949	1959	1964	
I. <i>World monetary gold</i>	34 975	40 193	43 062	42 997
II. <i>IMF and BIS</i>	153	937	1 983	3 639
A. Reserve positions in IMF	1 658	3 250	4 155	5 276
B. Minus IMF and BIS gold holdings	1 505	-2 313	2 172	1 637
III. <i>Foreign exchange</i>	10 390	16 470	23 860	21 730
A. Dollars	3 360	10 393	15 585	14 611
B. Sterling <sup>a</sup>	7 019	6 066	7 046	6 504
C. Other and discrepancies (including Euro-dollars and Euro-sterling)	11	11	1 229	615
<i>Total gross reserves</i>	45 518	57 600	68 905	68 366
I. <i>Reserve centres (net)</i>	17 338	7 346	-4,959	-5 269
A. <i>United States</i>	22 664	10 611	287	351
1. <i>Gross assets</i>	26 024	21 504	16 672	15 762
a. Gold	24 563	19 507	15 471	14 308 <sup>b</sup>
b. Reserve position in IMF	1 461	1 997	769	908 <sup>b</sup>
c. Foreign exchange	—	—	432	546
2. <i>Liabilities (—) to:</i>	-3 360	-10 893	-16 385	-15 411
a. IMF	—	-500	-800	-800
b. Foreign monetary authorities	-3 360	-10 393	-15 585	-14 611
B. <i>United Kingdom</i>	-5 326	-3 265	-5 246	-5 620
1. <i>Gross assets</i>	1 752	2 801	2 316	2 792
a. Gold	1 321	2 514	2 136	2 226
b. Reserve position in IMF	—	65	—	—
c. Foreign exchange	431	222	179	566
2. <i>Liabilities (—) to:</i>	-7 078	-6 066	-7 562	-8 412
a. IMF	-59	—	-516	-1 908
b. Foreign monetary authorities	-7 019	-6 066	-7 046	-6 504
II. <i>Other countries (gross)</i>	17 742	33 295	49 917	49 812
III. Subtotal (I + II)	35 080	40 641	44 958	44 543
IV. Liabilities of reserve centres <sup>c</sup>	10 438	16 959	23 947	23 823

SOURCES: All estimates are derived from *International Financial Statistics*, the *Survey of Current Business*, the *Federal Reserve Bulletin*, the *Bank of England Quarterly Bulletin*, and (for Russian gold sales in table B) the *Annual Report of the BIS*.

Industrial and artistic uses of gold and official sterling holdings for 1949 are only rough estimates derived from a variety of sources.

Reserve liabilities for countries other than the United States and the United Kingdom are not available, but are relatively minor except for their net debt to the IMF (about 900 million dollars in all at the end of 1964).

<sup>a</sup> Including both sterling holdings (6 846 million dollars in December 1964, and 6 504 million dollars in June 1965) and foreign currency deposits (200 million dollars in December 1964) of foreign central monetary institutions.

<sup>b</sup> The 259 million dollars of gold actually paid in June to the IMF in anticipation of Fund quota increase is still included here under "Gold" rather than under "Reserve Position in IMF".

<sup>c</sup> Sum of items I A 2 and I B 2 above.

**Table B**  
**SOURCES AND DISTRIBUTION OF CHANGES IN INTERNATIONAL MONETARY**  
**RESERVES, 1950-JUNE 1965**

*(Annual rates of change, in millions of United States dollars)*

	<i>Period</i>		<i>January-June 1965</i>
	<i>1950-59</i>	<i>1960-64</i>	
I. <i>World monetary gold from:</i>	522	574	-130
A. USSR sales	111	340	—
B. Western sources	411	234	-130
1. Production	939	1 289	1 400
2. Private absorption (—):	-527	-1 056	-1 530
a. Arts and industry	-200	-300	-350
b. Hoarding and speculation	-327	-756	-1 180
II. <i>IMF and BIS</i>	78	209	3 312
A. Net reserve positions in IMF	159	181	2 242
B. Minus IMF and BIS gold holdings	-81	28	1 070
III. <i>Foreign exchange</i>	608	1 478	-4 260
A. Dollars	703	1 038	-1 948
B. Sterling	-95	196	-1 084
C. Other and discrepancies (including Euro-dollars and Euro-sterling)	—	244	-1 228
<i>Total: Changes in gross reserves</i>	<i>1 208</i>	<i>2 261</i>	<i>-1 078</i>
I. <i>Reserve centres (net)</i>	-999	-2 461	-620
A. United States	-1 205	-2 065	128
B. United Kingdom	206	-396	-748
II. <i>Other countries (gross)</i>	1 555	3 324	-210
III. <i>Subtotal (I + II)</i>	556	863	-830
IV. <i>Liabilities of reserve centres</i>	652	1 398	-248

SOURCE: Same as for table A. The figures on USSR gold sales are taken from the *Annual Report of the Bank for International Settlements*.

### Annex III

## PROPOSED INITIAL AGREEMENT FOR THE ESTABLISHMENT OF A GOLD CONVERSION ACCOUNT AMONG MAJOR GOLD RESERVE HOLDERS

1. Belgium, France, West Germany, Italy, the Netherlands, Switzerland, the United Kingdom and the United States will establish and administer jointly a "Gold Conversion Account", using the IMF (or the BIS?) as Agent.

2. Each participating country will deposit with this Gold Conversion Account any excess of foreign currency balances accumulated by its monetary authorities over and above working balances needed for stabilization interventions in the exchange markets and anticipated needs for debt repayments to the country (or countries) in the currency of which such balances are held.

(It might be deemed desirable to specify maximum ceilings on retained holdings, in order to implement the "multilateral surveillance" objective affirmed in the report of the Group of Ten, and to avoid excessive monetary financing, by unilateral decisions or bilateral negotiations, of any participating country's deficits, susceptible of imposing unwanted inflationary pressures on other countries.)

3. Deposits with the Gold Conversion Account will carry full gold-value guarantees and a modest rate of interest. They will be used primarily and on sight (or short notice) to replenish depleted working balances in any participating currency, but may also be withdrawn at any time in gold-metal by the depositor, subject to provisions 4 and 6, (b), (3) below.

4. Outstanding currency balances initially transferred to the Account will be retained by it, subject to agreement with the debtor on full gold-value guarantees and modest interest payments. They will be subject to:

(a) Regular amortization at a rate not exceeding (2, 3 or 5?) per cent a year, such amortization to be postponed, however, whenever deemed in conflict with the general stabilization objectives of the IMF;

(b) Extraordinary amortization under provision 6, (b) (3) below.

5. Other currency balances subsequently transferred to the Account will be automatically repayable in gold.

6. Any global imbalance between gold payments to and gold withdrawals from the Account will be dealt with in the following manner:

(a) In the event of gold accumulation in the Account deemed excessive by the participating countries, interest rates may be lowered on its deposit liabilities;

(b) If a shortage of gold threatens to develop in the Account: (1) interest rates may be raised on its deposit liabilities; (2) demands for gold withdrawals by countries indebted to the Account (as a result of provision 4 above) may be met instead by extraordinary amortization of their outstanding indebtedness; (3) if the above measures prove insufficient to deal with a threatening gold shortage in the Account, the countries whose ratio of gold to total reserves (defined as their monetary authorities' holdings of gold, foreign exchange, and deposits with the Account) is highest will agree to sell gold to the Account—against equivalent increases in their gold-guaranteed deposits with the Account—to the extent necessary to meet the gold withdrawals of other members. (This would tend to diminish the present spread in reserve composition and might, as a limiting case, ultimately adjust such composition on the eight countries' average.)

7. Any other convertible currency country may be invited to participate, provided that:

(a) It accepts the obligations specified above;

(b) It agrees not to use the gold conversion right specified under provision 4 above to increase its holdings of gold-metal beyond its traditional ratio to total reserves. (Such "traditional" ratio would have to be agreed upon, before accession, and might be calculated on the basis of a past reference period as well as other factors, such as the country's offsetting indebtedness in the currency in which a large portion of its total monetary reserves are customarily held.)

8. The pattern of voting rights to be agreed upon should be based largely (or even exclusively?) on the relative size of each participating country's average deposits and contingent commitments under provision 6, (b) (3) above. (At the limit, a voting pattern determined by commitments alone—see column 5 of table 7—would just about equilibrate initially the combined voting power of the United States, the United Kingdom and Switzerland with that of the five EEC participants. The actual pattern would vary, however, in the course of time, with changes in each country's total resources and commitments and in any additional, free deposits with the Account.)

# “SOCIAL DEVELOPMENT” AND “SOCIAL PLANNING”: A SURVEY OF CONCEPTUAL AND PRACTICAL PROBLEMS IN LATIN AMERICA\*

## I. INTRODUCTION

Over the past two decades several currents of theory, opinion, and governmental practice have come together in a widening stream of support for the proposition that the progress of the countries now at low income levels requires “planning”. Acceptance of formal planning in the countries already at high income levels has been more hesitant, but even the countries in this group that do not consider such planning relevant to their own needs have come to urge it upon their poorer neighbours. The central—or at least the most readily formulated—objective of such planning has been the securing of higher rates of increase in the production of goods and services, progress being assessed through the composite indicator of per capita national income.

The techniques of planning for this objective have been worked out mainly by economists seeking to allocate scarce resources so as to maximize production, and the planning bodies that have tried to apply the techniques have been in the hands of economists, statisticians and engineers. From the beginning, however, it was evident that planning could not disregard the demands for immediate expenditures relating to human welfare made by the more articulate and organized sectors of the public, supported by the rising bids for popular support of rival

aspirants to political leadership and the widening influence of social standards endorsed by the inter-governmental organizations. Experience soon indicated, moreover, that achievement of the economic objective of self-sustaining growth in per capita production would require that non-economic factors be taken into account.

Thus, the terms “social development”, “social planning”, “social aspects of economic development”, “balanced economic and social development” and the like began to become current. The necessity for incorporation of the “social” into comprehensive planning became a commonplace in the resolutions of inter-governmental bodies. International meetings on one variation or another of this topic have brought forth a formidable bulk of documentation, and even the conclusions of meetings on quite specialized social programmes commonly acknowledge the desirability of integration into wider plans.<sup>1</sup> Courses in social planning are organized, experts in social development go forth to advise

\* This paper, submitted as document E/LACCY/BP/L.4 to the Latin American Conference on Children and Youth in National Development (Santiago, Chile, 28 November to 11 December 1965) represents one stage in a continuing programme of studies of problems of social development undertaken by the Social Affairs Division of the Economic Commission for Latin America. Subsequent parts are expected to enter into such topics as: social structures of Latin America and applicability of “popular participation” in the formulation and execution of policies and plans; “regionalization” and “localization” of social programmes; approaches to urban development and rural development and problems of their integration; research and statistics in relation to social policy and programming; problems of communication between social scientists, policy-makers and the public. Other papers deriving from this programme of studies include: “Popular Participation and Principles of Development in Relation to the Acceleration of Economic and Social Development” (*Economic Bulletin for Latin America*, Vol. IX (1964), pp. 225-256) and “Social Service in Latin America: Functions and Relationships to Development”.

<sup>1</sup> The meetings organized by agencies in the United Nations family alone, excluding meetings on planning in general and meetings restricted to a single social sector, include: Working Group of Experts on Social Aspects of Economic Development in Latin America (Mexico City, 1960); Working Group of Experts on Social Development Planning (Bangkok, 1963); Working Party on Economic and Social Development of the Economic Commission for Africa (Addis Ababa, 1962); European Expert Group on the Problems and Methods of Social Planning (Dubrovnik, 1963); Expert Working Group on Social Prerequisites to Economic Growth (Nicosia, 1963); European Seminar on the Problems and Methods of Social Planning, Kallvik, Finland, 1964. The *Report* of this last seminar (SOA/ESWP/1964/4) indicates clearly that interpretations of “social planning” and views on the usefulness of the conception itself continue to differ widely, even among specialists from countries with the most elaborate and well-established systems of public social action. In addition to the documents stemming from these meetings, discussions and summaries of current thought concerning social development may be found in the United Nations *Report on the World Social Situation with special reference to the problem of balanced economic and social development* (E/CN.5/346/Rev.1), United Nations publication, Sales No.: 61.IV.4, and in André Piatier, *Équilibre entre développement économique et développement social*, Conseil international des sciences sociales, Paris, 1962. The latter work, based in part on regional papers commissioned by the International Council of Social Sciences, contains an extensive bibliography.



countries, social divisions of national planning offices are created, and social programmes lie side by side with economic in numerous published plans.

A close look at the present situation, however, reveals a remarkably wide gap between aspirations and realities. Neither the conceptual nor the practical problems of the incorporation of the "social" into comprehensive planning have as yet received satisfactory solutions. It cannot be safely affirmed that in any of the countries now striving for rapid development allocations to social programmes, new social legislation, or creation of new social agencies are controlled by unified conceptions of interrelationships and priorities. At the same time, one finds a good deal of evidence that these countries are being offered more advice on planning than they can assimilate or evaluate, including elaborate quantitative techniques whose practicability has not been tested anywhere, and a considerable number of promotional schemes for separate lines of social action or alternative approaches to social action, all put forward as "plans" deserving the highest priority. It would seem that a good many of the proponents of social planning have not digested the elementary principle that planning involves choice among alternatives, and the rejection or postponement of some forms of action which, though desirable in themselves, cannot be reconciled with others that deserve a higher priority. In fact, the popularity of the term "planning" has encouraged its extension to questions that might more properly be considered "policies" or "values", agreement on which should precede the stage of "planning". More solid progress has been made toward workable techniques for programming within the separate "social sectors", although even in this more limited sphere the practical application of the techniques now at hand is progressing only slowly. It is arguable that the more ambitious claims for social planning and the anxiety of social specialists to attach themselves to this popular cause may in some instances be diverting their attention from more immediate possibilities for improvement in the internal efficiency of the programmes with which they are directly concerned.

The present paper does not pretend to summarize the voluminous literature on planning and programming techniques, nor to offer recipes for successful planning.<sup>2</sup> It attempts a

<sup>2</sup> Planning principles and techniques have been described and progress towards their application discussed in a number of reports of the Economic Commission for Latin America and the Latin American Institute for Economic and Social Planning. See "Progress in Planning in Latin America" (*Economic Bulletin for*

panoramic view of the present status of the movement to incorporate the social into planning, as it has taken shape in the international agencies and as it is being applied to the realities of Latin America, and suggests certain prerequisites for progress in this endeavour. It takes for granted that the shortcomings and exaggerated claims that will be examined do not obviate the need for a continuing search for effective solutions.

A brief look at three questions is first needed:

1. The meanings and limitations of the term "social" and its derivatives;
2. The multiple parentage of "social development" and "social planning" and the consequent differences in approach;
3. The prerequisites for effective planning that can be deduced from present trends in the Latin American countries.

#### 1. Interpretation of the term "social"

In its broadest sense, the term "social" means "pertaining to society" or "collective". In this sense, economics is a "social science", all aspects of development are parts of a global "social process", and all facilities for general use by members of the society, from schools to sewers or from railways to race tracks, can be considered investments in "social infrastructure". Such an interpretation is taken for granted in a number of recent statements on development policy and planning, and points the way toward the indispensable unified conception of development to which the present paper will return in its conclusions.

When the term "social" is coupled with "economic", however, the user commonly has in mind one of two narrower interpretations, or both of them together. "Social" may refer to the human welfare aspects of development: to the rising levels of living and more equitable distribution of material and cultural goods that are expected to accompany or follow the increases in production brought about by "economic development".<sup>3</sup> Alternatively, "social" may refer to the structure of society, and "social

*Latin America*, Vol. VIII (1963), 80, 129-146); Part III of the *Economic Survey of Latin America 1964* (E/CN.12/711/Rev.1); and Carlos Matus, "Planning Systems and Their Enforcement in Latin America" (ST/ECLA/Conf.20/L.13). Recent studies of sectoral programming techniques are cited at appropriate points below.

<sup>3</sup> Piatier (op. cit.) points out that this interpretation of the social arose largely to fill the gap left by a deliberate narrowing of the interests of economists in the 19th century, and that as economists now widen their interests to include problems of employment, poverty, income distribution, education, etc., the content of the social, interpreted as a residual, shrinks.

development” to the changes in stratification and mobility, the widening participation in the national community, that are either prerequisites for economic development or concomitants thereof. These two latter interpretations of the social imply different—although not incompatible—approaches to incorporation of the social into planning, and are put forward by persons with differing backgrounds—the former mainly by social administrators, the latter mainly by sociologists. With these two approaches a number of terms have come into international usage without acquiring precise definitions; the use of these terms seems to be unavoidable, but the looseness with which they are commonly used and the mental images they carry with them hardly contribute to the cause of clear thinking.

“Social situation”, “social field”, and “social sector” imply, more often than not, that the user has in mind the human welfare interpretation of the social. “Social prerequisites”, “social factors”, and “social obstacles” are more likely to be associated with the “structural” interpretation while “social aspects” can be found prefixed to almost any topic being discussed under either interpretation.

“The “social situation” appeared in United Nations usage as a counterpart to the more easily envisaged “economic situation”, and although the “world social situation” has been the subject of a series of reports, these have relied upon pragmatic criteria for their coverage.<sup>4</sup> Their topics have been determined partly by the organizational structure of the agencies in the United Nations family, and partly by the content of the parallel conception of “level of living”. The latter term has been the subject of considerable international discussion and has received an agreed-upon definition, but has remained a conglomeration of “components” measurable in part by separate “indicators”, both the components and the indicators remaining resistant to all attempts at integration or synthesis.<sup>5</sup> In practice,

<sup>4</sup> “For the purposes of the present survey, it would be futile to engage in elaborate distinctions between ‘social’ and ‘economic’ on the basis of avowed and unavowed motives of national policy-makers. The measures here treated are those regarded as ‘social’ by the United Nations and the specialized agencies; in general, they are measures that are directly rather than indirectly related to human welfare.” *International Survey of Programmes of Social Development* (E/CN.5/301/Rev.1), United Nations publication, Sales No. 55.IV.8.

<sup>5</sup> See *International Definition and Measurement of Levels of Living: an Interim Guide* (E/CN.12/270/Rev.1), United Nations publication, Sales No. 61.IV.7. One of the projects of the United Nations Research Institute for Social Development in Geneva calls for the construction of a unitary index of the level of living, defined as the level of satisfaction of wants assured by the flow of goods and services received by the popula-

tion in a unit of time. This project should result in a more orderly grouping of components and indicators, but it seems questionable whether a unitary index will ever be applicable to the realities of countries with incomplete statistics and wide discrepancies in the incomes, values and consumption patterns of different population strata.

the United Nations reports have covered, in addition to these components and to the programme areas of the international agencies, a number of topics to which the economists would stake a claim: employment, income and expenditure, consumption, etc.

The terms “social field” and “social sector” have been used still more loosely. At times the users seem to envisage a definite number of social fields, large and small, that lie side by side, that can be merged into one big social field and fenced off from an “economic field” as a preliminary to deciding how much money is to be used to manure one field or the other. Or the image may be evoked of a social pie divided into “social sectors”. An examination of the topics that are commonly identified as fields or sectors raises the question whether the big social field can be considered even a convenient abstraction. The more comprehensive the attempt to distinguish all the social fields or sectors the more anomalies appear: the fields overlap one another, stand in quite different relationships to human welfare, call for quite different kinds and combinations of public and private action. Some are subject to well-defined techniques of sectoral programming; others might conceivably be subjected to such programming in the future; in still other instances unified programming for the “sector” is hardly conceivable. Some of the social fields are growing economic crops and vice versa; discussions have been heard as to whether one or another topic is a social field with economic aspects or an economic field with social aspects. (The cultivators of the social fields now and then show traits that are to be met with also among real peasants; they engage in litigation over boundaries and try to incorporate portions of other fields within their own.)

The formulation “balanced economic and social development” has become associated with the imagery of economic and social “fields”; its use is likely to carry with it the presupposition that there are two distinct kinds of development that can or should be balanced.

The terms “social prerequisites”, “social factors” and the like have their own inadequacies. The user is likely to envisage a developmental process that is centrally economic, but that will run more smoothly if social lubricants are added to the machinery or social grit is flushed out of it. Under such an interpretation, social specialists

tion in a unit of time. This project should result in a more orderly grouping of components and indicators, but it seems questionable whether a unitary index will ever be applicable to the realities of countries with incomplete statistics and wide discrepancies in the incomes, values and consumption patterns of different population strata.

complain, they are likely to be called in only at a secondary stage, to propose additives or tactical modifications for economic plans constructed without their full participation.

## 2. *Origins of the different approaches to "social development" and "social planning"*

It has already been suggested that the present interest in "social development" and "social planning" involves a confrontation of the points of view of different sectors of opinion and different professional disciplines, and that discussions of these topics sometimes ignore the discrepancies in what the different participants actually envisage and want.

Recent years have seen a remarkably rapid expansion and diversification in public social action throughout the world, coinciding with the growth of the inter-governmental agencies and the endorsement by their member States of social objectives as human rights. Societies in which social services have reached a high degree of complexity and expansiveness have become models and suppliers of expert advisers to countries in which low income levels and the cultural and political isolation of large parts of the population from national life place quite different limits on internal capabilities for the support of such services and on the likelihood of their effective functioning. The diversion of resources to the social programmes has met with opposition on the part of advocates of concentration on directly productive investments. Political pressures have generally been too strong for open resistance, but financial support of the programmes has in practice often been kept to a token level, widening discrepancies have appeared between the social rights guaranteed in laws and constitutions and the meagre benefits to the masses of the people, and the ineffectiveness and bureaucratization of the relevant programmes have strengthened the scepticism of their opponents. The advocates of the social programmes have thus been increasingly impelled to justify them both in terms of their contribution to the general developmental process and in terms of their internal efficiency. This has led them, on the one hand, to a quest for internationally applicable criteria for the "balancing" of social sectoral allocations with each other and with economic allocations and, on the other, to a quest for sectoral programming techniques, in which they have borrowed extensively from economic programming. In these approaches to social planning the element of promotion has inevitably been prominent; the advocates of each form of social action have tried to stake a claim, in terms convincing to political leaders and planners, to a larger share of national resources.

These trends have coincided with the interests of a good many economists, who began to envisage the social programmes, or some of them, as essential contributions to economic development, and thus to evaluate them as "investments" with returns potentially translatable into monetary terms; the phrase "investment in human resources" became current. A series of economic studies indicating that a very large share in the generation of economic growth must be attributed to an ill-defined but largely "social" residual factor, rather than to inputs of capital and labour, induced the economists to turn their attention to this aspect. At the same time, speculations began to be heard on the possibility of constructing mathematical models incorporating all the social as well as the economic variables relevant to development. This support was received by the promoters of the social programmes with gratification mixed with a certain uneasiness. They could not accept the investment criterion as primary without risking, from the human rights point of view, serious distortions in the content of the social programmes and a refusal to allocate any resources to forms of social action for which "returns" cannot be demonstrated. At the same time, the initial attempts to measure returns on investment in such sectors as education and health or to view these sectors as input-output models led to such formidable conceptual and practical difficulties that some economists have come to doubt whether such exercises will ever be useful tools in the quest for criteria for social allocations. The present trend in programming practice seems to favour the use of non-monetary quantitative indicators for the efficiency of programmes—and pragmatic processes of successive approximations to determine the final allocation of resources to a given programme or project.

The above approaches are associated with immediate problems of allocation of public resources to programmes that already exist, with their own organizational structures, legislative sanctions, clienteles, and forces of momentum or inertia; and also with the justification of alternative lines of future public action. Both the advocates of the social programmes and the economic programmers inevitably have placed in the foreground extremely simplified quantitative targets: increase in the school enrolment ratio, in the number of houses constructed, in the percentage of public expenditure or of national income devoted to one programme or another.

A different approach, to which both economists and sociologists have contributed, involves a search for reasons why neither economic nor social programmes up to the present have proved

predictably effective in the countries seeking rapid development. One of the pioneering presentations of this point of view singles out "social adaptation to new functions", "the creation of new patterns of living", and "the new social stratification" as the central problems.<sup>6</sup> From this approach, quantitative criteria for allocations to the social programmes or for rates of improvement in the components of levels of living are of secondary importance compared to an understanding of the functioning of the programmes within a given social structure and their potentialities for modifying the structure along lines more compatible with healthy development.<sup>7</sup> This approach has been reinforced by the raising of more basic questions as to the meaning of a "good society", and by widening disinclination to accept the high-production high-consumption societies of North America and Europe as satisfactory models for the rest of the world.<sup>8</sup> It is obvious that the application to public policy of this last approach raises questions much more complex than do the attempts to set quantitative targets and determine more rational criteria for allocation of resources. The legitimate preoccupation of the planners and sociologists with the transformation of social structures does not imply that they should or can manipulate these structures into their own image of the good society. Historically, the transformation of social structures has been the task of political leadership representing the more dynamic elements emerging from the previous

<sup>6</sup> "Three Sociological Aspects of Economic Development", *Economic Review of Latin America*, special issue, August 1955, pp. 56-65.

<sup>7</sup> A recent paper proposes the terms "societal development" or "nation-building" to express such a point of view toward the development process. "... 'societal development' in countries of low income may be defined as the sum total of the measures, policies, operations, and other consciously induced changes or practices required to alter fundamentally the patterns of and attitudes toward life, work, and education in order to create a dynamic, responsive, and progressive society in which conditions of life are improved through the application of modern technology and democratic processes." (Donald C. Stone, "Education for Development Administration", paper prepared for the Conference on Administration for Development, November 1965, convened by the Inter-American School of Public Administration of the Getulio Vargas Foundation, Rio de Janeiro.)

<sup>8</sup> John K. Galbraith's, *The Affluent Society* (Boston, 1958) is one of the most influential presentations of this criticism. Nevertheless, the universal endorsement of "development" as a central policy objective and of "planning" as a means to this end has been accompanied by remarkably little systematic consideration of the traits to be expected or desired in the future society that will emerge from the process of development. See José Medina Echavarría, "La Filosofía del Desarrollo" (mimeographed text of lectures delivered at the Universidad Nacional de Uruguay, February 1965).

structures, and the role of planning in this process will presumably continue to be auxiliary.

Some presentations of the latter approach seem to view it as an alternative to the former, but it is more reasonable to envisage it as complementary. The need for rationalization of the jungle growth of social initiatives now springing up will not wait upon the attainment of adequate understanding of the social structures. The search for quantitative targets and criteria for allocation of resources becomes questionable only if the targets are viewed as ends in themselves rather than limited indications of the degree to which the real purposes of the programmes are being attained.

### 3. *Prerequisites for effective policy and planning in Latin America*

The Latin American countries at present, for all their obvious differences from one another, present certain common characteristics—including internal contradictions—that differentiate them from the more generalized models of "developed" or "under-developed" countries.<sup>9</sup> These characteristics suggest certain conditions that must be demanded of an interpretation of social policy and planning likely to be capable of influencing the course of development in the region. Although the present state of social research is far from adequate to support firm generalizations, the following highly simplified conditions may be advanced:

(a) Such policy and planning must attempt to rationalize the struggles within what have been called "conflict societies" in which different classes and organized interest groups hold to widely separated interpretations of what is needed, and in which the real objectives of these groups—whether consciously formulated or not—may be in contradiction to the publicly agreed upon objectives of development and social justice. In Latin America today, these struggles are conditioned by the juxtaposition of urban minorities that have attained or are determined to attain the consumption standards typical of

<sup>9</sup> A number of classification systems have distributed the countries of the region in groupings according to levels of development, degrees of national integration, etc. One of the most recent of these exercises, dividing the countries of the world into four groups according to their ranking by a composite index based on quantitative indicators, places one Latin American country in the "advanced" category, six in the "semi-advanced", nine in the "partially developed" and only one in the lowest "under-developed" category. (Frederick Harbison and Charles A. Myers, *Education, Manpower and Economic Growth: Strategies of Human Resource Development*, McGraw-Hill Book Co., New York, 1964.) The differences in levels between the countries, however, do not in general place them outside the framework described here.

Europe and North America with other groups having widely differing levels of living, aspirations, and degrees of integration into the national society. The latter groups include rural populations that remain "traditional" and more or less isolated from the national society by prevailing systems of land tenure, local administration and patterns of settlement; but they also include rapidly growing groups that are mobile geographically and occupationally, that are increasingly moving into urban or semi-urban settings, and that are increasingly able to make their influence felt in the political process. In the ideologies that purport to represent the points of view of different groups in the societies (and that have been labelled "nationalism", "populism" and "modern traditionalism")<sup>10</sup> and also in the behaviour of individuals, including political leaders, administrators and planning specialists themselves, one finds an unresolved mixture of the traditional with the modern or innovating.<sup>11</sup> The most basic hungers for bread and shelter combine in their pressure upon resources with hunger for television sets and automobiles. Reliance upon the State to resolve all problems of livelihood and social change co-exists with extreme apathy or hostility toward the public powers. Under these conditions, planning systems will be called upon, in addition to their more technical tasks, to clarify the policy alternatives in terms that will make sense to the contending interest groups, distinguish real controversies that must be the subject of political decision from semantic ones, demonstrate the feasibility of the demands in terms of available resources and alternatives that must be forgone if a given demand is met, and help the less organized and less articulate groups to make more coherent and realistic demands through formalized channels. At best, the planners can hardly expect to attain the status of neutral and infallible arbiters of the allocation of resources.

(b) Policy and planning must take into account the pre-existence of extensive social legislation, fixed investment in social capital, social institutions with their own clienteles and pressure groups, resistant to planned change or inte-

<sup>10</sup> See "The Social Development of Latin America in the Post-War Period" (E/CN.12/660) and Kalman Silvert, *Conflict Society: Reaction and Revolution in Latin America* (New Orleans, 1961).

<sup>11</sup> Contradictions of this kind are being explored in an analysis of the structure of power now being undertaken by the Centro de Desarrollo (CENDES), Universidad Nacional de Venezuela. Some of the preliminary findings of these inquiries are summarized in Frank Bonilla, Julio Cotler and J. A. Silva Michelena, "La Investigación Sociológica y la Formulación de Políticas", *América Latina*, Rio de Janeiro, 8th year, No. 2, April-June 1965.

gration. The expansion of public social action in the region has been accompanied by the growth of devices such as earmarked taxes, autonomous agencies, separate social security funds to different categories of insured, that are designed to protect specific social programmes or categories of beneficiaries against changes in the allocation of resources; social measures are typically governed to the smallest detail by legislation and each extension of the measures makes the legislation more complicated and administration more costly. At the same time, the social structures and the unequal participation in decision-making by different strata of the population have tended to distort the functions of the social institutions assessed from the points of view of development or of social justice. The most important of these distortions relate to the "redistribution" of incomes and opportunities for mobility that ensue when the whole society is taxed to provide services that are in practice within the reach only of certain relatively well-off and well-organized elements—as has notoriously occurred in the instances of secondary and higher education, social security and public housing. Another distortion is the bureaucratization that occurs when the function of providing jobs for members of the upper and middle strata comes to encroach on the overt functions of the institutions. Universalization of the public services already declared to be "rights" in many of the national constitutions would—at present per capita costs—require astronomical sums.

In addition to these broad problems deriving from the social structures of the region, two kinds of challenges to planning set by the present characteristics of the governmental machinery deserve emphasis.

(c) Policy and planning must, at least in their early phases, adapt themselves to a typical combination of frequent changes in the higher policy-making personnel of the Government with the continuing existence of elaborate centralized administrative apparatuses lacking in capacity for initiative and resistant to change. These apparatuses, in most countries, are over-staffed but have few officers, if any, trained in modern administrative practices. Frequent changes in programme directives may thus exert only a superficial influence on the behaviour of the personnel actually applying the programmes. Planning procedures and models introduced into this kind of setting must guard against a real likelihood of becoming additional sources of rigidity and bureaucratization.

(d) In the same countries, provincial and municipal administrative machinery is typically weak, both in staffing and in fiscal resources, and

is usually dominated by narrow local cliques. This situation throws a heavier burden on the central authorities for detailed local decision-making, and at the same time exposes them to strong and persistent localistic pressures for allocation of resources, expressed through political channels. An effective planning system must seek means of strengthening the capabilities of local administrations to plan for local development, and at the same time seek more rational and politically practicable criteria for central public allocations to local authorities.

It follows from the above considerations that planners in Latin America cannot assume that promotion of quantitative growth as assessed by the conventional indicators, including the social indicators, will be equivalent to the promotion of healthy self-sustaining development. It is probable that continued growth along present lines would run into certain obstacles inherent in the social structures that would bring it to a halt, or interrupt it through a breakdown of national consensus, as seems to have happened in some countries of the region formerly the most advanced. Furthermore, growth along present lines, even if it could be continued indefinitely, would involve a restriction of the benefits of growth to a minority of the population—although conceivably a large and growing minority—and would condemn other large groups to marginality. The key social institutions need structural reforms, to enable them not only to perform their present functions more effectively, but to carry out additional functions, including the achievement of a more equitable redistribution of income and a widening of opportunities for productive employment and full participation in national life. Moreover, the societies in which this objective must be sought are not predominantly static or traditional, although static and traditional elements weigh heavily within them. Rapid population growth and redistribution, the inability of traditional

ways of life to support the growing population, the rapid spread of new-felt needs, including the multiplication of felt needs for “modern” consumer goods, recreation, etc., among masses whose incomes are inadequate to cover their primary subsistence requirements, mass communications, etc., mean that the problem is more one of canalizing rapid and chaotic change than of overcoming traditionalist obstacles. The kind of planning needed under these circumstances has been labelled “strategic” to distinguish it from the “projective” or “indicative” planning that some of the high-income countries of Western Europe or North America find suited to their needs.

The prerequisites for a workable interpretation of social policy and planning, as they are listed here, are formidable. They have not yet been met by any country in the region, and it is enough to state them to see that they will never be met fully or neatly.<sup>12</sup> The effort to approximate more and more closely to them will require persistent efforts at several levels—that of the quest for wider understanding of the structure of society and its relationships to the over-all process of development; that of the machinery for making and applying policy decisions, nationally and locally; and that of the heterogeneous forms of social action, with their own programming techniques and problems of function and interrelationships. The ideal of comprehensive planning will continue to be confronted by the limitations of the human mind, in its capacity to grasp simultaneously all the relevant factors, and by the limited capacity of governmental machinery to translate plans into action.

<sup>12</sup> In fact, this generalization may be equally applicable to economic policy. In Latin America, as elsewhere, the prevailing characteristic has been the existence of a heterogeneous patchwork of policies that do not embrace the whole of the economic process, and that sometimes have mutually contradictory or conflicting aims.

## II. THE SOCIAL SECTORS

### 1. *Problems of identification and delimitation*

In spite of the inadequacies of the term “sector” its use is unavoidable when one turns to classify the forms of social action subject to public policy. The historical evolution of these “sectors”, the character and closeness of their relation to the unifying conception of human welfare, the techniques and objectives of programming that are applicable, and the degree to which public intervention supplements or replaces individual or family provision show little resemblance from one to another.

The following discussion progresses from the sectors that are most incontrovertibly social in content and purposes, and in which the relevant forms of public action are readily definable and subject to unified control, to the sectors in which the dividing line between social and economic becomes harder to draw, in which the forms of public action become more diverse, or in which public intervention is of minor importance. It then takes up certain lines of social policy that cannot be considered “sectors” at all, that purport to make sectoral action more unified and effective in determined settings, or that

set forth a strategy for social change through concentration on determined lines of action. Finally, it returns to the questions: Do the terms "social development" and "social planning" stand for realities at the level of public action? Is it useful to distinguish "social planning" or "social programming" as something apart from sectoral programming on the one hand, and comprehensive planning on the other? Does the phrase "balanced social and economic development" point to really useful principles for the allocation of resources to the different sectors or to the whole range of social programmes?

It is natural that programming techniques should have appeared and attained a certain degree of practical application in a few of the sectors prior to any systematic attempt to integrate these sectors into broader systems of planning. These are the sectors in which public action has a relatively long history, in which the greater part of such action falls under the control of a single ministry or other agency, which have easily demonstrable relationships to economic growth, and which make effective demands for large shares of the resources available to the State. Two sectors—education and health—stand out in these respects and housing is now acquiring a comparable status. Some discussions of planning and some published plans in Latin America seem to assume that investment in these sectors constitutes the whole of the social side of planning.<sup>13</sup> They are the only social sectors in which programming techniques have been taught (education and health) or are expected to be taught in the near future (housing) at the Latin American Institute for Economic and Social Planning.<sup>14</sup>

What are the other social sectors? One can seek a provisional answer to the question in two directions: by considering the nine components

<sup>13</sup> Summaries of twelve national plans and investment programmes in Part III of the *Economic Survey of Latin America, 1964*, op. cit., indicate that objectives classified as "social" are limited to education and health, or to these plus housing, in six instances. Other plans are quite diverse both in the social topics included and in specifications of objectives and indicators. Several treat provision of drinking water and sewerage as a separate social objective; a few emphasize income redistribution and employment; others set targets for consumption of food and consumption of clothing and footwear; one plan treats community development as a separate sector.

<sup>14</sup> Experience up to 1963 in the teaching of programming in these sectors is summarized in "Problems of the Programming of Social Development" (E/CN.12/661), 17 April 1963. The Latin American Institute for Economic and Social Planning has also given a course in human resources development but this topic, for reasons to be discussed later, can hardly be considered a "social sector".

of the level of living agreed upon in United Nations usage,<sup>15</sup> or by considering the conventional areas of organized public social action that are embodied in the administrative structure of the United Nations agencies. Education, health and housing would be included under either approach, along with food consumption and nutrition, employment and conditions of work, and social security. The list of level of living components yields also clothing, recreation and human freedoms; the list of areas of social action yields social service and social defence, in addition to several topics that will be treated as integrative approaches rather than sectors.

It may also be convenient to attach the term "sectoral" to any "programme for a specific objective—to improve child nutrition, for example—or for a defined group of activities—for the development, say, of education or the steel industry—on explicit or implicit assumption about other sectors. . . . The 'crash programme' is a form of sectoral plan. . . . Sectoral plans may be set up on private initiative".<sup>16</sup> This interpretation may be satisfactory in relation to the planning or programming practices of specific countries, but it assumes that sectors are brought into being by the formulation of programmes, and that there may be sectors within sectors; it does not lead to any consistent delimitation of the "social".

## 2. Education

Education appears to be the most readily definable and susceptible to unified programming of all the sectors. International meetings on educational policy have been frequent,<sup>17</sup> an International Institute for Educational Planning has been created, and educational authorities have a wealth of detailed technical advice to draw on. The greater part of formal education in most countries is directly administered by the State. To the extent that local governments

<sup>15</sup> See *International Definition and Measurement of Levels of Living, An Interim Guide*, op. cit.

<sup>16</sup> Michael Kaser, "Planning for Children in the Context of Social and Economic Development Programmes", Report submitted to UNICEF Round Table Conference on Planning for the Needs of Children in Developing Countries (CC/WP-7), 4 March 1964.

<sup>17</sup> In relation to Latin America the most significant milestones have been the Conference on Education and Economic and Social Development held in Santiago in 1962 and the Seminar on Problems and Strategies of Educational Planning in Latin America, held in Paris in 1964. The basic documents of the Conference have been published in the *Economic Bulletin for Latin America* (1962), Vol. VII, pp. 193-213 and 215-240, and in UNESCO's *América Latina: Proyecto Principal de Educación, Boletín Trimestral*. For selected documents of the Seminar, see International Institute for Educational Planning, *Problems and Strategies of Educational Planning* (UNESCO), Paris, 1965.

or private schools replace or supplement the efforts of national authorities they are supported largely by national public funds and operate within a framework of standard-setting national legislation. Statistical yardsticks are at hand for assessment of the efficiency and output of an educational system: age-group enrolment ratios; duration of schooling; rates of promotion, retardation and dropouts; pupil-teacher ratios, etc. offer the opportunity of constructing sets of standards and objectives that are internally consistent, easily understandable by the general public, and subject to precise calculations in terms of costs. Moreover, most of the statistics needed for programming are or should be by-products of educational administration or are standard census tabulations.

Considerable progress has been made in the analysis of educational requirements for a labour force possessing specified levels and types of skills, so that economic planners can make concrete demands on the educational system and understand the indispensability of allocating sufficient resources to it if their long-term production plans are to be practicable. By way of the conceptions of "human capital" and "human resources" (to be discussed later) economists have become particularly interested in contributing to educational programming principles and techniques. Although their attempts to calculate returns on educational investment in monetary terms or to incorporate educational systems into mathematical input-output models have hardly as yet proved usable programming tools,<sup>18</sup> success in these endeavours does not in any case seem essential for the incorporation of economic objectives and economic programming principles into workable systems of sectoral programming for education.

Nevertheless, progress in the application of educational programming has been halting in Latin America, and is probably even more limited in the other regions in which educational deficiencies are particularly serious. Programming machinery has been set up in the majority of ministries of education, the stock of trained specialists in educational programming is growing and a number of national programmes and studies leading to programmes have been published. One cannot, however, as yet find an example of an integrated programme effectively

<sup>18</sup> These questions are the subject of continuing controversy, and the advocates of the more elaborate mathematical techniques have been accused of luring programmers into a waste of ingenuity on academic exercises. Among the best known proponents of, respectively, positive and negative evaluations of these approaches are the economists Jan Tinbergen and Thomas Balogh.

applied to the *whole* of a school system, determining priorities and controlling educational output in accordance with an over-all conception of national educational objectives.<sup>19</sup> The most notorious and often denounced inefficiencies and sources of waste in the educational systems remain stubbornly resistant to programming. Aside from the difficulties common to all areas of planning and programming, the educational systems present rigidities that derive from their historical development and their peculiarly close relationship to existing social structures.

In almost every country, public primary and secondary education have separate administrative apparatuses, in spite of their apparent joint control by a single ministry of education; higher education enjoys a jealously guarded although in many respects fictitious autonomy; vocational education usually has its own administrative machinery, inside or outside the Ministry of Education; while private schools are usually in a strong position to defend their own interests. Within each of the separate administrative divisions are numerous specialized teaching groups and auxiliary services, each contending to maintain or improve its previous status and its share of the educational budget. The existing rigidities are protected by detailed legislation, which educational authorities find it easy to add to but hard to reform and simplify. Meanwhile, the difficulties of global programming of the sector, coinciding with separate international initiatives, contribute to a proliferation of "plans" that purport to concentrate resources on specific problems, such as the elimination of illiteracy. However justified such initiatives may be as promotional devices they can hardly contribute to the establishment of an ordered system of priorities for the sector as a whole.

More basic difficulties derive from contradictions between the publicly endorsed objectives of education and the real objectives—whether conscious or unconscious—of its customers, the families of school children and, at the secondary and higher levels, the students themselves. In practice, the complex and rigid administrative structures and legislative provisions serve as protective shields against changes not really wanted by the more influential "customers" of the educational systems.

The public objectives of education derive from two main sources—conceptions of human

<sup>19</sup> This conclusion is supported by several papers presented at the 1964 Paris Seminar mentioned above. See, in particular, Maximilio Halty Carrera, "Some Aspects of Educational Planning in Latin America", and Sylvain Lourié, "Education for Today or Yesterday?", both published in *Problems and Strategies of Educational Planning*, op. cit., pp. 99-100 and 51-70.



rights and conceptions of prerequisites for human resource development. These two conceptions imply somewhat different priorities in the growth of an educational system, but in the main they are compatible and mutually reinforcing. Both support the objective of universal primary education of a duration and quality sufficient to enable the individual to function as a citizen of a national state and a producer and consumer in a modern economy. Both support the objective of gradual prolongation of universal schooling, in line with the capacity of a developing economy to support the costs, with demands for labour force qualifications that are increasingly complex and subject to continual change, and with demands for the filling of new social and political roles. Both support the objective of equalization of opportunities for youth to advance into the stages of schooling at which it ceases to be universal and uniform in content.

These objectives, however, clash with the typical stratification of Latin American society. The overt objectives would favour unified educational systems with equal opportunities for promotion from one level to another. The social structure, with its leaning toward "ascriptive" assignment of educational and other roles, favours a compartmentalized educational system in which children entering some compartments have a good chance of climbing to the very top of the educational ladder, while children entering other compartments have no real likelihood of progressing beyond the elementary level. At the same time, the attitudes and occupational qualifications imparted in the different compartments are likely to differ widely from the attitudes and qualifications envisaged by the planners who see education as an instrument of economic development and social mobility.

In general, the educational systems of Latin America today are in some stage of transition between structures appropriate to "ascriptive" and to "acquisitive" societies, subject to contradictory pressures, reflecting the aspirations of different strata of the population and the differing degrees of effective demand for education the different strata are able to make.<sup>20</sup>

Under such circumstances, the topic of "popular participation in planning" is particularly

<sup>20</sup> For discussions of these questions, see Luis Ratinoff, "Problemas Estructurales de los Sistemas Nacionales de Educación, Esbozo de una Tipología Analítica", *Ciencias Políticas y Sociales*, Mexico, X, 36, April-June 1964, pp. 241-255, and Marshall Wolfe, "Social and Political Problems of Educational Planning in Latin America", in *International Institute for Educational Planning*, op. cit., pp. 35-49.

relevant to the educational sector but particularly hard to apply. Reconciliation of the different interests at best requires protracted consultations, compromises, education of the public and consistent initiative at the highest political level; it would be naïve to expect such reconciliation to emerge smoothly from the application of neutral planning techniques. One obvious task in the early stages of programming is to bring the contradictions into the open and promote national self-consciousness on the realities and objectives of the educational system.

### 3. Health

In health, the problem of delimiting the sector and fixing quantitative objectives is somewhat more complicated than in the case of education. The well-known definition endorsed by the World Health Organization according to which "health" is a "state of complete physical, mental and social well-being" makes the level of health synonymous with the level of living and hardly susceptible to a sectoral approach. Even if one falls back on the narrower conception of health as an absence of disease, progress towards this objective depends on advances in many forms of social action, including education, housing, social security, and improvement of food consumption as much as it does on health measures in the strict sense. It is legitimate, up to a point, to view the level of education as a result of the functioning of teachers and schools; the level of health, on the other hand, cannot similarly be regarded as a result of the functioning of doctors and hospitals.

In practice, it has been necessary to set programming objectives in terms of negative indicators—mainly reduction in the rates of mortality. The programming techniques that are now being applied experimentally in Latin America envisage strategies for distribution of health resources based on the *relative magnitude* of the different threats to health (assessed through comparative death rates), their *importance* to family and community, and their *vulnerability* to measures that can be included in the health programmes.<sup>21</sup> In principle,

<sup>21</sup> A methodology for health programming along the lines indicated here has been elaborated in the Centro de Estudios del Desarrollo (CENDES) with the collaboration of the Pan American Sanitary Bureau and is utilized in the courses of the Latin American Institute for Economic and Social Planning. Its practical application in the countries of the region is still at an early and experimental stage. See *Conceptual and Methodological Problems of Health Programming* (Pan American Health Organization, Scientific publications No. 111, Washington, D.C., April 1965); and *Informe Final*, Grupo de Estudio sobre Planificación de la Salud, Puerto Azul, Venezuela, Pan American Health Organization, Washington, D.C., February 1965.

morbidity rates from the different threats are just as relevant as mortality rates. In the initial stages of programming, however, reliance on the latter is made unavoidable by the inadequacies of statistics concerning the former, although this introduces a danger of inadequate attention to threats that sap well-being and productive capacity without contributing very much directly to the mortality rate.

While programmes in the other sectors are generally formulated first at the national level, health programmers now favour the construction of national programmes from below, beginning with "programme areas" with populations not exceeding 100,000 to 150,000 and with boundaries not more than two hours from the nearest centre of health care by normal means of transport. Programmes for these areas, considered of maximum size for efficient administration adapted to local conditions, are to be integrated into programmes for regions with populations of 250,000-600,000 and capable of supporting a wider range of specialized health services. The regional programmes, in turn, are to be integrated into national programmes and reconciled with the total resources available for the health sector.

It can be expected that resistances to programming deriving from the social structure and the demands of the clientele of the services will prove less formidable in relation to health than in relation to education. The difficulties deriving from compartmentalization and separate vested interests within the services, however, are similar in the two sectors.

The health programmer encounters a relatively large fixed investment in health services, an investment that derives from many past influences and initiatives, usually with only intermittent attention to priorities. Examples of hospitals built in response to local pressures or in the course of a national construction campaign and then left without staff or patients are easy to find. The stock of different kinds of health personnel (doctors, nurses, laboratory technicians, auxiliaries, sanitary engineers, etc.) is usually unbalanced numerically and badly distributed geographically. The hospitals cannot be moved at all and the personnel can be shifted only to a limited extent to bring them more into line with programming objectives. At the same time, the device of crash programme (directed toward the elimination or control of specific diseases) has been more effective and more widespread in health than in other sectors, and such programmes usually involve the creation of a separate administrative apparatus with its own momentum.

The first task for the programmer is thus to find ways of using more efficiently the resources that are at hand, although the composition and distribution of these resources may be a long way from what he would have wished. The second task is to channel the *additional* resources that can be allocated to health in directions that will eventually bring the whole system more closely into line with programming objectives. As in the case of education, a command of programming techniques will not be sufficient for this purpose; it will be essential to gain the support of the public and the different interest-groups within the health services and to exert pressure in a consistent direction over a long period.

Another problem that is likely to emerge more clearly as programming becomes more effective and its statistical bases wider and more reliable lies in the criteria for assessment of the relative importance of threats to health. From the economic viewpoint, the importance of such threats can be equated with the probable number of years of working capacity lost owing to the different causes of disability and death, and the allocation of resources to health should be planned to reduce this loss to a minimum. A youth of an age to enter employment represents an important investment in terms of costs of his maintenance during the years of dependency, his education, etc. on which society has as yet realized no return. The preservation of his life and health is thus of maximum economic importance. This importance diminishes according to age in both directions, and if the reasoning were carried to its logical conclusion, protection of the health of persons past retirement age would merit no attention, nor would protection of infants in whom society has as yet invested nothing. Arguments for a higher priority to child health measures commonly ignore this difficulty and extend the economic justification to cover all age groups. Presumably the allocation of health resources will never be able to rely exclusively on a criterion such as that summarized above; the objective of human resource development will have to be reconciled through pragmatic compromises with the objectives set by the values of the society and the demands of its members.<sup>22</sup>

<sup>22</sup> Some aspects of these questions are discussed in "Population and Economic Development", in Hans W. Singer, *International Development; Growth and Change*, McGraw-Hill, New York, 1964, chapter 8. Singer emphasizes the relation between health and productivity and asserts: "If there is anything inimical to economic development, it would be an undue concentration of international humanitarianism and improvements in medical knowledge and technology on the prevention of death rather than the creation of health" (p. 77).

#### 4. Housing

Housing, considered as a sector of social policy, differs from the other sectors in many important respects:

(a) The central objective consists in the maintenance of an adequate supply of the most durable consumer goods used by human beings, not in the provision of continuing services or in the maintenance of a flow of goods for immediate consumption. In every country, the existing stock of housing represents an enormous fixed investment. Almost all of this stock, up to the past few years, has been accumulated through private initiative, determined by market forces together with the aspirations and saving capacity of individual families, subject only to a certain amount of regulation by the State. Such investment, with or without public encouragement continues in all countries and represents about 20 per cent of total investment in fixed capital, or from 2 to 6 per cent of the gross national product.<sup>23</sup>

(b) The "housing problem" derives in part from population increase and redistribution, necessitating the construction of dwellings for new families or in-migrant families in specific locations; in part from the deterioration or demolition of existing housing; and in part from rising standards according to which much of the existing stock is judged unfit for human occupation. When population redistribution takes the form of rapid and concentrated urbanization with a large part of the new urban population having incomes both low and insecure, as in most of Latin America today, the majority of the urban families are unable to meet the heavy initial costs of housing responding to modern standards, and many of them are unable to amortize such costs even on the most favourable terms. Under such circumstances the effective demand for housing is much smaller than the "need" for housing in terms of the numbers of families living crowded together or in dwellings unfit for occupation.

(c) The special characteristics of housing make it possible for the problems to be neglected and for the housing deficit to increase over a long period before pressures for action become irresistible. The fact that housing construction seems to compete directly for capital investment, manpower, land, equipment and materials with other more obviously "productive" forms of investment, induces economic planners to give it a relatively low priority, or to postpone a

solution until higher income levels have been reached. When the majority of the urban population have low incomes and low standards for housing they will be prepared, up to a point, to tolerate increased over-crowding in the existing stock of housing, or will try to meet their own needs through improvised construction in shanty towns.

(d) Certain other characteristics of the housing sector, however, in addition to the argument of urgent human need, support a higher priority for housing within national planning. Planners have been slow to envisage the likelihood that the solution lies not so much in the allocation of additional scarce resources to housing as in the reorientation of the heavy investments that will continue to be made whether they like it or not. The desire for better housing stimulates in families a disposition to save that cannot be diverted to other forms of investment. Under present conditions, inflated urban land prices, costly and inefficient construction techniques, high costs of credit, lack of effective legal protection and technical advice for families wishing to invest in houses, mean that a high proportion of family savings for this purpose are wasted, or that the family is dissuaded from trying to save. At the same time, the limitation of effective demand for housing to relatively small upper-income sectors dissuades the construction industry from seeking lower-cost mass-production techniques, and keeps the costs of building materials high. The potential stimulus to over-all development that could flow from efficient construction and building materials industries with a dependable level of demand is not realized.

(e) The housing programmer has at hand a wider range of alternative or complementary techniques for improvement of the housing situation than one finds in the sectors of education or health. Construction of low-cost housing for sale or rental as a public service is only one of these. Other measures include arrangements for low-cost credit through savings and loan associations; material and technical aid for families undertaking self-help construction; rationalization of the construction and building materials industries; favourable terms for imports of building materials and machinery, etc. At the same time, resources can be channelled into improvements in the quality of the existing stock of housing, arresting deterioration, even making the improvised shanty towns more habitable. These last alternatives seem to have received remarkable little attention considering their potential importance in settings in which it is taken for granted that the existing deficit,

<sup>23</sup> See *Economic Survey of Latin America, 1963*, United Nations publication, Sales No. 65.II.G.1., chapter VII.

in terms of dwellings meeting conventional standards, cannot be wiped out for many years.

(f) Houses once built cannot normally be moved and represent a heavy loss of resources if abandoned; they also call for a wide range of complementary investments in infrastructure. A housing programme restricted to quantitative objectives for increases in the number of dwellings cannot help having unforeseen repercussions upon the abilities of the cities to function efficiently and provide essential services, on the forms of local community organization (or the lack of such organization), on the mobility of the labour force, etc. The need for integration of housing with other areas of planning and programming relating to the livelihood and well-being of the people who will live in the houses is obvious, but effective solutions have been almost entirely lacking in Latin America. Urban regulative plans have been unable to control the sprawl of the great cities or of smaller centres that have undergone rapid growth. Recent housing programmes have often selected sites for houses according to the cheapness or ready availability of land, with no consideration of accessibility of sources of employment or relative costs of infrastructural investments that are the responsibility of other public agencies. Ideally, housing programmes need to be integrated into a national policy influencing the redistribution of population and the rates of growth of cities and towns according to some coherent conception of objectives for balanced regional development. The stimulation of development in economically stagnant towns and cities that already have important fixed investments in housing and infrastructure might appreciably diminish the pressure for housing investments elsewhere.

Another problem that has not yet been squarely faced in programming in the "housing sector" derives from the differing characteristics and functions of housing in urban and rural settings. In the cities, houses are normally built by a specialized industry and construction is subject to elaborate regulations and standards. When the high costs of construction and the low incomes of the families needing houses combine to prevent the industries from meeting the needs, the efforts of the families to construct their own shelter take the notoriously unsatisfactory form of the shanty towns. The programmes attempting to rationalize individual construction through "aided self-help" may bring about more acceptable results, but remain expedients made necessary by the gap between building costs and ability to pay for housing. If urban incomes were to rise sufficiently and

building costs were to be brought down, it would presumably be more efficient economically if all construction were to be carried out by professional builders.

Up to the present, practically all housing programmes have concentrated on construction in the urban setting, where the problem is acute and the deficit rapidly growing. National estimates of the deficit, however, commonly include the rural areas, in which typical housing conditions, assessed by the usual yardsticks of dwelling space per family, construction materials, availability of potable water, sanitary waste disposal, etc. are probably no better than in the urban shanty towns. In the rural areas, construction by the family and neighbours, with only a limited amount of paid specialized labour, remains the rule. The housing problem is chronic rather than acute: the inadequacies of the houses derive partly from traditional patterns and low standards or felt needs for housing, and partly from relationships to the land that affect the value of the house to the family. Families of workers living on large estates without tenure rights, squatters in the pioneering zones, or landless workers compelled to migrate in search of seasonal labour and shelter themselves by the roadside have no incentives to build more substantial houses. Houses would not represent to such groups a real investment, and in any case their investment aspirations usually centre on acquisition of land rather than houses.

Thus far, public rural housing programmes have been limited to a token scale, and it seems unlikely that resources bearing any relationship to the size of the problem can be allocated to them in the near future, except in the countries in which the rural population is already a minority. In the long term, it would seem that rural housing will require policy and programming approaches quite different from urban housing, approaches closely dependent on other programmes for the raising of rural levels of living or resettlement of the rural population. Secure land tenure and a reasonable expectation of an adequate livelihood from agriculture would provide the preconditions for rural family interest in better housing. Once these conditions are met, public aid in the form of technical advice, loans of simple machinery or tools, and provision of some building materials at low cost might be sufficient. Another part of the problem could be solved through enforcement or regulations requiring landowners to provide for their workers housing which would meet minimum standards. In other instances, regrouping of the rural population in nucleated settlements or in line settlements along the roads

may be called for, together with some public construction.<sup>24</sup>

### 5. Food consumption and nutrition

One other "sector", that of food consumption and nutrition, corresponds to a clearly defined human need that is even more basic than the three that have just been discussed. Highly refined techniques for the quantification of objectives and measurement of progress toward such objectives have been devised, both in terms of the intake of nutrients according to the age and other characteristics of the individual, and in terms of the physical state expected to result from a satisfactory diet. The main difficulty in this aspect of programming is the high cost of the inquiries needed to maintain accurate information on national nutritional levels, but less expensive techniques, such as the preparation of food balance-sheets, can throw a good deal of light on consumption trends. Food consumption targets have been included in a certain number of national plans. Even in the most highly planned societies, however, public action in this sector is supplementary to the continuing responsibility of the individual or the family to find the resources to pay for its food (or to grow it), to choose the foods it prefers within the limits of its resources and to decide what proportion of its income to spend on food. Meanwhile the State and to some extent private organizations influence food supplies and consumption through measures as diverse both in character and in objectives as the following:

Dietary education and propaganda (which may have as objectives not only improvement of the diet but also improvement of the markets of domestic producers of certain foods).

Legislation setting standards for food quality, handling, labelling, additives, etc.

### 6. Clothing

One other "sector" included in the list of components of levels of living can be dismissed in a few words. The content of a clothing sector is easy to define, but influences of culture and changing fashions outweigh the measurable aspects of need to such an extent that meaningful objectives would be hard to formulate, except from the point of view of targets for consumer goods production and consumption. A few Latin American plans do, in fact, include targets for

<sup>24</sup> These problems are discussed in more detail in the ECLA secretariat's study of "Rural Settlement Patterns and Social Change in Latin America", *Economic Bulletin for Latin America*, Vol. X (1965), pp. 1-22.

per capita consumption of textiles and footwear. The range of measures having some impact on the family's consumption of clothing is almost as wide as in the case of food and as little subject to unified policy or programming. Except among groups at the very lowest income levels and to some extent among school children the question of direct public action to support a minimum standard of clothing hardly arises, and it is left to the family or individual to decide what proportion of income to allocate to this need.

### 7. Employment and conditions of work

Employment and conditions of work figure in the list of components of the level of living as a single "component", and public action concerning them usually centres in a Ministry of Labour. In relation to programming, however, they present rather different problems and are subject to different instruments of public policy.

Full employment is usually one of the central objectives of over-all planning, and the supply of manpower is one of the most important determinants of the feasibility of production targets. At the same time, employment places the individual in a position to earn the income that supports his family's level of living. The topic is thus too intimately associated with the central problems of planning to be satisfactorily interpreted as a "social sector". The measures that can be applied to combat unemployment and under-employment, to channel employment into the occupations with highest development priorities, to raise the qualifications of workers, to raise average real wages and place a floor under minimum wages, or to strengthen the organized bargaining power of the workers, can be divided only arbitrarily between the "economic" and the "social"; the claims of production, of human welfare, and of social organization must be taken into account simultaneously and at each step. While a body of techniques for dealing with the more limited problems of employment have taken shape under the name of "labour management", with emphasis on the reduction of frictional unemployment through labour exchanges, the arbitration of disputes between employers and workers, etc., the content of labour management covers only a small part of the area associated with employment. Other approaches to the organization of policy in this area will be discussed under "human resources development" and "income distribution".

The topic of conditions of work is more easily envisaged as a component of the level of living or a sector for social programming. In practice, improvements in such conditions depend on three main factors:

(a) Attainment of levels of productivity permitting a given branch of production to support improved conditions;

(b) Organized bargaining by the wage-earners;

(c) Laws and regulations supported by inspection and enforcement machinery.

The first of these factors depends on the wider production and employment trends and policies; the second is part of the problem of popular participation in policy and programming to be discussed in a sequel to the present paper. The third, at least potentially, constitutes an area for unified programming, but in the main the instruments are quite different from those applied in the sectors discussed up to this point. Capital investment is of negligible importance, and recurrent expenditures for provision of services (in this instance, inspection and enforcement) are minor. Programmes for improvement of conditions of work thus need not make important claims for allocation of public resources, although their impact on allocation of resources in the private sector may be quite important, with repercussions both favourable and unfavourable to increased production.

This area of public action commonly depends primarily on the enactment of laws and a gradual accumulation of piecemeal legislation, complicated and even self-contradictory, responding to demands from limited sectors of the public or to international recommendations. In Latin America, a common consequence is elaborate protection for some categories of workers, little or no protection for others, and a particularly wide gap between the levels of protection afforded urban and rural workers. The task of sectoral programming in this area seems to be principally the reform unification and simplification of existing laws, with attention to the equalization of rights of different categories of workers, the enforceability of the laws, and their likely repercussions on the economy.

#### 8. *Social security*

Social security differs from the other sectors both in its relationships to human welfare and in the kind of claims it makes upon resources. The typical social security system consists of a range of measures making the individual or family "secure" in the long-term maintenance of a minimum income (through old-age, invalidity and survivors' pensions) and in the meeting of short-term contingencies such as sickness and maternity. It thus has a bearing on ability to meet needs in all of the consumption sectors, and a more direct relationship to the health sector; in practice, health care is

often provided directly through the social security system. Social security is also expected to serve wider social or socio-economic objectives, particularly the redistribution of incomes, and the maintenance of consumer demand and thus of employment levels during periods of economic recession.

Social security in most countries, and almost invariably so in Latin America, is financed through tripartite contributions from insured persons, employers and the State. It has often been pointed out that this type of financing has a deceptive element, particularly as coverage approaches universality, and that the real costs are borne by the community at large, whether by direct allocation of public funds or by the price repercussions of higher labour costs. In any case, the funds allocated to social security are, aside from the costs of administration, transfer payments that affect the character, timing, and sources of consumption expenditure, but over the long term need not affect its total nor diminish the resources available for investment. In the short term, to the extent that the social security system is financed by employer-employee contributions, it produces compulsory savings and adds to the investment resources available to the public sector.

It might be expected that a social sector that seems naturally suited to unified administration, that has multiple repercussions upon other areas of social and economic policy, and that offers a potential instrument for the accomplishment of many social and economic objectives, would be among the first to be subject to coherent programming. The wide differences in national social security schemes that have hindered agreement on internationally comparable objectives and indicators do not seem to affect the practicability of internally consistent national programming.

In practice, however, the social security systems of several Latin American countries have grown by accretion to a high degree of complexity and costliness without any centralized direction or programming, let alone systematic co-ordination with other social and economic programmes.<sup>25</sup> Programming initiatives have appeared only recently, in response to the increasingly glaring deficiencies and inequities of the systems and have usually taken the form of special surveys and proposals for reforms made

<sup>25</sup> Among the major social security systems of the region, the Mexican—which is relatively young, unified in administration and systematic in extension of coverage—is the main exception to this generalization. The Mexican system, however, covers only 14.7 per cent of the economically active population, compared to 72.9 per cent in Chile and 51.4 per cent in Argentina.

by official commissions or international experts.<sup>26</sup> In the countries in which social security has made its largest advances, however, built-in resistances to change are formidable and the application of programming recommendations is likely to be slow.<sup>27</sup>

The main problems to be faced in social security reform, to judge from recent surveys, are the following:

(a) The social security systems typically consist of a number of separate institutions or funds created at different times, incorporating different classes of employees and workers with differing obligations and benefits. In Chile, such institutions number 41, in Argentina 14 and in Uruguay 12. Ministries of Labour and Social Security generally have some supervisory responsibilities but little real control over the institutions. The laws governing the separate institutions are complicated and hard to interpret; usually provisions for new benefits and new sources of financing have been added piecemeal. The administrative machinery is inevitably expensive and slow-moving. Benefits usually correspond to the organized bargaining power of the different groups that have come under social security. The lack of consideration of wider social and economic implications has resulted in well-known anomalies, particularly in relation to retirement pensions; members of some groups have gained entitlement to retirement after as little as 20 years of work or at ages as low as 50.

(b) Contributions for the support of social security have become extremely high in relation to wage levels; employer contributions alone commonly are equivalent to 25 or 30 per cent of wage costs. Governments have frequently become unable to meet their own sizable obligations for contributions to the funds, while evasion of payment by employers and workers is common. Consequently the benefits are under-financed, leading to the bankruptcy of some funds and to long delays in benefit payments or

in granting of benefits to eligible persons. In several countries, inflation has eased the burden on public funds while leaving the retired groups in a chronically desperate situation; the occasional readjustments rarely restore the full original value of the pensions.

(c) The financial reserves accumulated in the early stages of the social security funds have not in general been so invested as to produce satisfactory monetary returns to finance benefits nor to serve wider social and economic objectives. Excessive expenditures on administrative buildings seem to be common and heavy investments in urban real estate and upper-income housing have been criticized.

At present, the countries face pressures that will in the long run prove irresistible for the extension of social security to the groups not yet covered—in particular the rural workers, the self-employed artisans and shopkeepers, and the casual labourers of the cities. The problems of financing, administration and equity in provision of benefits are bound to become even more difficult than at present, in view of the practical inability of these groups to contribute to the costs of their own social security, their lack of organization, and their lack of experience in coping with administrative procedures.<sup>28</sup> Another problem of increasing importance under prevailing conditions of under-development and rapid growth of the labour force is the influence of labour protective and social security programmes upon employment trends. The more onerous the costs of these programmes are to the employer the stronger his motivation to adopt capital-intensive techniques and reduce his labour force.

Under these circumstances, it would seem that among all the “social sectors” that of social security is in the most urgent need of unified programming integrated with over-all development planning.

## 9. Recreation

Recreation in the broad sense of use of leisure time is, at least in principle, susceptible to some degree of public programming. As societies become increasingly urbanized, as normal hours of work shorten and vacation periods lengthen, as the average age for entry into employment moves upward and the average age of retirement downward, recreation makes increasingly heavy demands on public as well as private resources, supports increasingly important and

<sup>26</sup> Within the past three years, reports of such surveys have been issued by the Technical Secretariat of the Comisión Asesora Permanente de Seguridad Social in Argentina, by an *ad hoc* Comisión de Estudios de Seguridad Social in Chile and by an International Labour Organisation expert in Uruguay.

<sup>27</sup> For a recent discussion of these questions, see “New Orientations in the Field of Social Security, 1963-64”, in the *Social Survey of Latin America 1963-64*, prepared by the Department of Social Affairs of the Pan American Union (Washington, 1964), paras. 262-317. This document concludes that “The errors of the past have been made known and corrective measures have been suggested but, unfortunately, no country has been able to take the politically difficult path which would result in the loss of privileges for those groups which through political pressure have been able to gain advantages at the expense of others” (paragraph 316).

<sup>28</sup> These questions were discussed at the Seventh Inter-American Conference on Social Security (Asunción, June 1964).

varied economic activities, and raises complex problems in relation to social values.

Nevertheless, the few public recreational programmes that have been formulated are limited in scope, usually to the area of athletic sports, and no serious attempt has been made to set priorities or relate public recreational allocations to over-all planning. The alternative forms of use of leisure time are so varied and so dependent on individual choice and group cultural norms that a quest for objective criteria for public allocations to them would presumably be futile, except in relationship to public objectives in other sectors, in particular health and education. Economic programming criteria of "efficiency" in allocation of resources are particularly hard to apply here, and the strength of consumer demand for such expensive instruments of recreation as the television set and the automobile is already setting the planners difficult problems. In fact, recreation and the use of leisure time are among the least explored of the important areas relating to social policy and programming in the Latin American setting.

#### 10. *Human freedoms*

The last of the internationally recognized components of the level of living, human freedoms, can hardly be considered a social sector that lends itself to programming, except in the restricted sense of programmes for the elimination of discrimination based on race, language, religion, sex, etc. In this sense, the programmes of certain Latin American countries for incorporation of their indigenous populations into national life might be classified under human freedoms, but for present purposes it will be more satisfactory to consider these programmes in the context of rural development programming. In a broader sense, all measures intended to promote wider popular participation in decision-making—strengthening of democratic local government, creation of local planning bodies, participation by organizations representing different sectors of the public in the policy-making and planning process—are relevant to human freedoms. These measures, however, can best be discussed in connexion with the problems of formulation of development policies, organization of planning, and changes in social structure assumed to be preconditions or accompaniments of development.

#### 11. *Social service*

The term social service, in its more precise international usage, covers an area of social action that stands in yet another relationship to human welfare from the sectors previously

discussed.<sup>29</sup> It refers to "organized activity that aims at helping towards a mutual adjustment of individuals and their social environment", and implies that the concept of levels of living should be expanded to include a "component of social relationships". It assumes that certain methods and techniques, largely those imparted in the professional training of social workers, can help families and communities function more effectively in meeting their own needs, and also that these techniques can add considerably to the effectiveness of services in the other social sectors by helping individuals and families take full advantage of them. It is also asserted that social service, by "lubricating" the points of social friction, can promote productivity and bring economic benefits that are important although hardly quantifiable.

In Latin America social service is now at a transitional stage, in which principles and techniques originating in other settings have been superimposed on older traditions of charitable action, and in which training institutions have multiplied in advance of clear agreement on the purposes of the training. The problems of adaptation of social service principles to societies characterized by mass poverty and accelerating social change will not be discussed here. For present purposes, it is enough to note that social service is not subject to unified administration or programming anywhere in the region and that it rarely receives any separate sectoral treatment in development plans. It is typically dispersed through many small agencies—including both private agencies dependent on State subsidies and public agencies that are more or less autonomous administratively, often with special earmarked sources of revenue—and in an auxiliary capacity within other social programmes including education, health, housing, social security and labour management. There is a

<sup>29</sup> The term is frequently used, in the plural, to cover all or most forms of organized social action. The recent report of a group of experts on development planning, for example, refers to "vocational and technical education, the spread of elementary and secondary education, scientific research, the development of health services, family planning, town and country planning, and the housing of industrial workers" as "social services which are... directly related to economic aims". *Planning for Economic Development* (United Nations publication, Sales No. 64.II.B.3), paragraph 41. The present discussion, however, follows the interpretation set forth in chapter X of the *1963 Report on the World Social Situation* (United Nations publication, Sales No.: 63.IV.4), from which the quotations are taken. International terminology and conceptions concerning the content of this sector are now undergoing change, and substitution of the term "social welfare" has been proposed. See Virginia A. Paraiso, "Social Service in Latin America: Functions and Relationships to Development".



widespread impression that resources allocated to social service are being dissipated on an excessive number of small-scale activities, frequently originating in imitation of the specialized programmes of the higher-income countries. Declarations on the desirability of integration of social service into over-all planning have become frequent, but as yet there seems to have been little systematic discussion of priorities, working relationships with other sectors, and requirements for more efficient organization.

### 12. *Social defence*

Social defence, a term adopted internationally to cover the range of measures relevant to prevention of crime and treatment of offenders, is probably the most ancient and universal form of organized public social action. Until recently, it has evolved in partial isolation from the other areas of social action, and although at present its specialists are increasingly interested in identifying their work with the wider issues of development, the relationships are not yet clearly defined. There seems to be no reason for believing that the problems of crime and delinquency will decrease with development and higher incomes, though their character will presumably change in many ways. Societies cannot avoid devoting important resources to social defence, but objective criteria for the size and distribution of these allocations are lacking; there seems to be no way of determining whether increases in the allocations would bring proportionate benefits to the society as a whole. The main hopes for reduction in the burden represented by crime and delinquency have been placed in action in the other social sectors, in particular in education, in special youth programmes, in strengthening of the family through social services, but the few attempts to measure the impact of such programmes on anti-social behaviour have been inconclusive. There is presumably as much room in social defence as in the other sectors for improvement of internal efficiency through programming, but the possible scope of integration with over-all planning will require further study.

### 13. *Sectoral programming: some questions*

In addition to the topics discussed above, it would be easy to find others referred to in one source or another as "social sectors" or "social fields". Enough has been said, however, to indicate the difficulty of envisaging the sectors as parts of a whole, however many may be distinguished and wherever the dividing lines may be drawn. Before we go on to consider various approaches that have been offered for integration of the sectors or their concentration on strategic

objectives, it may be worth while to note a trend toward inflation of each sector from within. This trend can be considered a product of the present groupings toward co-ordination and planning as they interact with the natural reluctance of the sectoral specialists to accept subordination within an over-all planning system.

Recent literature deriving from the different sectors, from the broadest to the most specialized, indicates a common yearning for the incorporation of new territory and for more intimate involvement with the whole area of development policy. The common introductory formula is in the passive tense: such and such a programme is "no longer regarded" as "merely" or "solely" concerned with the objectives with which it was previously identified. A recent document prepared for a meeting of experts on administrative aspects of national development planning offers a compendium of such formulas: "Housing policy no longer involves merely construction programmes, but all steps that will enable present and future community needs to be satisfied in accordance with a master town-planning programme and over-all territorial development programmes". "The concept of specialized social services is gradually giving way to a wider concept of integrated social services, calling for social workers trained in many fields and able to cope with all community problems and needs". "The concept of health is no longer defined as an absence of illness, but in a positive way as the body of conditions favouring harmonious individual and community development, i.e. healthy environment, balanced diet, child protection from the pre-natal period until the teens, etc."; and so on for the other spheres of social action.

Such formulas are typically as vague as they are ambitious. They fail to indicate who has attained the new enlightenment and where and to what extent the new conceptions have been translated into policies and programmes that are being applied. They evade the problem of division of responsibilities and some of them suggest that successful application of the new conception in one sector of social action would render the others superfluous. If one type of professional can really be invested through training with an ability to "cope with all community problems and needs", there should be no need to allocate resources for the training of others.

In practice, at least in Latin America, housing programmes are still concerned almost exclusively with the construction of houses, health programmes with reductions in mortality and morbidity, education programmes with increases in enrolment, etc. There is an obvious need for the formulation of objectives in each sector that

express more adequately its purposes within over-all development policy and its relationships with the other sectors, but this need can hardly be met through formulas that do not correspond to administrative or programming machinery and that leave each sector assuming undefined responsibilities for the meeting of "community needs".

Such attempts to solve the problems of co-ordination by expanding the area to be covered by programming in each sector can be contrasted with a disposition on the part of advocates of comprehensive economic and social planning to belittle the importance of sectoral programming outside the framework of comprehensive plans and to criticize the common restriction of the social side of planning to separate programmes in education, health and housing. In principle, such criticisms are justified, but in the present circumstances of the majority of countries of the region efforts to programme action in each sector can hardly be expected to wait upon the achievement of comprehensive planning or global criteria for the allocation of resources. All of the sectors have their own technical problems of programming to solve, and must work out their own applications of the principles common to all programming—quantification of targets, specification of alternative means of reaching them, internal consistency, maximum efficiency in the use of scarce resources. If one starts from the direction of general planning, the task must somehow be cut down to manageable proportions and responsibilities for detailed decisions decentralized. For this purpose, sectoral programming and regional-local programming are both indispensable.

From the panoramic view of the sectors given above, it seems reasonable to conclude that both the ways and the degrees in which different types of organized social action need to be incorporated in over-all planning differ considerably. Some of these forms of action (in relation to education, housing, food consumption, employment) are so deeply and complexly involved in the basic issues of change and in the struggle over allocation of resources that a system of general planning in which they are left aside is hardly imaginable. In other instances, these considerations are somewhat less compelling and the possibilities for action based strictly on human welfare considerations greater, although the desirability of incorporation into general planning is still obvious. In still other instances, the sectoral aspirations towards incorporation in general planning may amount to little more than an understandable desire for improvement of status and larger appropriations; the claims on resources and the potential impact on develop-

ment are relatively limited; and the justifications for the programmes so predominantly cultural or humanitarian that a serious attempt to incorporate them into a development strategy would distort or transform them. Questions such as the following might be asked of each programme or sector:

(a) What specific contributions to the goals of over-all development planning can be expected from the programme? On what reasoning or evidence are claims for these contributions based?

(b) To what extent does the justification for allocation of resources rest on the one hand, on contributions to development and, on the other, on cultural values, conceptions of human rights, or demands from the public that cannot be ignored in democratic societies?

(c) Are there incompatibilities between the programme in question and the objectives of over-all development planning? Does it call for the diversion of resources that could be used elsewhere, on a scale seriously affecting the financing of other programmes?

(d) To what extent can the objectives of the programme be advanced by the more efficient use of resources already allocated to it or contributed by the private sector? What are the needs for legislative and administrative reforms?

(e) What changes in the programme can be formulated that would increase its contribution to over-all development without damaging its ability to respond to its other justifications? To what extent would its specialists and administrators be prepared to accept and co-operate in such changes?

(f) To what extent can programming principles and techniques contribute to the internal efficiency of the programme in question in relation to its own objectives without reference to over-all planning?

(g) How are responsibilities for the area of social action in question divided between national public agencies (readily controllable by central planning machinery and receiving funds from the national budget), autonomous public agencies with their own sources of income, local public bodies, private organizations, family or individual initiative? What kinds of internal co-ordinating machinery are needed? To what extent is the area of social action susceptible to decentralization, local planning and administration, and the calling forth of resources not otherwise available?

In relation to public expenditure, the majority of the social sectors differ from the economic sectors in the greater relative importance of

recurrent costs, and of a dependable level of allocations from year to year. Even in housing, efficiency calls for annual allocations foreseeable over a period of several years so as to insure a smoothly rising rate of construction, rather than a crash programme. In the sectoral programmes applied up to the present, this circumstance has hardly been given enough weight. It has been easier to concentrate on investment in

visible projects, such as school buildings and hospitals. This kind of investment, if it is not to be wasted altogether, results in long-term claims for staffing and maintenance, and thus sets limits to future programming. It has already been emphasized in relation to several sectors that programmers can rarely start with a clean slate; they must make the best of what their predecessors have left.

### III. STRATEGIC OR INTEGRATIVE APPROACHES

The approaches under this heading purport to focus action in several of the conventional sectors—economic as well as social—upon a broad problem area or a defined element of the population, or to organize such action around a specific interpretation of priority objectives or strategic factors in development. Income and wealth distribution, population, human resources development, urban development and rural development are among the policy areas that are most prominently considered for this kind of treatment. Their discussion will require a return to some questions already raised in relation to specific social sectors.

#### 1. *Income and wealth distribution*

During recent years Latin America, like other regions, has seen a partial and still incomplete transition in dominant currents of thought concerning the relationship of income distribution to development. According to the more traditional point of view, a highly uneven distribution of personal income in the early stages of development is required if a sufficient share of the national product is to be diverted from current consumption to investment. According to a common corollary, the domestic financing of industrialization supposes a particularly severe squeeze on agricultural incomes. This conception, which in effect justifies existing income distribution, remains very influential in practice, although public expressions of it are becoming fewer and more cautious. The alternative point of view, increasingly prominent in the studies made by the Economic Commission for Latin America and in the recommendations of regional meetings, declares the present income distribution an obstacle to development: the receivers of high incomes do not in practice invest productively an adequate proportion of the resources in their hands, while their consumption patterns exert undesirable pressures on the level of imports and the patterns of domestic production; the concomitants of extreme poverty hinder the

masses of the population from acquiring the qualifications and attitudes needed for participation in a modern economy; and the lack of purchasing power of the same masses restricts the potentialities for growth of most industries producing for the domestic market.<sup>30</sup> These economic arguments are reinforced by the political impracticability of maintaining—or at least overtly defending—patterns of income distribution that majority sectors of the population have come to consider intolerably unjust.

Income redistribution, in fact, in its wider implications, appears to be one of the central themes around which development policy must be organized, and a particularly fruitful approach to the integration of the economic and the social. To a very large extent, the deficiencies in the various social sectors already discussed must be viewed as manifestations of low income levels and maldistribution of income rather than as problems soluble by sectoral programmes; at the same time, the deficiencies in some of these sectors, particularly education, obviously confirm and perpetuate the maldistribution of income. From the economic point of view, it is a truism that an acceptable income redistribution policy cannot be reduced to a more even distribution of poverty; the objective must be to channel as much as possible of the national income in directions that will strengthen the pro-

<sup>30</sup> See, in particular, United Nations, *Towards a Dynamic Development Policy for Latin America*, United Nations Publication, Sales No. 64.II.G.4, and *The Economic Development of Latin America in the Post-war Period*, United Nations Publication, Sales No. 64.II.G.6. The 1961 Punta del Este Charter calls for "a more equitable distribution of national income, raising more rapidly the income and standard of living of the needier sectors of the population, at the same time that a higher proportion of the national product is devoted to social uses". The 1965 Economic Commission for Latin America study "The Process of Industrial Development in Latin America" (E/CN.12/716) gives particular emphasis to the need for redistribution of income as a means to the stimulation of industries producing for the domestic market.

ductive capacity and the incentives to produce of the whole population.<sup>31</sup>

While the fact of extremely uneven income distribution in most of the region is apparent even from casual observation, the formulation of consistent and comprehensive policies responding to the newer conceptions is hampered by a general lack of reliable detailed information and of analyses of the socio-economic implications of alternative patterns of distribution and techniques of redistribution. Moreover, the political pressures and resistances that beset a question as central to the societies as income distribution place formidable obstacles in the way of the application of a unified policy. Up to the present measures intended to influence income distribution have been adopted piecemeal. Such measures, when confronted with existing social and economic structures, are likely to have effects quite different from their overt purposes. Experience thus far suggests that they have more effect in redistributing income within the middle strata and improving the relative position of some of the better organized urban groups than in changing the main features of distribution between high, middle, and low. Nor does it appear that the isolated redistributive measures have realized their potential contribution toward making the economies more flexible and dynamic.

The principal areas of public policy that are directly relevant to income distribution can be classified as follows:

(a) *Fiscal policy*

A conference on fiscal policy organized by the OAS/IDB/ECLA Joint Tax Program discussed in some detail the use of fiscal policy as an instrument for income distribution; there was general agreement on the need to increase public revenue and to distribute the burden more fairly, but a considerable difference of opinion as to the techniques that should be used, the priority that should be given to income redistribution in relation to other objectives of fiscal policy, and the effectiveness of fiscal policy relative to alternative instruments of income redistribution.<sup>32</sup> The problem centres on the capacity of

<sup>31</sup> See Anibal Pinto, "Some General Aspects of Economic Policy", to be published shortly, for a discussion of the different relationships between income redistribution and development in industrialized and in other countries. In the former, the central objective is the maintenance of real demand; in the latter, redistribution is conditional upon "the reform of the structure of production, which is manifestly rigid and incapable of meeting requirements in respect of essential consumer goods (especially foodstuffs) and social services".

<sup>32</sup> "The participants were agreed that there was ample capacity in most Latin American countries to increase public revenue and that among the most important

the State to tax the upper brackets of income and wealth, under the circumstances typical of Latin America, efficiently and through techniques that will also stimulate these groups to use their resources more productively. While the alternatives open to fiscal policy and their complex implications cannot be discussed in the present paper, one proposal made to the Conference deserves special attention in relation to the general framework of social policy: it was proposed that the tax systems should be examined in their entirety in relation to social objectives for distribution of the burden among broad income groups and that the differing tax instruments appropriate to each group should be distinguished. The proposal was set forth schematically, so as to correspond in a rough way to the average situation of Latin America, as follows:

Social Group	Percentages		
	Active population	Participation in national income	Reasonable contribution to fiscal revenue
(1) High	5	40	60
(2) Middle	35	40	30
(3) Low	60	20	10

After tax, on the assumption that fiscal income represents 15 per cent of national income, the high group would retain 31 per cent of national income, the middle group 35.5 per cent, and the low group 18.5 per cent plus benefits from public expenditure on social programmes. The tax instruments appropriate to the high group would be income tax, tax on assets in whatever form, and a tax on expenditure on luxury goods and services. The middle group would be subjected to taxes on expenditures on "non-wage goods" ("nearly all consumption goods and services except the most essential") and to low rates of taxes on incomes, based on payrolls and deducted. The low group would not make a net contribution to public finance in view of the

causes for the insufficiency of such revenue was the failure of the tax system to impose effective levies on the propertied classes and to collect those in force. While the great masses of the population bore considerable fiscal burdens, through indirect taxes of various kinds, and also through personal taxes deducted at source, the benefits accruing from the ownership of capital—whether in the form of income, of capital gains or of the spending power derived from the ownership of wealth as such—largely escaped taxation. Considerations of equity and of expediency alike required that any major reform of the tax system should ensure that the propertied classes, as well as the working classes, paid their due share of the common burden." (Final Summary and Conclusions, "Provisional Report of the Conference on Fiscal Policy organized by the OAS/IDB/ECLA Joint Tax Program", E/CN.12/638, 15 January 1963.)

redistributive effect of public expenditure, but would be taxed to the extent that its consumption crossed the borderline between "wage goods" and "non-wage goods".

Another participant, while in general agreement with this approach, felt that an estimate of 15-20 per cent of active population in the middle income group and of 75 per cent in the low group would better reflect the true situation. He also indicated the revolutionary character of the shift in tax burden proposed by estimating that the upper income group now carries 33 per cent of this burden and the lower 60 per cent.<sup>33</sup> At present, under the influence of the Alliance for Progress, most countries in the region are at some stage of the drafting or application of tax reforms intended both to increase public revenues and to distribute the burden more equitably, although concrete targets such as those set forth above have not yet been incorporated in public policies. The annual reports of the Social Progress Trust Fund of the Inter-American Development Bank describe these trends under the heading "mobilization of domestic resources" in a tone of qualified optimism, stressing the importance of changes of attitudes in the social strata affected and acknowledging that such changes cannot be expected to occur overnight. The debates now under way in the legislative bodies and the Press indicate that a consensus on the desirable limits of income redistribution through tax reform is not at hand. In practice, the public sector remains heavily dependent on indirect taxes that bear upon the low and middle income groups, while the upper-income minority retains formidable powers to resist or evade attempts to increase its own contribution.

(b) *Measures redistributing wealth and diffusing control over the means of production*

The highly uneven distribution of income in Latin America is associated with a high degree of concentrated control of the sources of income, and compelling arguments have been made that effective policies for the redistribution of income must include measures for the redistribution of wealth. This proposition is most widely accepted in relation to the ownership of land, and it would be unnecessary to repeat here the justifications for land tenure reform, now embodied in numerous regional policy recommendations approved by the Governments, although not yet widely translated into national practice.<sup>34</sup> Such

<sup>33</sup> *Ibid.*, pp. 140-142 and 211 (proposal made by Aníbal Pinto). A similar hypothetical distribution of the population into three strata in relation to income and consumption patterns may be found in *The Process of Industrial Development in Latin America*, op. cit., Vol. I, p. 208.

<sup>34</sup> For the most recent information on this question

reform is redistributive only to the extent that compensation to landlords falls below the market value of the land, and assumes a shift in political power depriving this group of the ability to block or evade a measure so distasteful to it.<sup>35</sup> It has been pointed out that the concentration of agrarian property in *latifundios*, in addition to its obvious depressive influence on rural wage rates and on the possibilities for emergence of a class of efficient small farmers, is likely to influence food supplies and prices in ways that may frustrate the redistributive intentions of wage measures outside the agricultural sector.

Regional thinking on needs for an instrument of wider diffusion of property and control over the means of production in sectors other than agriculture is much farther from a consensus. The relevant instruments would include anti-monopoly legislation; promotion of ownership of shares in enterprises among the public in general or among the workers; expansion of the sector of public ownership of large enterprises; and a wide range of measures for the encouragement of small entrepreneurs, including credits and promotion of co-operatives.<sup>36</sup>

(c) *Public services*

A large share of any increase in revenue secured by the public sector is sure to go to education, public health, low-cost housing, and other services theoretically available to the whole population. To the extent that the low-income strata really benefit from these services and that the revenue system is progressive, these services constitute a highly important form of redistribution of income, and one that is particularly calculated to stimulate development by raising the productivity of the "human resources". The sectoral discussions above have indicated, however, how far this objective is from attainment. Even in countries with high per capita incomes and long traditions of providing such services as rights, it is believed that the lowest income groups are at a serious practical disadvantage in using them. In Latin America, many of the services seem to involve a redistribution of in-

see *Políticas de Reforma Agraria* (LARC/65/CONF/3), document presented to the 8th Regional Conference of the Food and Agriculture Organization (Viña del Mar, Chile, 13-29 March 1965).

<sup>35</sup> "To pretend that landlords should be fully compensated is as absurd as to expect that taxpayers of advanced countries should receive cash compensation or bonds by an amount equal to their taxes". (Edmundo Flores, "The Economics of Land Reform and Agricultural Development", LARC/65/CONF/15, p. 11.)

<sup>36</sup> See Aníbal Pinto, "Notas sobre la distribución del ingreso y la estrategia de la redistribución", *El Trimestre Económico*, 115, July-Sept. 1962, which contains interesting suggestions on this as well as other aspects of the problem.

come away from the masses who contribute to their support but are unable to take advantage of them. In education, moreover, the real importance of an uneven distribution of the publicly financed service does not lie in a comparison of the contributions to educational costs and the benefits received by different classes or income strata, even if it were practicable to make such a calculation. The distribution of educational opportunities goes far to determine the income-earning capacity of the coming generation, and a distribution of such opportunities that coincides to a large extent with family income and place of residence is at least as important as the concentration of wealth in carrying existing patterns of income distribution into the future. The advantages of access to higher education are typically confirmed by elaborate legislation protecting the employment opportunities of the holders of professional "titles".

(d) *Wage and salary legislation*

Minimum wage laws with varying breadth of coverage have been enacted in many countries of the region, and laws or decrees periodically raising wages and salaries are standard practice in the countries with experience of inflation. The redistributive effects of these measures have been conditioned, first, by their widely differing enforceability in different types of enterprises; second, by their inevitable limitation to regularly employed workers and employees. The over-all result, as in the case of other types of redistributive measures, may have been a strengthening of the position of certain groups at middle or lower-middle income levels, with advantages going to workers in large enterprises in relation to workers in small ones, to urban workers in relation to rural, to wage workers and salaried employees in relation to self-employed groups, etc. The more marginal casually employed or self-employed workers are likely to be placed at a disadvantage in two respects: minimum wage laws (often combined with rigid provisions for job security) cause employers to turn to capital-intensive methods; and enterprises subject to the laws are commonly able to pass on the costs in the form of higher prices that depress the purchasing power of the unprotected groups.

(e) *Legislation promoting or regulating collective bargaining and unionization*

Trade union legislation up to the present, like wage legislation, seems to have contributed mainly to a strengthening of the position of certain salaried groups in relation to others and in relation to the casually employed and self-employed. In general, the groups that have been in a strong position to bargain collectively and to

exert effective pressure on the public authorities have had strong motives to protect their favoured position against the threat of competition from the growing unorganized and under-employed labour force. At the same time, the presence of a large unorganized labour reserve has tended to limit the power of the unions to influence wage levels except in the larger enterprises in which wages form a relatively small part of total costs.<sup>37</sup> The laws themselves have commonly supported the highly uneven distribution of incomes between urban and rural workers. Unionization of the former has been favoured, while unionization of the latter has been prohibited or placed under severe restrictions.

(f) *Measures affecting prices of consumer goods and services*

This category comprises a wide range of measures: control of prices of essential consumer goods, favourable treatment of imports of such goods, subsidies to producers, direct sales by public agencies in order to combat hoarding and profiteering by middlemen. Measures of this kind inevitably come to the fore in countries undergoing inflation, with chronic struggles centring around the prices of a few goods and services having the most direct impact on the lives of the urban low-income groups—in particular bread and transport fares. To the extent they are enforceable, measures that stabilize prices presumably benefit wider strata of the urban population than do the measures affecting wages. Unless they include a large element of public subsidy to the producers of essential goods, however, they inevitably increase the rural-urban income discrepancy. Controlled food prices mean lower rural wages and incomes for small cultivators, while controls on the consumer goods bought by these groups are likely to be much looser.

(g) *Measures for supplementing inadequate incomes, protection against loss of earning power and other contingencies*

Under this heading fall the various social security and social welfare programmes that have become part of public policy in the high-income industrialized countries and that have gradually

<sup>37</sup> "The Process of Industrial Development in Latin America", op. cit., pp. 131 *et seq.*, emphasizes the wide variations in wage levels within the industrial sector, with relatively inefficient industries able to survive because they need not meet the wage levels of the modern industries, points to a relatively low average participation by wages and salaries in the value added in the industrial sector, and also suggests the relative ineffectiveness of minimum wage laws in the smaller enterprises.

been introduced, at least on a token scale, throughout Latin America. Some of them, in particular the social security systems that depend on employment status and previous contributions, are subject to the same limitations as the other redistributive measures mentioned above. They redistribute incomes to some extent within the middle and lower-middle strata, but since the costs of employer and worker contributions to their financing is passed on to the general consumer of domestically produced goods and services, they leave the uncovered lowest-income strata at a greater disadvantage than before. In many of the countries, political pressures toward the universalization of social security are strong, but the wider the coverage the greater the need for public subsidies to meet the costs for groups that cannot, at their present income levels, contribute very much toward their own "security".

Family allowances and old-age pensions not dependent on employment status or previous contributions, and public assistance toward the maintenance of a floor under incomes should in principle have wider redistributive effects. Arguments for such measures gain weight with the degree of urbanization and with the decline in relative importance of family economic enterprises and of traditional forms of mutual aid in the community or extended family. From the human resources standpoint, the heavy burden the poorest families must bear in order to support their children and other dependents obviously depresses their potential productivity and limits the future capacity of their children to participate in the society. Under present circumstances of increasing political participation by the urban masses and to some extent of the rural masses, it can be expected that the concept of minimum income maintenance as a right will become increasingly influential. Unfortunately, the introduction of this concept in countries in which half or more of the population falls below the poverty line, in which public resources are very limited, and in which the existing social structure is hardly compatible with a massive reallocation of resources to overcome the problems of poverty and low productivity, is likely to produce a widening gap between pretensions and realities, and systems of distribution of material aid among the lowest-income strata that perpetuate the traits of passivity and dependency inherited from past paternalistic relationships. According to one of the basic principles of social service, the granting of economic aid should fit into a strategy of helping the needy family or individual to solve its own problems and regain the capacity for self-support. The application of this principle in settings of mass poverty and marginality poses a challenge that social per-

sonnel in the region are only beginning to face, through experiments in aided self-help and community development.

#### (h) *Employment policies*

While many fully employed workers do not earn enough for adequate maintenance of their large families, it is also well-known that much of the low-income population is under-employed, subsisting precariously by seasonal labour in the countryside or makeshift occupations of low productivity in the towns. Present employment trends both in industry and agriculture, when related to the rapid growth in the labour force, present the likelihood of continuing increases in the under-employed population and the appearance of open unemployment on a larger scale than heretofore. Income redistribution benefiting the under-employed and unemployed supposes the creation of jobs enabling them to earn income, and attention is now beginning to turn to the potentialities of large-scale public works programmes with the double objective of providing such jobs and utilizing the idle labour resources to further essential infrastructural investments in roads, dams, buildings, etc. Such policies have already been applied on a significant scale to meet emergency situations, as in periods of drought in the Brazilian Nordeste. The wider implications of their adoption on a national scale remain to be faced, and some of the arguments for them seem arguments of desperation: no other promising solution for the problems of rising under-employment is within reach, so labour-intensive public works must be tried.<sup>38</sup> In any case, such programmes, unless they are to be financed entirely by external aid, require accompanying progress in the fiscal techniques of income redistribution; the public sector must obtain large additional resources to pay for them.

The above considerations indicate that an effective policy of income redistribution would require an assessment of measures in all of the social sectors in relation to the equitability of their distribution, and their potential impact on the income-earning capacity and on occupation

<sup>38</sup> In fact, economists who conclude that the labour-absorptive capacity of industry cannot be expected to match increases in the labour force even if the present trend toward transplantation of the most modern capital-intensive technologies can be reversed commonly fall back on one of two "residual" solutions: large-scale public works or retention of labour in agriculture. A recent statement by Gunnar Myrdal gives heavy emphasis to the latter alternative. See G. Myrdal (*Agriculture and the World Economic Revolution*, LARC/65/CONF/16, address delivered at the Latin American Conference on Food and Agriculture, Viña del Mar, Chile, 18 March 1965).

opportunities of broad population strata.<sup>39</sup> At the same time, such a policy would depend heavily on effective planning of changes in production and in the kinds of services offered; otherwise, income redistribution might depress the market for luxury goods and services without a corresponding increase in wage-goods and in services demanded by the low-income strata. More broadly, it would have to be preceded or accompanied by basic changes in social relationships and in the distribution of political power. This last theme leads back to the indispensability of organized popular participation in the making and carrying out of social policy.

## 2. Population

The term "population policy" in its narrower usage refers to a governmental decision to try to influence the rate of net national population increase. In the past, the objective of such a policy was usually to raise the rate of increase through encouragement of higher birth rates or immigration, but in the low-income countries at present the standard objective is to slow down population increase through measures affecting fertility ("family planning") and sometimes through promotion of emigration.

No country in Latin America as yet has a population policy in this sense; in this respect Latin America differs from the other major low-income regions. In discussions of such policies two over-simplified positions have confronted each other: one sector of opinion has posited a drastic reduction in the rate of increase as the first prerequisite for development, while an opposed sector has argued that the present unprecedentedly high rates of increase are no cause for concern in view of the relatively low regional population density and the need for expansion of internal markets. A more fruitful approach, focusing upon the specific implications of present rates of increase and the resulting age distribution among different strata of the population, rather than on the unmanageable conceptions of "over-population" and "optimal population", seem to be emerging. Two aspects of the problem have a direct bearing on income distribution:

<sup>39</sup> The latter requirement relates to the objective of "dissemination of technical progress" narrowing the income gap between the dynamic and lagging sectors of the economy proposed by Anibal Pinto, "Concentración del progreso técnico y de sus frutos en el desarrollo latinoamericano" (*El Trimestre Económico*, 125, January-March, 1965). This study warns of the probable ineffectiveness of a strategy concentrating on income redistribution through measures such as those discussed above without simultaneous attention to such causes as the concentration of technical progress in a few sectors of the economy.

(a) The typical low-income family has a large number of dependent children. With urbanization and the decline of family economic enterprises these children become a burden rather than an economic asset; uncontrolled fertility hampers the family in any effort to rise above the subsistence level, and the family is unable to equip the children with skills qualifying them to become productive members of society.

(b) As mentioned above, the rate of growth of the labour force exceeds the foreseeable absorptive capacity of industry and agriculture, while the very low qualifications of many entrants to the labour force, coming from the impoverished families just mentioned, limit them to the most marginal occupations. Lower rates of increase would not solve the problems of poverty, but would make the problems somewhat more manageable.

It is likely that public policy in the region will gradually come to support programmes for the lowering of fertility, without necessarily giving this objective the prominence it has received in such countries as India and Japan or fixing quantitative targets for the slowing down of population growth.<sup>40</sup> Recent studies indicate an unexpectedly wide diffusion of knowledge and acceptance of contraception among urban women. Under the most favourable circumstances, however, the diffusion of new attitudes is likely to be slow among the rural masses, and planners cannot expect lower rates of increase to ease their problems within the near future. Even after birth rates begin to decline, while there will be an immediate alleviation of the dependency burden, the growth of the labour force will not begin to slow down for another fifteen years, and the effect will be secondary for several decades.

<sup>40</sup> The 1961 Charter of the Alliance for Progress makes no reference to population policy, but a significant shift toward regional endorsement of the desirability of lower rates of increase appeared at the fourth meeting of the Inter-American Committee on the Alliance for Progress (CIAP) in April 1965, when the creation of an advisory group for the purpose of seeking acceptable methods toward this objective was considered. See Pan American Union, *Population Problems in relation to Development in Latin America* (CIAP/197, 31 March 1965). The policy issues as they relate to Latin America are discussed in several of the papers prepared for the 1965 United Nations World Population Conference (Belgrade, 30 August-10 September 1965). See, in particular, José Antonio Mayobre, *Economic Development and Population Growth in Latin America* (WPC/WP/151) and Victor L. Urquidí, *El Crecimiento Demográfico y el Desarrollo Económico Latinoamericano* (WPC/WP/118). The proceedings of the First Pan American Population Assembly, held in Cali, Colombia, in August 1965, contain further evidence of the acceptance by influential currents of opinion of the need for action to limit rates of increase.



The kind of population policy described above, with a single narrowly defined objective to be attained by a limited range of technical means, cannot by itself be considered a strategic approach to development, although it may in the long term be indispensable to the achievement of the more positive social and economic objectives. In practice, of course, the possibility of attainment of the narrower objective will be conditioned by progress in all forms of social action contributing to higher levels of living, particularly education and measures for strengthening of the family, but these measures are not likely to be organized around the population objective.

A broader conception of population policy, however, can link the characteristics of the population, as revealed by censuses and special surveys and analysed by demographers, with strategic approaches to the improvement of the quality of the population ("human resource development"), to its geographical distribution and to its ecological relationships with the land ("urban development", "rural development", "regional planning"). As will be suggested below these approaches to policy have up to the present not been satisfactorily delimited and related to one another, and their potential value for policy and planning has not yet been realized.

### 3. Human resource development

The content of human resource development, according to the more ambitious definition, is practically equivalent to that of "social development". The most authoritative recent presentation of this approach states:

"Human resource development is the process of increasing the knowledge, the skills, and the capacities of all the people in a society. In economic terms, it could be described as the accumulation of human capital and its effective investment in the development of an economy. In political terms, human resource development prepares people for adult participation in political processes, particularly as citizens in a democracy. From the social and cultural points of view, the development of human resources helps people to lead fuller and richer lives, less bound by tradition."<sup>41</sup>

Under such a definition, action in any of the conventional social sectors could be marshalled under human resource development, and even the special focus to be expected from the name, on the raising of human productive capacity, merges into a wider preoccupation with socio-cultural

<sup>41</sup>Frederick Harbison and Charles A. Myers, *Education, Manpower and Economic Growth: Strategies of Human Resource Development*. McGraw-Hill Series in International Development, New York, 1964.

change and political participation. Human resource development, then, can be seen as one manifestation of the quest for an operationally usable interpretation of development as a single process in which economic, social and political factors are interwoven.

In practice, however, the content of the programmes and proposals going under the name of human resource development has been a good deal more restricted than the above definition might suggest. The proponents of the approach have had little to say about the relationships of social and political structures to the capacity for development of human resources. Although some attempts have been made to incorporate health and nutrition programmes into human resource development, these do not seem to have gone beyond the stage of statistical exercises based on rather shaky data. The human resource specialists have concentrated on the integration of educational programming and manpower programming, largely through the preparation of forecasts of the output of schools and training programmes, their confrontation with forecasts of needs for manpower with different levels of qualification, and the drawing of conclusions on needs for changes in educational output. The Mediterranean Regional Project of the Organization for Economic Co-operation and Development represents the most advanced attempt to incorporate the human resource approach into educational planning, and is of special interest to Latin America in view of the historical links between the social structures and the educational systems of the two regions.<sup>42</sup>

In Latin America thus far, in spite of the attraction of the human resource approach to economic planners as a means to quantifiable criteria for the allocation of resources to education and potentially to other social programmes, its application has been hampered, in the first place, by the inadequacies of census-derived manpower statistics as a basis for detailed forecasts of needs, and in the second place by the structural rigidities and conflicting aims within the educational systems that have been discussed above.

In a world in which production techniques and the structure of demand are changing as rapidly as they are, and in which present trends

<sup>42</sup>The techniques and experiences of the OECD Mediterranean Regional Project were analysed in a number of papers presented to the 1964 Paris Seminar on Problems and Strategies of Educational Planning in Latin America, and the OECD has issued a report directed to Latin American audiences on the subject: Herbert S. Parnes, *La Planificación de la Educación para el Desarrollo Económico y Social*, Paris, 1963.

in the industrially advanced countries indicate even more revolutionary changes in the future, the human resource approach naturally needs to be applied with flexibility and caution.<sup>43</sup> Educational output geared to the needs for different types and levels of skilled manpower that can be forecast from present trends might be unsuited to the long term requirements of healthy economic development, let alone the valid non-economic purposes of education. The major proponents of the human resource approach, however, are quite aware of these dangers or limitations, and have set forth judiciously qualified proposals for target-setting in countries at different stages of development.<sup>44</sup>

One question that deserves careful consideration in relation to the Latin American setting, in view of the well-known trends toward excessive complication of planning and administrative machinery, is the organizational place of the human resources approach in such machinery.<sup>45</sup>

#### 4. Urban development and rural development

Development policy in general and all of the areas of social action in particular confront conditions and trends that differ widely by population group or local setting. The most obvious distinction is between the urban and the rural and among the approaches to planning most prominent in recent years, at least at the level of studies and regional meetings, are schemes for the organization of programmes around the central problems of urban development (or "urbanization") and of rural development. It is intended to explore these questions in a sequel to the present study and only a few points will here be touched upon in a summary way.

##### (a) Discussion of urban development poli-

<sup>43</sup> "In the course of the future", according to a contributor to the 1962 Columbia University Seminar on Technology and Social Change, "intellectual pursuits rather than business activities will set the predominant tone, and the universities, the research institutes and corporations, and other intellectual centers will be the major institutions". (Eli Ginzberg, Ed., *Technology and Social Change*, Columbia University Press, New York and London, 1964.)

<sup>44</sup> See, in particular, chapters 9 and 10 in Harbison and Myers, op. cit.

<sup>45</sup> Harbison and Myers conclude, in reference to the world as a whole, that "There is as yet surprisingly little experience in the establishment of governmental machinery for human resources planning", but recommend the establishment of a "human resource development board", a "human resource planning secretariat", and planning staffs within the main bodies participating in the board. They conclude, however, that "where strong general planning organizations exist, there is a compelling reason to put the human resource planning machinery under its jurisdiction". (Ch. 10.)

cies<sup>46</sup> has focused on the rapidly growing great cities. Here the central problems are employment, physical environment and social participation, all of them conditioned by the related phenomena of massive in-migration and the growth of the population strata commonly labelled "marginal". Broad policy declarations setting forth the measures needed to deal with these problems abound, but one finds remarkably little evidence of progress toward effective planning or even toward consistent national decisions on the main lines of policy. The urban programmes that have reached the stage of legislative sanction or application are relatively narrow, dominated by architectural and space-planning considerations, and have had only limited and erratic influence on city growth.

(b) In rural development, the central theme is agrarian reform. Around it can be grouped a wide range of measures needed to enable the rural population to participate in national life on more equitable terms and to attain more adequate levels of living. A viable rural development policy needs to take into account, *inter alia*, the economic base of the rural group, its capacity for community and interest group organization, its patterns of settlement in relation to the provision of educational and other public services, and its ties to the local centres of administration, services and marketing. Up to the present, the well-known slowness of most countries of the region in arriving at enforceable large-scale solutions for the problems of land tenure has ruled out the application of really integrated rural development programmes.

(c) A simple urban-rural dichotomy is quite inadequate as a framework for policy; it is a truism that the problems of neither the cities nor the countryside can be solved in isolation. The very distinction between urban and rural is certain to become increasingly blurred in several respects and also to be increasingly complicated by Latin America's unevenness of development and contradictions in styles of life. The rural areas themselves will be increasingly urbanized, in a cultural sense, by the diffusion of mass communications and manufactured consumer goods, as well as by the increasing mobility of rural people. Meanwhile, the cities

<sup>46</sup> The term "urbanization policies" has become current internationally, but it seems more satisfactory to restrict "urbanization" to the process of concentration of population in urban areas and to classify the policies relevant to this process under "urban development". UNESCO, *Urbanization in Latin America* (Paris, 1961) is a compendium of studies and policy recommendations on the theme, deriving from a 1959 seminar sponsored by UNESCO and the Economic Commission for Latin America.

and towns will continue to be "ruralized" by migrants. These trends point toward the need for (a) understanding of the functions and dynamics of the many types of urban and rural areas—the great cities; the provincial centres; the specialized industrial towns, ports and mining centres; the small towns; and the rural-agricultural nuclei; (b) workable conceptions and techniques of regional planning; (c) na-

tional objectives for population redistribution related to employment objectives and distribution of natural resources.<sup>47</sup>

<sup>47</sup> See "Geographic distribution of the population of Latin America and regional development priorities", *Economic Bulletin for Latin America*, Vol. VIII, No. 1, March 1963, and "Rural Settlement Patterns and Social Change in Latin America", *Economic Bulletin for Latin America*, Vol. X, No. 1, March 1965.

#### IV. SOME CONCLUSIONS

1. National economic policies are in practice as likely as social policies to derive from isolated initiatives and contradictory pressures, and the principles that should govern them are subject to continuing controversy. Economic policies, however, can be referred to a few easily formulated objectives and to a central discipline of economics seeking to explain the process of economic growth as a whole. Social policies have been more heterogeneous in their origins and objectives. The discipline of sociology has not, during the recent years in which planning has gained acceptance, been in a central position to influence policy or advise on the translation of policies into plans. Initiatives for "social planning" or for the incorporation of the "social" into over-all planning have appeared long after public action in certain social sectors has reached a high degree of complexity, costliness, and institutional resistance to the requirements of planning. In the present discussions of social policy and planning by economists, sociologists, administrators, and specialists from the different social sectors, several interpretations of the term "social", of the relations between the "social" and the "economic", and of the central objectives of social policy can be distinguished.

2. Uses of the term "social" at the levels of development policy, planning and sectoral programming require separate consideration. Development itself is a single phenomenon, the nature of which is obscured when it is interpreted as two processes of "economic development" and "social development". At the level of development policy, however, the specification of social objectives (rising levels of living, more equitable distribution of incomes, wider opportunities for social participation and mobility) distinguished from economic objectives is indispensable. In such formulations the social programmes or areas of public social action should be treated as instruments rather than as ends in themselves; a listing of quantitative targets in the different social sectors does not constitute an adequate statement of objectives. Ideally the process of formulation of social policy objectives should be

part of a quest for national consensus concerning the future society toward which such policy is directed.

3. At the level of *planning* to attain the objectives set forth in development policy directives, there does not seem to be an adequate justification for a grouping of the so-called "social sectors" under a separate conception of "social planning" although it may be administratively advantageous to group the specialists responsible for these sectors in a "social" division of the agency responsible for national planning. The representatives of the sectors are unlikely to be willing or able to reconcile their claims upon resources within a "social plan" prior to incorporation of such a plan into over-all plans. The problems of fixing compatible targets and distributing resources in order to reach these targets can be dealt with satisfactorily only within comprehensive planning. The terminology in use up to the present and the typical compartmentalization of public administration have fostered conceptions of the economic and the social as two "fields" competing for resources, while the need is for an integrated strategy of development in which economic and social measures are both focused upon needed structural changes. At the same time it would seem more fruitful to think in terms of compatibilities and potentialities for mutual support between social and economic programmes than in terms of "balanced social and economic development".

4. At the level of *programming*, each social sector has distinct problems of administrative efficiency, personnel training and standards, quantification of objectives, research and obtaining of statistics, relations with its clientele, etc. A certain amount of real progress can be made toward more effective sectoral programming even in the absence of coherent over-all policy decisions and planning machinery, but such progress has obvious limitations and dangers. It cannot be taken for granted that quantitative increases in the coverage of action in each sector, measured through the indicators now available, will produce unmixed benefits for the society as a

whole or that such increases will justify priority for allocations to the sector.

5. The above generalizations do not imply that social allocations can or should be determined by economic criteria, in terms of calculations of monetary returns on investment. Even aside from the practical difficulties of calculating such returns in a meaningful way, and the fact that some of the most promising strategies for social change do not call for commensurate allocations from the public sector, such an approach would leave out of account large areas of the preconditions and the objectives of development. Attempts to apply criteria of economic rationality to expenditures on social programmes cannot be pursued beyond a certain point without running into open contradiction not only with the ways peoples and nations actually behave but also with their deepest value systems. No people is so poor that it will be prepared to do only the things it can afford according to a utilitarian scheme of priorities, and a systematic attempt by planners to apply such principles, even if practicable, might well involve an impoverishment of culture and initiative that would frustrate healthy development more than the apparent waste of resources.

6. While policy-making and planning processes more coherent than at present are attainable and indispensable, social and economic programmes cannot be expected to respond exclusively to neutral planning techniques or even to completely consistent public policies. A large part of the task of the policy maker and planner

under conditions typical of Latin America will continue to be the reconciliation and rationalization of pressures from different directions. This situation should by no means be interpreted exclusively as a hindrance to dynamic and integrated policy and planning. Planning techniques cannot be expected to reach infallibility and they will continue to be applied by planners subject to prejudices and limitations of vision deriving from their own social and educational backgrounds. Demands expressed through political channels and organized interest groups are essential if plans are to respond to real social needs and planners must seek to present their conclusions in terms assimilable by political leaders and conducive to popular support and participation.

7. Development planning does not gain in effectiveness through elaboration of regulations and centralized controls. This is particularly true of the social programmes with their needs for flexible responses to local situations. A large share of the responsibility for regional and local programming must be devolved upon local administration and local organizations in order to relieve the central authorities of tasks they cannot carry out. In Latin America, a good deal of recent discussion has centred on this requisite, but progress toward institutional forms capable of satisfying it has been very limited. In fact, the need cannot be met by institutional changes alone; if the institutions are to function, local social and economic relationships and attitudes must change simultaneously.

# SOCIAL SERVICE IN LATIN AMERICA: FUNCTIONS AND RELATIONSHIPS TO DEVELOPMENT

by Virginia A. Paraiso\*

## INTRODUCTION

Throughout the region, demands for social service programmes and allocations from public funds and private resources for the support of new and established services are consistently mounting.<sup>1</sup> These trends indicate general acceptance of the proposition that social service has an essential role in the functioning of society. Notwithstanding, social service does not seem to have a defined place within the framework of development policy in Latin American countries. Various reasons have been put forward to explain this relative marginality. One refers to the difficulty in defining what social service is and in distinguishing its activities from those of other forms of social action. Another lies in the doubt of economic planners whether social service can contribute significantly to the goals of development in view of its approach to social problems and needs mainly through the individual and the small group. Still other reasons, chiefly offered by social service personnel themselves, point to the non-involvement of social service leaders in national politics and higher echelons of public administration, including national planning machinery. Each of the above explanations is valid to some extent. It seems necessary however to search for more basic reasons in order to clarify the place of social service, if any, in national development.

This paper seeks to define the place of social service in national development and its potential

\* Although the author is a staff member of the Economic Commission for Latin America, the views expressed in this article are her own and do not necessarily reflect those of the ECLA secretariat.

<sup>1</sup> In Argentina, for example a group of industrialists has established an institute to train industrial social workers to staff already established social service programmes and others to be established within industry; the major problem of the National School of Social Service of Peru (Lima) is to increase its training capacity in order to meet increasing demands for the services of social workers within housing and rural development programmes; British Guiana is expanding social service within the judicial and penal system; Bolivia has just embarked on social service for miners and migrants; a major component of Brazil's slum clearance programme is social service.

contribution to that effort.<sup>2</sup> It does this first by bringing together all the common elements of the Latin American conceptions of social service and analysing the objectives and functioning of the programmes; and second, by clarifying the relationships, if any, between the goals of social service and national development and enquiring whether the two sets of goals are in harmony one with the other. Part I discusses the meaning of social service in Latin America; Part II indicates how it functions at present; Part III deals with its planning within the framework of development policy; while Part IV discusses the future role of social service and its potential contribution to development and sets out what needs to be done so that social service can fulfil that role and thus maximize its contribution.

Since no study in depth has as yet been attempted either of the programmes and the methods used or their effects, this paper runs the risk of making generalizations based on factors, the importance of which may have been over-emphasized, while other factors not readily

<sup>2</sup> *Development* is here interpreted as roughly equivalent to the complex of social and economic objectives set forth in the 1960 Charter of the Alliance for Progress, which specifies among the principal goals of national development: (1) a substantial and self-sustaining increase in per capita income that will reduce the gaps in the level of living between the countries of the region and between the region and more industrialized countries; and (2) a more equitable distribution of national income, raising as quickly as possible the incomes and levels of living of the more needy while assuring at the same time the investment of a major portion of the national product for economic development and social progress.

This paper deliberately avoids use of the term "social development"; instead it interprets "development" as a unified social process. The countries of Latin America have been classified under different stages of development, but these well-known differences do not preclude the existence of common characteristics which demand regional interpretation. A presentation of these common characteristics and "internal contradictions" can be found in ECLA Social Affairs Division study, entitled "Social Development" and "Social Planning: A Survey of Conceptual and Practical Problems in Latin America" (E/LACCY/BP/L.4). See above, pp. 42-70.

observable might not have been given due consideration.<sup>3</sup> The sources utilized indicate the difficulty of drawing a picture representative of the region. The most that can be expected is the identification of common concerns, characteristics and trends and also of some local and restricted experiences from which wider lessons

<sup>3</sup> There is a dearth of published work on social service relating to Latin America. The sources of information for this document are largely unpublished annual and other reports, case records, student theses, reports of experts in social service under the United Nations Technical Assistance Programme, interviews with programme administrators and planners as well as direct service personnel, and direct observation of existing programmes. Some articles and monographs were found useful but in general, they are limited as sources of information on needs and problems specific to social service and on planning, administration and evaluation of programmes.

can be derived. It is hoped that this exploratory work will start the countries on more thorough studies on the potentialities of social service for enhancing the quality of life in Latin America.

The student of international social service will no doubt find situations and characteristics that are similar to those obtaining in countries in other parts of the world. These similarities only confirm the sameness of the basic problems that beset human society everywhere, the unevenness of the phenomenon called development, no matter what stage a country has reached, and the reality of human inter-action at the international level. There are also, however, regional, national and local differences that defy uniform action and make imperative the search for indigenous answers to what may seem, on the surface, common human needs.

## Part I

### THE MEANING OF SOCIAL SERVICE IN LATIN AMERICA

#### 1. *Social service defined*

A United Nations Expert Group on the Development of National Social Service Programmes convened in 1959 defined social service as an "organized activity that aims at helping towards a mutual adjustment of individuals and their social environment". The adjustment is "achieved through the use of techniques and methods designed to enable individuals, groups and communities to meet their needs and solve their problems of adjustment to a changing pattern of society, and through co-operative action to improve economic and social conditions".<sup>4</sup> This definition assigns *relationships* as the area of action of social service, relationships that may involve individuals, groups and communities. The techniques and methods referred to are presumed to be those specifically attributed to social work.

In practice, the term social service includes:

(a) A set of conceptions concerning human needs and approaches to the satisfaction of these needs;

(b) A body of professionals (social workers) who have received formal training based on these conceptions and approaches, plus wider circles of auxiliaries and volunteers who perform functions deriving from these conceptions and have acquired to some degree a "social work" outlook; and

(c) Organized institutions that have functions based on these conceptions and that employ social workers.

While the three above-mentioned elements can be found in all the Latin American countries, the present situation does not permit clear delimitation under any or all of them. The conceptions that form the basis of social service represent varying combinations of influences from Western Europe and the United States with older religious and charitable viewpoints. The character of professional training of social workers and the extent to which such training is considered indispensable differ according to the relative strength of such influences. Social service functions and the employment of social workers are diffused through a wide variety of public and private agencies, and to a large extent appear as ancillary parts of programmes and institutions having other primary functions. The problem of delimiting social service as a distinct sector of social policy and action is further complicated by the fact that many institutions with social service functions and objectives are neither directed nor staffed by trained social workers. (There even exists a lack of agreement on the minimum qualifications of social workers.<sup>5</sup>) On the other hand, not all the

<sup>4</sup> *The Development of National Social Service Programmes*, ST/SOA/40, United Nations publication, Sales No. 60.IV.1, p. 6, para. 6.

<sup>5</sup> For example, there is now a bill under consideration by the Federal Congress of Argentina to regulate the employment of social workers, including within that profession the *trabajador social* and the *asistente social* both of whom graduated from a school of social work, the *visitadora social* (an earlier name of the *asistente*

functions actually performed by social workers within wider institutional settings can be legitimately brought within social service conceptions.

Terminology can also lead to misunderstandings. In the plural, "social services" (*servicios sociales*) refer to all activities with human welfare objectives including education, health, social security, community development, housing, etc.<sup>6</sup> In an enumeration of the social services, social service as a field of policy and action may also be listed as "social welfare services" (*servicios de bienestar social*) or as "social assistance" (*asistencia social*). "Social assistance" is the earlier term for social service and from it derives the title "social assistant" (*asistente social*), by which the practitioner and professional in social work is known in most of the region.<sup>7</sup>

In Latin American usage, the singular form *servicio social* refers to both the profession of social work<sup>8</sup> and the substantive area in which social work concepts and techniques are applied.

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*social* but with lower-level training), the *visitadora de higiene social* (a medical aide who had a two-year training course mostly in home care of the sick) and the *educadora sanitaria* (a kind of public health aide). This lack of agreement in the public mind as to who is "professional" exists in varying degrees in all countries of the region.

<sup>6</sup> According to para. 4 of "Reappraisal of the United Nations Social Service Programmes", E/CN.5/AC.12/L.3, 29 March 1965, "Social welfare" is more commonly understood and used in different parts of the world to describe what henceforth the United Nations called "social service". Accordingly, the Secretary-General intends hereafter in this report and in all subsequent references to United Nations activities in this field to use "social welfare" and "social welfare programme" where previously the term "social service" and "social service programme" would be employed. Conversely, "social services" and "social services programmes" will be used in the broader sense to include activities in such fields as health, education, social security, etc., besides social welfare... The reappraisal report, however, employs the term "social welfare" to embrace a wide range of social activities found in different parts of the world and does not attempt a delimitation of the coverage of the term. At the Latin American Seminar on Education for Social Service, Lima, 10-13 November 1965, in which directors of 28 schools of social service in the region participated, there was a perceptible tendency to use "social welfare" to indicate the area of policy and "social service" to refer to the profession of social work. The present paper retains the term "social service" (singular) both to correspond with the current and more generalized Latin American usage and to distinguish the relatively restricted range of conceptions and functions indicated here.

<sup>7</sup> The exceptions among the Spanish-speaking Latin American countries are Mexico, Panama, Central America, Colombia and Bolivia, which use *trabajador social*, indicative perhaps, of stronger North American influence in contrast to the stronger European orientation of South American social service. Brazil uses *asistente social*, the English-speaking countries "social worker" and Haiti *assistante sociale*.

<sup>8</sup> Schools for professional training in social work are called *escuelas de servicio social* throughout the region.

The use of *servicio* in preference to *trabajo*, which is the literal translation of the English "work" (social work), is a particular expression of the Latin American spirit. *Trabajo* evokes the image of "labour", usually manual, and of activities the products of which accrue directly to the benefit and profit of the doer. On the other hand, *servicio* signifies action in behalf of someone other than the doer or his immediate family. It conjures up the "helping" image which is the essence of *servicio social* in Latin America. Some other components of this concept of social service are altruism, philanthropy, self-abnegation, a high degree of emotional commitment to the common weal plus a body of religious and charitable beliefs concerning one's obligations to one's fellow men. The professionalization of social work is tending to relegate the religious and charitable components to the background and to base social service on a more objective and rational matching of needs, available resources and expected benefits. This tendency, however, is not yet dominant considering that many schools of social work are under the management of religious institutions strongly oriented to the earlier conceptions. What is probably more universal is the increasing acceptance of the methods of social work. Social service in Latin America is still, to a high degree, a "helping-by-doing" activity.

As a substantive area, social service includes legislation, programmes, services and activities that prevent, alleviate and remove conditions that limit the ability of specific individuals, groups and communities to make full use of such facilities and services, as schools, health centres, hospitals, churches, public utilities, etc., organized for the general public on the assumption that everyone has an equal opportunity to benefit from them. Social service provisions invariably seek to strengthen the actual capacity of individuals, groups and communities to make use of such facilities and services and more broadly, to participate on equal terms in the national society. In relation to the social setting of Latin America, this definition of the scope of action of social service is rather limited.

## 2. *The medium for social service*

The Latin American medium within which social service institutions and personnel must function has, in its main features, been often described and for the purposes of the present work, it will be sufficient to set forth these features very briefly.<sup>9</sup>

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<sup>9</sup> For detailed descriptions see *Report on the World Social Situation, 1963* (E/CN.5/375/Rev.1), United Nations publication, Sales No. 63.IV.4; *The Economic Development of Latin America in the Post-War Period*

Three particularly relevant aspects of the Latin American situation may be summed up as follows: (1) very high rates of population increase with consequent high dependency ratios and large primary families; (2) rapid redistribution of population with high rates of concentration in urban areas, scattered and isolated settlements in the countryside and a labour force highly mobile geographically and occupationally; and (3) low and unevenly distributed incomes together with lagging growth in production and inability of the economies to absorb into productive employment a labour force growing by nearly 3 per cent annually. In a nutshell, for social service these trends mean increasing demands unmatched by resources for essential services that governments are pressured to provide but can only pretend to do so. The above trends also imply a decreasing ability and willingness on the part of parents to assume the burdens of physical support and of guidance of their children from infancy to responsible adulthood, as well as the wide range of maladjustment associated with traditional societies in transition towards modernization.

The economic growth that has taken place in the region, irregular and unbalanced as it has been, does not seem to have brought about any appreciable improvement in the lot of the masses. If anything, it has widened the gap between them and the groups whose incomes have benefited from this growth.

The material manifestations of poverty are well known: families housed in one-room dwellings in the older urban slums or in shanty towns, rural as well as urban; malnutrition; educational services so rudimentary that they give the children no real opportunity to overcome the many handicaps of the environment, etc. From the standpoint of social service, the "culture of poverty" that represents the adaptation of the people to the precariousness of their situation and their lack of opportunities to participate in the national society is an even more serious challenge than the lack of the material amenities of living.<sup>10</sup> This culture is characterized by shifting and unstable family relationships, deprivation of responsible care for many of the superabundant young children and of con-

structive occupations for adolescents and unstable values in the face of competing ideologies. At the same time, the culture of poverty retains a remarkable measure of readiness to assume burdens of mutual aid and support of dependants not met by society, and a capacity to combine in new forms of social organization to meet local needs.

Characteristic of the region is the relative concentration of organized services and job opportunities, especially for the "educated", in the big city. Notwithstanding, these resources have proved inadequate in the face of rural-urban influx, so that for a high proportion of migrants a move to the city does not represent much improvement in the level of living nor in the opportunities for achieving such improvement. It has been asserted that the main reason for rural-urban migration is social not economic, the result of "changes in the images and aspirations which render rural life in poverty less satisfactory than urban life in poverty".<sup>11</sup>

The rural population cannot be ignored in any discussion of the Latin American situation. A study<sup>12</sup> by the Economic Commission for Latin America speaks of the "... rapid population growth, combined with apparent incapacity of the rural areas to absorb more than a fraction of their contribution to this growth, to narrow the very wide gap between their levels of living and those of the cities, to respond adequately to rising urban demands for their products, or to participate effectively in national decision-making". On the role the rural situation plays in relation to urbanization and urban marginality, this same paper says: "... static or declining employment opportunities in the countryside and the small towns combine with insufficiently rapid growth in urban employment openings, to condemn a high proportion of the population increment to a marginal position—drifting from rural to urban under-employment, increasingly finding its way to the peripheral shanty towns of the great cities, multiply handicapped in education, motivations, even physical health, for any effort to escape from its marginality".

The breakdown of the *hacienda*, the traditional social organization based on land tenure, as a result of revolutions, programmes of agrarian reform and land distribution, advancement in techniques of organization and increased mobility towards urban centres is changing the fabric and tempo of life. Alternative sources of the security and stability, however minimal, provided

(E/CN.12/659/Rev.1), United Nations publication, Sales No. 64.II.G.6; *The Process of Industrialization in Latin America* (E/CN.12/716/Rev.1), United Nations publication, Sales No. 66.II.G.4; *Statistical Bulletin for Latin America*, Vol. II, No. 2 (August 1965).

<sup>10</sup> The widely circulated works of Oscar Lewis's *Five Families* (1959), *Pedro Martínez* (1964) and *The Children of Sánchez* (1961), Random and Basic Books, Inc., are family case studies of Mexican families that illustrate very well the ways by which adaptation to a "culture of poverty" is achieved by people.

<sup>11</sup> Charles Wagley, *Social Research in Latin America*, Columbia University Press, New York, p. 264.

<sup>12</sup> "Rural Settlement Patterns and Social Change in Latin America", *Economic Bulletin for Latin America*, Vol. X (1965), p. 1.



by the *hacienda* must be found if social disorganization is to be contained within tolerable limits. The increasing geographical mobility of the population brings with it occupational shifts that affect whole families and unattached persons (single men going to mines and ranches and single women to the cities and small manufacturing centres) in pursuit of job opportunities. In the place of origin is left an economically dependent, unproductive population consisting of women with young children, the aged and the incapacitated, all in need of more than a normal amount of welfare services which the community cannot provide. In addition, there is the natural anxiety over the physical health and safety of the absent breadwinner, the uncertainty of economic contribution to the family maintenance and the possibilities of temporary or permanent desertion. Even when such possibilities are ruled out, the frequent changing of roles for the family members during the periods of absence and the periods of presence of the breadwinner is a probable source of conflicts and tensions. This is unsettling for the adults but even more so for the young; it is equally disrupting to the web of community activities. Host communities are not exempt from the negative effects of seasonal migrations. The seasonal increase in the demands for living facilities and services of all kinds can never be foreseen nor provided for in its entirety. More serious than deficiencies in facilities and services for the fluctuating population are the problems of social and psychological order that affect the resident population and the migrant. These problems are often manifested in hostile attitudes, prejudices, and disguised and open conflicts.

In a static society, the degree of equilibrium and adjustment attained would diminish the probability of disharmony and conflicts in social relationships. The economic and social changes indicated above mean that in Latin America today, except in very isolated settlements, society is far from static. These factors have raised the levels of expectations far beyond the capacity of the economies or the public authorities to meet. Traditional relationships are breaking down in all aspects and levels of society; there are constant shifts in leadership, a birth of new images of what is desirable and a groping for substitute sources of security. In this atmosphere of change, the family group seems to be the most affected and with it, its individual members.<sup>13</sup> It is assumed that the objective of development is to raise the level of living of every family.

<sup>13</sup> Effects of urbanization on the family are discussed in detail in *Report on the World Social Situation, 1957* (E/CN.5/324/Rev.1), United Nations publication, Sales No. 57.IV.3.

But this can be done only if the family itself contributes sufficiently to the effort. The family is seriously handicapped as an agent of progress by the fact that its dependency burden is increasing: more children, more numerous and complex individual and family wants, and often less employment for adult members. Besides, the relationships in the family itself are shifting. Many heads of families are mothers of young children, many young people now question parental and adult authority and "wisdom". The intensity of the struggle for the material necessities of survival coupled with the stresses on human relationships brought about by changing roles and values exert more and more pressure on the family as the basic unit within which the growth of the human resources for development takes place. The family members sometimes respond to the pressure by socially objectionable expedients, such as abortion, desertion and child neglect; and sometimes family ties disintegrate altogether.

### 3. *Social service concerns and activities*

From the conditions described above originate problems considered in the region as appropriate concerns for social service action. Such problems can only be understood and dealt with effectively when considered in relation to each other, since one problem may be only a symptom of, a sequel to, or a corollary of another. Moreover, any action that is directed against a specific problem may even create another kind of problem. From this viewpoint, it is possible to appreciate the necessity of a concerted attack on the barriers to the satisfaction of the needs of a particular society and its members. Such a viewpoint permits, besides, a rational perspective on social service as part of the totality of social policy and as only one of the several possible approaches to such problems.

Table 1 presents some of the various problems that are prominent within the particular conditions of the region and about which social service is actually doing something. They relate to: (1) individual disabilities and handicaps that impede the person from utilizing the opportunities for "better life" that society provides; (2) debility and disorganization of family life; (3) inadequacies and imperfections of the existing societal order itself and its institutions; and (4) public calamities. It is not possible to list a problem exclusively under any one of the above classifications. Mass unemployment and poverty for example, derive from some malfunctioning of the economic system or a defect in the social structure; the unemployment of an individual and the consequent poverty of

the family dependent on that individual may be due to ill health, in turn caused by biological, environmental or social factors, or by lack of skills with market value, or by personality instability. Lack of skills can originate from individual deficiencies, or from deficiencies of the educational system. The neglect and abandonment of the young is caused by physical disabilities of parents or their lack of preparation to assume the responsibility for a family, or a system of social relations conducive to parental irresponsibility, or the inability of the community to provide facilities for the partial care of children of working mothers, or other factors singly or in combination with one another. Juvenile delinquency and rejection of adult authority by the young can be caused by the absence of normal family life and may be a

consequence of the process of social change which society has failed to channelize. Although natural disasters are beyond man's control, many public emergencies are caused by individual and group failings of human beings.

The "cyclic" and "self-perpetuating" nature of problems requires that the causes must be removed, necessitating thus careful and thorough study and appraisal of the total situation. At the same time, the urgency and intensity of the human stress and suffering that often accompany such problems, as well as the threat they represent to the individual's survival and the society's functioning, means that palliative and remedial action have to be taken alongside prevention. Vulnerability, disability and dependency, family debility and disorganization, and individual and

**Table 1**  
SOCIAL SERVICE CONCERNS

<i>Related to:</i>	<i>Problems</i>
1. Individual disabilities	Unemployment Dependency Delinquency, crime and vice Promiscuity, vagrancy and mendicancy Unstable and difficult personal relationships Asocial behaviour Social isolation
2. Debility and disorganization of family life	Orphanage, neglect, abandonment, maltreatment and exploitation of the young Juvenile delinquency and vagrancy Deviant behaviour Personal conflicts and maladjustment Unstable relationships and promiscuity Dependency and mendicancy Marginality Vice and criminality Unemployment and job instability
3. Inadequacies and imperfection of the social organization	Mass unemployment Mass poverty Marginality Lack of organized services Group conflicts Dependency Social and geographic isolation Disproportionate migration Instability of the labour market
4. Public calamities	Widespread and acute economic needs Broken families Destruction of property and paralysis of economic activity Displacement of population Disruption of community life Crime, delinquency and vice Widespread physical disability and disease Acute hunger Homelessness

group maladjustment and marginality arise from situations that lend themselves in varying degrees to human intervention.

Table 2 outlines professional and institutional social service activities.

It is important to note the consensus that the inability of the family adequately to meet the responsibilities which a rapidly changing society imposes on it is the most important single source of the problems falling within the sphere of action of social service.<sup>14</sup> For example, a 1964 study by the Dirección Nacional de Menores of Bolivia on the causes of behavioural problems among youth under its care disclosed that among the males 34.7 per cent and among the females 63.9 per cent result from unsatisfactory family relations. Only 8.7 per cent among the males and 2.7 per cent among the females are the consequences of inadequacies of the material and physical aspects of living.<sup>15</sup>

Notwithstanding the identification of the family as a particularly vulnerable part of the social order, the activities for helping and strengthening it are few and are restricted both in coverage and scope.<sup>16</sup> Because of the historical lines of growth of social service in the region, institutional care of the minor and the infirm predominate, with emphasis on large closed institutions. Increasing attention is now directed towards "educative" activities, particularly for women and children, via organized groups such as mothers' centres, juvenile clubs and community and social centres. Statements that Latin American social service is largely directed to casework are misleading. A survey of activities will show that only a few agencies work directly with the individual in a casework relationship (which aims to increase the capacity of the individual to make more satisfactory personal adjustment and social relationships). In fact, it appears that social service in Latin America is mainly concerned with the basic material needs

<sup>14</sup> See reports of countries submitted to the Latin American Conference on Children and Youth in National Development, Santiago, 1965. Also *Factores que afectan la organización de la familia*, Panamerica SIF—Doc. 2/60, 1 June 1960 of the Seminario Interamericano sobre Fortalecimiento de la Institución Familiar, Caracas, Venezuela, 1960.

<sup>15</sup> From the national report of Bolivia to the Inter-American Seminar on "Normas para la protección del menor en programas integrados de desarrollo", Montevideo, 2-10 May 1965.

<sup>16</sup> Legislative provisions for family allowances are common. Owing to budgetary limitations, however, no country has provided such allowances on more than a token scale to the most needy families, usually outside the social security systems. Even within social security, benefits are often too small to enable large families to meet minimum needs. Interviews with programme executives indicate that social services for the family as a whole are usually very short of funds and personnel.

of individuals and primary groups. This is to be expected in a situation of poverty where the fight for mere survival occupies the centre of the arena, and where the needs of the moment are so great that until they are met, the individual cannot even think of the future. Many of the activities in question are no longer considered social service in countries with more highly developed economies and where specialized technical services exist.<sup>17</sup> Particularly within housing and rural development programmes, there are more and more evidences of the use of "self-help" in social service, of genuine interdisciplinary relationships with other fields of policy, of the community approach to situations, and of action directed to the basic social structure and causes instead of single problems. There is also a strong conviction among social service professionals that their programmes should be integrated into national development efforts and as an initial step, that they should be included in over-all plans of development.

#### 4. Objectives and methods of social service

##### (a) Objectives

One commonly heard criticism is that the objectives of social service in Latin America are so obscure that nobody really knows or understands what they are. Others go further and say that social service has no inherent objectives, only those derived from other services with which it is often associated and therefore that social service is simply an auxiliary to such services. An examination of the laws and regulations as well as the social decisions that form the basis of social service programmes show that this is not case. The objectives stated are not only clear but can also constitute important potential contributions to over-all strategy for development. The confusion results from the tendency to enumerate specific activities instead of the objectives that give reason to the activities, as well as the even more generalized failure to tie social service objectives to those of national development policy. The great number and kinds of activities that social service performs to realize its objectives also contributes to the confusion. Viewed from the perspective of single activities, often addressed to problems that seem isolated and lacking a broad social reference,

<sup>17</sup> Within the Andean Indian programmes and other rural development programmes, the social worker serves as a home improvement agent, a nurse-aide, a literacy teacher, a crafts teacher, etc. As other specialization become available, home economics workers for example such tasks related to cooking, sewing and other household activities are assigned to these more specialized technicians; health tasks are transferred to nurses, etc.

**Table 2**

**SOCIAL SERVICE ACTIVITIES IN LATIN AMERICA<sup>a</sup>**

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1. Protection of the young	Institutions for the care of orphans, abandoned and neglected children Social rehabilitation services with problem children Child placement by adoption and foster home care (limited) Rehabilitation of the handicapped Organization and supervision of youth groups Mobilization of public opinion for legislative action in favour of the young Supervision of child labour Training institutions for the juvenile delinquent Day care centres, nurseries, feeding centres Supervision of public playgrounds and recreation facilities Vacation camps, for the young Probation and parole
2. Promotion of family welfare	Economic assistance (in money and in kind) Recreation and vacation services Rehabilitation of victims of national disaster and armed conflicts Counselling, family planning, and preparation for parenthood Rehabilitation services for the handicapped including the dependent aged, addict, crippled and convict Education for family life and home management Community centres Social group organizations (mothers' clubs, neighbourhood associations, etc.)
3. Promotion of social change and and adjustment	Casework services to improve personal relationships and social adjustment Informational campaigns Mobilization of resources for displaced families and groups Social education Welfare services with migrants, new communities and unintegrated minority groups
4. Improvement of community life	Community centres, social centres Social group organization Promotion of community betterment action ( <i>acción cívica</i> ) for the establishment of community parks, playgrounds and other welfare amenities
5. Sustainment of economic growth	Vocational training for physically and socially handicapped persons Employee welfare services (these services are established in industries, commercial enterprises, government and other economic programmes, and may consist of a complex of activities) Education for family income management Aided economic activities for the handicapped such as sheltered shops, work relief, subsidized workshops, etc.
6. Complementation of other organized services	Services within programmes of health, education, nutrition, community development, housing, agrarian reform, colonization, etc., designed to facilitate the action of these services, complement their action and intensify their effect (perhaps a complex of activities similar to those mentioned above under 1, 2, 3, 4 and 5)

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<sup>a</sup>For comparative purposes, there is a detailed description of various types of existing welfare programmes in member countries of the United Nations, in *Family, Child and Youth Welfare Services*, E/CN.5/AC.12/L.4/Con.3, April 1965.

carried out in conjunction with activities characteristic of other organized services within administrative structures established specifically for the latter services, the contribution of social service can easily be obscured and rendered imperceptible. Moreover, the objectives of social service are often formulated in terms of aspirations rather than practical targets for implementation.

By analysing available statements of what social service is supposed to be doing, or is

expected to be doing, there emerges a clear picture of five general objectives directly contributing to national development: 1. the progressive improvement of the conditions of living of people; 2. the development of human resources; 3. the orientation of people to social change and adjustment; 4. the mobilization and creation of community resources for development purposes; and 5. the provision of institutional structures for the functioning of other organized services. Table 3 below shows the relationship among

**Table 3**  
GENERIC OBJECTIVES, SPECIFIC OBJECTIVES AND PROGRAMME ACTIVITIES

<i>Generic objectives</i>	<i>Specific objectives</i>	<i>Activities</i>
1. The progressive improvement of the conditions of living of people	(a) Assist the destitute and dependent to meet basic material needs (earliest and best understood objective)	Food grants to the needy Family allowances Clothing relief Relief to victims of disasters Free transportation Public dormitories Economic housing
	(b) Provide specialized facilities and services	Special diets and drugs to the needy sick Preparation of the ill person and his family to cope with the illness Nurseries for children of sick mothers School supplies and meals to destitute school children Casework and counselling to individuals with personal problems
	(c) Help the unemployed in earning an income	Work placement service Free vocational training and re-training Nurseries for children of working mothers Subsidized workshops
	(d) Provide opportunities for cultural advancement to special groups	Vacation camps Youth camps Playgrounds that are organized and supervised Employee welfare services, etc.
2. The development of human resources	(a) To restore the impaired capacity of individuals	Rehabilitation of the handicapped Training institutions for the delinquent Probation and parole
	(b) To promote better relationships and bring about real adjustment to one's circumstances	Casework to those who have behaviour problems impeding satisfactory adjustments Measures to strengthen the family Welfare services for the migrant Welfare services for the unintegrated indigenous groups
	(c) To motivate people to assume responsibility for development	Casework services Organization of social groups Educative activities for citizenship for new wants, for new values

Table 3 (continued)

<i>Generic objectives</i>	<i>Specific objectives</i>	<i>Activities</i>
	(d) To promote wholesome use of free time	Organization of social groups Youth training camps Special skills courses Community activities such as volunteer service, etc.
3. The orientation of people to change and adjustment	(a) To create awareness of the necessity for change	Casework services with individuals Groupwork activities with clubs, etc. Community assemblies Demonstrations
	(b) To assist people to adjust to new ways of living	Casework and groupwork services within housing programmes, co-operatives, rural development
	(c) To form public opinion in favour of development and assist in decision-making	Organization and conduct of discussion groups that lead to the expression of ideas, the crystallization of wants and their overt expression in the form of demands Information and interpretation of needs and resources to clients, leader groups and general public "Self-Help" and mutual aid activities
	(d) To introduce practical aids in social setting of deprivation and want	Facilities and services to low-income employees (meals, vacations, medical care)
4. The mobilization of community resources	(a) To bring available resources to the attention of the uninformed and to help them use these resources	Placement services (for institutions, adoption, employment, foster homes, etc.) Orientation and information
	(b) To obtain for the needy some essential services	Co-operative relationships with organized services such as health, education, housing, as well as public utilities, sources of work, etc.
	(c) To stimulate the creation of welfare amenities for communities	Action for the promotion of social legislation Pioneering work in the creation of new community services such as public laundries, sanitary facilities, playground parks for families, etc.
	(d) To provide means for social participation	Organization of volunteer services in different community programmes Community welfare centres Community assemblies
5. The provision of institutional structures for other services	(a) To raise level of child care in terms of nutrition, health, education	Feeding centres Nurseries and other day care centres Community centres
	(b) To make other services more effective	Counselling Provision for special needs occasioned by other services Formal education, health and nutrition education, vocational training, etc., within social service institutions
	(c) To strengthen the family and increase its capacity to discharge its role and complement organized public services	Family welfare services Casework services Family planning Family counselling Social group organization Job placement

generic objectives, specific objectives and activities of social service. Since the table is only illustrative, the lists of specific objectives and activities do not cover the entire field.

(b) *Methods*

It is taken for granted that the principal methods used in social service are those attributed to social work: that is social casework, social groupwork and community organization. Other techniques such as social welfare administration and social research have essential auxiliary roles, but affect only indirectly the services to individuals, groups and communities. Social service also uses borrowed techniques which constitute the main tools of other services such as education, just as these services also use to some extent social work methods. The basic and auxiliary methods are taught in schools of social work and applied after a fashion throughout the region.

Social work from its beginning focused upon services to the individual; from this were evolved the techniques that are now known as "social casework" on which the greater part of social work in Latin America relies in principle. However, in view of the unrealistically heavy caseloads (all social workers assumed to be doing casework who were interviewed reported at least 150 cases), and to some extent as a result of a weak background in the social sciences, social casework techniques are applied rarely outside highly specialized clinics for disturbed children (in programmes for the treatment of juvenile delinquents and in neuropsychiatric wards of hospitals). What is labelled social casework elsewhere is often only information-giving, instruction-dispensing, helping people cope with administrative procedures, referral and liaison, and other types of "aide" services, that become ends in themselves rather than means. When applied, casework techniques enable the individual to recognize his legitimate needs, to appreciate the various alternatives available to him, to select one or several from among the alternatives, and to perform definite actions that will satisfy his needs.

Younger groups of social workers who want to promote rapid social change tend to reject social casework as slow and expensive, inappropriate in working with masses. Notwithstanding, the techniques of casework are used in the identification, recruitment, motivation and commitment of citizen leaders who fill an essential role in any group or community activity. Because individuals and groups react more to models of human behaviour than to any other communication media, and because the direct

contact between individuals and primary groups is more effective in influencing attitudes and behaviour than the indirect methods, local leaders are important channels for reaching the masses.

Development requires technological adaptation which is made possible only by certain attitudes, values and ways of life conducive to technological change. Before any community can become committed to development, people as individuals and as social groups must acquire those attitudes, those values and that way of life. The process of change must always start with the individual as a member of a group and at times as a potential leader of a group. It is in drawing that individual to the cause of development that the application of the techniques of casework becomes especially relevant to the change process. Formal education also influences the individual but many individuals as well as potential local leaders are outside and beyond its influence.

The current appeal of the social work methods called social groupwork and community organization emanates from their multiplier effects. As the kind and magnitude of handicapping situations multiply in the course of Latin America's evolution, so also does the demand for social service expand. In recent years, there has been a conscious effort to extend and improve training facilities in social groupwork and community organization. Social groupwork method, in theory, presupposes the existence of group objectives and uses group inter-action as a means of developing the capacities of the members of the group as well as the group itself. In its present practical application in Latin America, it is often no more than mass orientation.<sup>18</sup> The social structural bases for community life, for co-operative action and for national development are social organizations, particularly local organizations. Techniques of social groupwork have application in the creation of social organizations, in assisting them to formulate group objectives that harmonize with those of national development and to provide channels for the maximum utilization of the latent capacities of each member for the common welfare. Social groupwork goes beyond the period of organization into the growth processes of the group, promoting at every step democratic relationships and dynamic interaction. Such techniques in

<sup>18</sup> An interesting apparent exception to this general statement is a recreation programme described by Natalie Kisnerman in *Hoy en Servicio Social*, Buenos Aires, Vol. 1, January, 1965, "Una experiencia con un grupo recreativo", in which the groupwork method was used as a means of provoking changes in individual and group attitudes and of promoting relationships that tend to group cohesiveness.

Latin America should find an important role in national development efforts through social groups that are identified with the process of change, such as mothers' clubs, youth associations, parents' organizations, professional and other interest groups.

Community organization as a method relies on the bringing together of the different groups and classes in a community for the achievement of common goals. Community programmes, community development for example, commonly presuppose the existence of organized communities that will lend themselves to further strengthening or "development". In Latin America, this is not the case. For community development and other such programmes to be effective, communities must be created and organized. While present application of social service techniques of community organization in the region is limited to the neighbourhood level, their potential in creating communities, in organizing them into cohesive and articulate entities and mobilizing them for active participation in all kinds of developmental efforts is vast. For example, in Ecuador, social service within the *Acción Andina*, whose objective is to integrate into national life the Andean Indians, has successfully used the community organization method to gain acceptance for the other technical services such as health, education, etc. that form part of the *Acción* and to get the people to participate gradually and by stages in all kinds of community activities. In new neighbourhoods and in extensive low-cost housing settlements, community organization techniques can be used to create community solidarity and a functional organization for community life that can be linked to development objectives.

The three basic methods of social work—social casework, social groupwork and community organization—have an internal unity and can be applied in Latin America singly or in combination with each other during any stage of the development process, at the level of the individual or the group or the community, for individual, for group or for community betterment. Their techniques can be used in working with all elements of the population—children, youth and adult alike; with those who "have" to make them willing to share and with those who "do not have" to help them to receive constructively. They are techniques that can be

applied to create a genuine social participation in efforts conducive to common welfare.

The concepts underlying these methods of social work are universal. However, to apply them effectively they must be interpreted in the light of the value structure, the ideological system, the political organization and the religious and other beliefs of the people. This kind of adaptation of the imported techniques is only at its initial stage (there is a beginning in Colombia as well as in Brazil). There should be accumulating throughout the region a great deal of empirical evidence concerning the problem of adaptation but documentation of experiences is almost absent and whatever recording is done is too sketchy and inaccurate to serve as working materials for systematic study. Another deterrent factor to a more scientific analysis of the methods of social work in the region is the tendency to "bandwagon hitching". The "news" value of popular movements commonly known as community development has, in extreme cases, resulted in claims concerning the application of the community organization method even in individually oriented activities and settings such as the pediatric ward of a hospital or an institution for physically incapacitated children. The "spectacular" element diverts attention from serious analysis.

The other techniques applied to social service programmes are more properly classified as "staff" techniques related to organization and management of social service agencies (social administration) and social research applied to social work. Social administration has limited application and this situation will continue until trained social work personnel are utilized on the management level of programme planning and implementation, which is not yet the case in the region. While there are a few programmes under the executive direction of social workers, these are rare and are exceptions rather than the rule.<sup>19</sup> The application of social research as a technique in social service is barely started. The weakness of the social research component may account for the failure to plan the expansion of social service activities in relation to the changing needs of the societies.

<sup>19</sup> Heads of schools of social work are in the majority social workers; however, in some instances, physicians and other professionals are heads of such schools.



## Part II

### THE FUNCTIONING OF SOCIAL SERVICE<sup>20</sup>

Social service as an organized activity outside the family received its first legal basis in Latin America in the Laws of the Indies originally promulgated between 1500 and 1542 as the framework for governing Spain's colonies in the Americas. The law encouraged the organization of charitable institutions for the poor, the first such institution being a hospital established in Mexico in 1521. The law also contained some provisions that may be considered the precursors of social policy for the protection of the mother who works for wages and the regulation of female and child labour.

During the nineteenth century, a relatively extensive range of activities classified as "social assistance" (*asistencia social*) began to be organized by private initiative. This was also a period of partial secularization of welfare institutions already established under the auspices of the Catholic Church and religious communities. These institutions included hospitals, schools, institutions for the aged and infirm, orphaned, abandoned and neglected children, the physically handicapped and the mentally deficient. Besides shelter and protection, these institutions also provided educational, nutrition, health and recreation services.

The concept of an activity outside the family to relieve the distress and suffering of the poorer, the weaker, the handicapped and the underprivileged classes, served as the foundation upon which social service today is organized. The first decades of the twentieth century brought in from Europe, particularly France, Belgium and Germany, and after the Second World War from the United States, influences that bear strongly on the content of social service in the region today. The legislative provisions and philosophic basis belong to the European heritage, whereas the organization is strongly influenced by United States institutions. Social service has helped in the creation of a consciousness of the need for protective laws. Public social service programmes and some of the voluntary ones have bases in law. These laws, however, are often unsupported by adequate and stable means to carry them out, and sometimes the provisions themselves are so cumbersome as to render programme operation ineffectual. Examples are the many and detailed regulations on

eligibility, beneficiaries, etc., which seem to conspire in making programmes legalistic and procedural. For this reason, social service, that has a "helping" image in the public mind, is often accused by its clientele of betraying this image through rigid and "unfeeling" proceduralism on the part of the personnel.

People concerned with social service are generally agreed that social service personnel should be trained. Many laws creating social service programmes specify that "professional social work methods" should be applied and that "graduate" social workers should be employed. In some countries, the social service profession is given recognition and protection by law. In other countries it is a career that is struggling very hard for professional status, and in some, it remains a "vocational" and an auxiliary service. In the latter situation, although training is considered desirable, "goodwill" and the desire and ability to "do good" for the unfortunate and less endowed is also an acceptable qualification.

The pioneers of social service have invariably come from the upper social class, trained in West European countries, particularly France and Belgium, to some extent Spain, and the United States. These few had the responsibility of establishing schools of social work and programmes of social service, assisted sometimes by European and United States technical advisers. The Latin American country that wielded the strongest influence in social work education is Chile; it is also the country which has the longest history of formal training in the field. The content of curricula as well as programmes reflect West European orientation with recent superimposition of North American conceptions and methods. For the most part, the leaders of social service in the countries have influence in society and exert strong personal and to a lesser and more recent extent, political pressures in the national leadership. With rare exceptions, their faith lies in the value of the various activities for the individual, in the traditional concern for "helping" as "doing" and the classical interpretation of "service" with its spiritual and religious connotations. In recent years, with the rapid expansion of local training institutions, these schools have become accessible to youth from the lower middle strata who are motivated not only by their interest to participate in the advancement of welfare but who also see, consciously or unconsciously, entrance into the field

<sup>20</sup> *Organización y Administración de Servicios Sociales*, ESAPAC, Costa Rica, May 1960, gives a comprehensive description of the functioning of social service in Central America.

as a means for social mobility.<sup>21</sup> This group is impatient for change, an impatience intensified by recent trends of incorporating schools of social work into universities, thus exposing faculty and student body to the restlessness that characterizes Latin American university groups. Currently, two forces interact with each other, one tending to hold social service to the beaten track and the other tending to push it towards new frontiers.

### 1. *Patterns of organization and administration*

The lists of social problems and programmes above suggest the great variety, complexity and changing nature of social service. The patterns of organization and administration are several, modified to greater or lesser degree by the nature of the problems, cultural and religious differences, the availability of economic resources and general character of the administrative system. These patterns can best be understood through a consideration of the relationships between national and local levels of administration, between public and voluntary sectors, among social service programmes and between social service and other forms of social action.

The most general characteristic is the extensive use of existing administrative structures of a social character which serve as the organizational setting for social service. There are any number of combinations. The setting may be a ministry of health and social assistance or of labour and social security, or of education and social welfare, or of interior and social assistance or of justice and social service and so on. Within such structures, social service may be a bureau (*dirección*), a division (*departamento*) or a section, or it may consist of specific activities scattered in various specialized and functional units of administration, in which case they are designed to meet specific needs related to the function of the specialized structure. It may also consist of a combination of such administrative arrangements.<sup>22</sup>

<sup>21</sup> With very few exceptions, professional social workers and social work students in Latin America are women. This predominance in social work is probably more overwhelming in Latin America than in any other region. In Chile, there is only one male graduate social worker compared to over 2,000 female graduates. In 30 schools in Argentina there is not one male in the total enrolment of about 400. Of the approximately 4,500 social workers in the country, there is not a single male.

<sup>22</sup> In Chile, there is a *Dirección General de Asistencia Social* within the Ministry of Interior and Social Assistance but there is also a *Sección de Servicio Social* within the *Servicio Nacional de Salud*, social service programmes within the Ministry of Justice, the *Corporación de Vivienda*, etc.; in Ecuador, there is a *Dirección Nacional de Bienestar Social* under the

Although there are social services under functional government ministries, there are also autonomous bodies, self-contained boards or commissions exercising a degree of financial and operational independence within the administrative system.<sup>23</sup> Autonomous bodies are offshoots of the general tendency to use *ad hoc* groups to meet every newly recognized need. They are also half-way attempts at co-ordination without offending already existing administrative structures by curtailing their responsibility over certain areas of action. Because earlier social service programmes related to specialized functions (delinquency within justice or rehabilitation of the physically handicapped within health, etc.) are already located in corresponding administrative structures, the services that usually grow around autonomous bodies are those relating to more recently organized programmes for family and community welfare. In almost all the countries of the region there had been established, under the influence of the Interamerican Institute for the Child, an autonomous body for the protection of the minor. Such bodies (*Consejo del Niño*, *Comisión de Defensa Social Promenor*, etc.) are expected to co-ordinate as well as administer programmes for children. The degree of co-ordination thus achieved is relative and uneven. The charters of such bodies carry provisions for integrative functions in relation to public and voluntary programmes although such provisions are seldom implemented for lack of personnel and as a result of cumbersome and inoperable provisions. Autonomous bodies have the advantage of comparative freedom from the rigidities of bureaucracy but on the other hand are more vulnerable to the incursions of self-seeking personalities.

The administration of social service manifests the same general characteristics of a highly centralized top-heavy bureaucracy that have been described in relation to other parts of the public sector in Latin America; failure to delegate; heavy emphasis on written regulations, rules and precedents; complexity of paper work; mazes of administrative communication; and personnel relations relying on strict protocol and arbitrary authority from top to bottom.

Despite this "centralization", there is no real unification of standards of service. Each institution, programme and unit functions with the minimum of communication and while there may be some written regulations and procedures,

Ministry of Labour and Social Security; in Argentina, there are social service units in the ministries of health, education, justice, labour and autonomous bodies as well; etc.

<sup>23</sup> The *Junta Nacional de Bienestar Social* of Honduras is an example.

implementation is on the basis of personal relationships. The very rigidity and complexity of administrative procedures and personnel policies contribute to this "compartmentalization". It prohibits free communication, mobility and favours the formation of "cliques".

The frequent and radical changes in general administrative orientation resulting from political changes are likely to nullify what might have taken years to build.

It is not unusual to encounter a series of administrative "principalities", some of them with no staff other than a "chief". This kind of administration poses difficulties for co-ordinating and makes real integration impossible. As a result, social service is dispersed in many small-scale actions in different units under several ministries and autonomous bodies. Seldom are there inter-agency co-ordinating or consultative bodies and if they exist, rarely do they really function as such. For this reason, social service lacks the comprehensive coverage of a defined sphere of activity that is taken for granted in certain other sectors of social policy.

(a) *The national and local levels of administration*

Four countries of the region (Argentina, Brazil, Mexico and Venezuela) have federal systems. In all four countries, social service provisions are the responsibility of the state government, the extent of central government participation being limited to grants of aid and formulation of national policy. In the other countries the national government is directly responsible.

There is a high degree of administrative centralization. In developing countries, centralization is often a necessary expedient arising from the scarce supply of top skills, the dearth of local leaders, the absence or undeveloped state of local government and the consequent lack of local authority for the administration of public funds. While theoretically most programmes are national in scope, in practice, coverage is restricted to cities and "pilot" areas.

Where there are local programmes in operation, their direction and supervision is a direct responsibility of the national authority.<sup>24</sup> Local citizen boards may be organized but are only advisory and in many instances their existence is only nominal. The local authority has no participation in decision-making nor in programme development. Personnel is recruited and con-

<sup>24</sup> "National" is used here, unless otherwise stated, to mean the central government in the unitary system or the state (provincial) government in the federal system.

trolled from the national office affording little leeway for local idiosyncracies.

The financing of public social service is a national responsibility. The cost is usually met from appropriations in the national budget. But since most social service programmes are part of other areas of policy, seldom is there a direct allocation to social service. For this reason, it is impossible to arrive at an accurate figure as to the actual cost of supporting social service. The availability of funds from institutional allocations is unstable, largely dependent on the interest of the general administrator or the weight of the pressures that bear on that authority. Social service may also be fully or partially supported from proceeds of public lotteries, from special levies (luxury taxes and taxes on non-essential consumption items such as liquors, soft drinks, movies, or even on sugar, etc.), donations and confiscations (unclaimed imports, contraband, etc.) and incomes from institutional properties.<sup>25</sup> These sources are fluctuating and resistant to rational programming, constituting one of the serious drawbacks to the formulation of more comprehensive and responsive programmes and providing one of the best props for bureaucratic administration.

Initiative for legislation emanates from the national level, sometimes from sources unrelated to the administration of social service. In federal systems, the state or provincial governments also enact laws independent of, or complementary to, federal laws. All countries of the region have formidable bodies of social legislation but these laws are not fully enforced for lack of implementing funds, of administrative machinery, and of personnel. The Instituto Interamericano del Niño which has made the only known exhaustive study of an area of social legislation, that relating to children, concludes that there is much overlapping as well as gaps and recommends systematic codification.<sup>26</sup> The practice of basing legislation on imported models whose practicability under local conditions have not been tested is, of course, not limited to social service.

(b) *The role of the public and voluntary sectors*

The voluntary sector had always been active in the field of social service. It still constitutes a strong force in the creation of services and in the formulation of public opinion in support of social service. Many programmes are administered by voluntary groups throughout the region.

<sup>25</sup> Many of the secularized welfare institutions have incomes from properties transferred from Church to State during the period of secularization.

<sup>26</sup> *Situación de la Legislación Relativa a la Minoridad en América Latina*, Dr. Rafael Sajón and José Achard, IIN, 1965.

Such programmes are largely local, serving a limited geographical area and independent of similar programmes elsewhere. In this sense, such programmes are answers to local needs and spring from local initiative.

The earliest form of voluntary action in social service is in the provision of institutional care to dependent children and adults. Other areas of voluntary action are special services for handicapped children, economic grants to the destitute, welfare services for the family and recreational and cultural facilities and opportunities to the youth. Recently activities in family planning and in the organization of community living have gained importance. There are few voluntary organizations of formally national scope and the few that exist limit the coverage of their programmes to selected localities. The organizational structure of voluntary action may be formal or informal; in the small scale and specialized activities, there may be no formal organization. At the other extreme, the functions may be multiple and the organization correspondingly formal, with legal personality and probably discharging in addition certain functions delegated by some government agency.<sup>27</sup>

While much voluntary action is supported from private contributions and incomes from institutional properties, government subsidies constitute an important component. In some cases, government subsidy provides full support. A common complaint of voluntary institutions is the relative inflexibility of government subsidies, remaining the same year after year, unrelated to needs and purposes. On the other hand, programme review and budget analysis do not exist and therefore the institutions do not account for public funds received. Except in rare exceptions, there is no government machinery for licensing, regulation and standard setting for the voluntary sector. In some of the countries there are councils of voluntary organizations to which the government sends a representative whose influence is entirely personal and varies according to his social and professional prestige. Such councils have not yet attained the roles of co-ordinating, joint-planning and standard-setting bodies. Other countries have stronger bodies representing public as well as voluntary institutions. Argentina for example, has a National Social Aid Council with governmental status to which some 8,250 welfare institutions are accredited, a large number of them voluntary.

The process of creating new services in the public sector is slow and complicated. The regu-

<sup>27</sup> In Brazil for example, some state government programmes "board" out children under government custody to voluntary institutions.

latory provisions of laws once enacted prohibit any kind of experimentation. The voluntary sector, being comparatively free from such fetters, has the important role of pioneering in the creation of new services and in experimentation with new methods of work and organizational structures. In the latter role, its contribution has been limited for lack of specialized and "development oriented" personnel and leadership. Voluntary action has been especially useful in the establishment and operation of specialized services such as the care of crippled children or chronically ill people, promotion of family planning and others that do not find full and immediate government support because of the small size of the group to which a certain programme is directed or because the service is considered controversial and cannot count on the support of majority public opinion.

#### (c) *Co-ordination and co-operation*

The indispensability of co-ordination and co-operation among programmes of social service and between social service and other fields of action have been implied in the above pages. The programmes today are isolated and the activities within programmes are individualistic.<sup>28</sup> The barriers spring from the absence of a unified approach and from the importance of personal relationships in the organization and administration of programmes. There is also a lack of agreement on common goals or of a feeling of interdependence; without these there can be no compelling motivation to co-ordinate and co-operate. Some degree of co-ordination is being achieved within broad programmes, between the component social service and the other specializations partly because of the complementary relationships that exist.<sup>29</sup> The channels are far from adequate. The various co-ordinating bodies already mentioned are recent. Their main contribution up to the present is sponsorship of periodic meetings for the discussion of common problems and the exchange of information.

#### (d) *Programme evaluation*

Programme evaluation is now routine in modern administration. Evaluation takes several forms. It may be a continuous process of programme review and assessment or it may be an aspect of supervision. It may be a periodic re-

<sup>28</sup> For example, a child welfare programme in a Ministry of Health might have no communication with a similar programme in a Ministry of Justice, and one in a capital city with another in a provincial city. The only constant channel of communication is the professional association of social workers, if such exists.

<sup>29</sup> As in the cases of social service and maternal health within health centres, or physical plant administration and social service within housing projects, etc.

view by staff or by independent programme evaluators. The preparation of annual budgets and other periodic reports are forms of evaluation. In whatever form, programme evaluation is not a standard practice in Latin America. The preparation of reports is sporadic and in compliance with specific requests. Supervision is not yet a developed skill and although theoretically it is recognized as an educational and administrative tool, in practice it does not amount to much more than routine inspection and physical accounting. Budget preparation is the task of people who have nothing to do with the implementation of programmes and therefore do not have the instruments for evaluation. The lack of objective criteria for programme evaluations is general and to it may be traced the undue importance attached to subjective factors of administration.

There are some models that can be used in evaluating administrative structures and procedures but not for measuring programme content and impact. The formulation of criteria for the latter purpose presents a difficult task for the region because of the fragmentation of programmes, the deficiency of research on the nature of programme determinants, the scarcity of qualified personnel to conduct evaluation and the absence of an evaluation machinery.

#### (e) *Social participation*

"Participation" is becoming common usage and common belief in Latin America. It is expressed in different terms: popular participation, popular action, popular co-operation, etc.; sometimes it is understood as community development (the partnership of people and government for bringing about improvements in living conditions), and sometimes as the institutionalization of the platform of the political party in power.

In social service, participation takes the somewhat different meaning of a sharing of responsibility with regard to the content and support of an organized service between individuals and groups called "clienteles", the local community, organized interest groups, and the government authorities. "Social participation" implies a search for procedures insuring that a needed service is rendered in a manner that guarantees the dignity and self-respect of the individual, the group and the local community and permits the growth of capacity to weigh alternatives, reach decisions and initiate and maintain action. "Paternalism", a real deterrent to social participation, is often attached as a label to "helping" services. It is one of the challenges to social service in Latin America whether it can, in societies of relatively rigid class and cultural barriers, apply basic principles concerning the

inherent value of the individual irrespective of the handicaps that his environment might have imposed on him; whether the needy can be accepted in terms of their culture and their circumstances instead of on the basis of the standards of an outside group; and whether the "help" is to "enable" and not to "disable".

Ideally, the "client" (individual or group) should be able to understand and make responsible use of the organized services; the community should be able to make coherent demands for such services and help in their organization; the public in general through its organizations, the Press, political channels, etc. should provide both support and informed criticism of their functioning. Through mothers' clubs, juvenile groups, neighbourhood councils, direct contact with individuals and "educative" activities designed to change attitudes and ways of doing, the first kind of participation is taking shape to some degree in the region. Organized groups for self help and mutual aid, whether for earning a living or procuring shelter or land or to meet some other need, are growing steadily and are beginning to "participate" in the second sense in social service activity. As to the third aspect of social participation, citizen committees are common, and in most countries volunteer services exist. Nevertheless, the potential is far from being tapped to the maximum. The general public remains passive, leaving the responsibility to a small part of the population motivated by personal, social or professional interest. Deliberate efforts to expand and organize volunteer services are being made at the national and regional levels.<sup>30</sup>

#### 2. *Social service personnel*

There is a misconception that professional social workers are the only personnel needed in social service. The objectives of social service programmes require a variety of the "helping" specializations as well as many kinds of administrative staff and aides, especially in the care of young children and infirm aged. A great many volunteers are also utilized in varying degrees.

Social service personnel may be classified into three categories: (a) the professional, which comprises personnel with formal training in social work and other disciplines; (b) the non-professional specialized service personnel including volunteers; and (c) the administrative and general service personnel. The professional cate-

<sup>30</sup> During the year 1965, the USAID conducted a series of training courses for volunteers; the International Secretariat for Volunteer Service had a regional conference in Argentina, and courses for volunteers are being conducted in Chile, Colombia, Peru, Brazil and other countries under government and voluntary auspices.

gory includes, among others, the full-fledged professional social and the sub-professional level, which is gaining favour and which is called in some countries "technician in social service", in others "auxiliary in social service" and in still others by three of four different names.

(a) *The professional social worker*

In general, the term "professional" social worker refers to one who has completed an approved curriculum of training in an educational institution for that purpose. There are also many who claim a professional status based on work experience, short orientation courses, on-the-job training and on social prestige. The social work profession has great emotional appeal as a result of which it is often exploited for personal aggrandizement. Thus, society personalities and candidates for elective positions alike lay claims to the status of "social worker". The social work profession is increasingly popular despite resistance to its acceptance on equal footing with the older and more established professions. There is no country in the region where a trained social worker is out of employment because of lack of job opportunities. The demand is always beyond the limits of supply. In Argentina, it is claimed that about 80 per cent of the 4,500 graduate social workers are employed. The remaining 20 per cent who are not working are not seeking work because of family responsibilities. Chile, with about 2,500 professionals, also reports a very high percentage of employment. A majority of the 217 professionals of Uruguay hold more than one job. Applications for admission to schools of social work with rare exceptions outnumber the capacity of the schools by two to one, in some cases by four to one. The National Social Service School of Peru, for example, reported that at the start of the school year 1964, there were over 500 applicants for only 50 vacancies.

Throughout the region, there is a strong movement towards professionalization and the definition of status by law. In some of the countries, the professional organization has legal personality and the qualifications, responsibilities and privileges of the professional are defined.<sup>31</sup> The regulation of social work as a profession may be accused as clannishness which would not be without basis. However, the valid purpose is to ascertain the competence of the social worker, to establish uniform standards of practice, to provide leadership, and to ensure mobility to the professional within the country.

<sup>31</sup> Chile's Colegio de Asistentes Sociales is an example of a highly developed professional organization with legal personality and protection similar to a trade union.

The functions proper to social workers are to assist and to stimulate individuals, groups and communities towards innovation, adaptation and qualifications for life in society. They perform these by helping to prevent the loss of capacity, to restore lost capacity and to rehabilitate impaired capacity. These functions are constant. What vary are the activities which are the overt manifestations of these functions. The activities of the social worker are specific to the purpose, coverage and institutional structure of the programme, the users of the service and the social environment. The activities may differ from one social worker to another and from one period to the next. As was stated above in relation to the generic objectives of social service, the activities are often stated as if they were the essential functions.

(b) *The training of social work professionals*

Professional training in Latin America started during the second decade of this century with the establishment of the first school in Chile. Since then the increases in the number of schools of social work has not been matched by any other profession. Argentina and Brazil have 30 and 36 schools respectively. Only a few of the smaller countries have one school. Paraguay with barely 2 million people has two and Uruguay with 1.8 million people has three. In Chile, according to the Instituto de Investigaciones Estadísticas de la Universidad de Chile, social work accounts for 3.3 per cent of all university enrolments, compared to engineering (9.2 per cent), law (8.7 per cent), medicine (6 per cent), economics-administration-commerce (6 per cent), architecture (3.1 per cent), political science (2.3 per cent), agriculture (2.2 per cent), sociology (0.6 per cent), etc.

Most of the schools are autonomous, some are dependencies of functional ministries, while others are affiliated to or are integral parts of universities. The school that is not plagued by financial problems is an exception. The direction is usually vested in a professional social worker although there are exceptions. University schools as a rule have more liberal curricula and more competitively selected faculty in conformity with general university requirements. In all instances, there is a very high dependence on part-time faculty. In extreme cases, there can be more than 30 faculty members, each giving one or two courses and having contact with the school only for the duration of the class period. While this system makes available the services of top-level practising professionals, it deprives the school of steady and dedicated leadership and the students of continuing guidance from the faculty.

Prevailing curricula vary in relation to the intensiveness and unity of the social work and social science content. There is a tendency to overload the curriculum with too many isolated courses with consequent inability to impart an integral view. Currently, there is a pronounced trend to bring curriculum structure closer to that of United States schools with emphasis on methods of social work and of basic social sciences. Nevertheless, the traditional "skills" content (paediatrics, first aid, etc.) is still retained to a large extent so that curriculum revision has resulted so far in lengthening the duration of the period of study and in further increasing the number and diversity of courses.

Although curriculum structures are similar from school to school such similarity does not imply uniform standards of instruction. In the first place, faculty for social work courses are not trained in the techniques of teaching. Often they are themselves recent graduates only beginning to acquire work experience. In addition, they are products of basically ineffective teaching systems and with rare exceptions, do not have breadth of perspective. The teachers of the social science courses usually have no conceptual orientation to social work and therefore teach social sciences as they would to students preparing for careers in those disciplines.

Social work teaching is based on knowledge and methods developed in other settings. Teaching material consists largely of translations of foreign social work literature. So far there has not been any systematic effort to adapt such texts to regional needs, to develop original conceptual formulations, or to identify the mainsprings of a truly Latin American social work philosophy. These are essentials of any profession.

Weaknesses that social work education shares with most other professional training in the region includes emphasis on information and memorization instead of the fostering of an ability to generalize from experience and to particularize from principle, and emphasis on theory as theory instead of on skill in applying theory to practice.

Another persistent problem area in social work education is supervised field work, by which the student learns to apply to practical situations the concepts learned in the classroom. This aspect of social work training distinguishes it from other disciplines in which classroom instruction is considered sufficient. Such field work is carried out in existing social service programmes. The training capacity of organized social service programmes is limited because few of them are staffed with personnel with ability to train. Their

unquestionable value lies in their liaison role between the school of social work and the community and in the introduction of the student to the real world of work he will face after leaving the classroom.

Social work training has until recently been preoccupied with the formation of direct service personnel. The number of competent personnel for higher level functions is small and their preparation is only accidental. There is an extreme scarcity of methods specialists for consultant positions, teachers, executives, planners and researchers. Some schools have started basic and postgraduate courses in administration, supervision and social work methodology for graduates at the professional level with a minimum number of years of work experience. The dependence on teachers who do not have adequate preparation, however, detracts very much from the value of these courses. In addition to training within the countries, international and regional training opportunities are made use of in a limited way. Both have high prestige value and both have stimulating effects on profession and programmes. They also introduce problems of adaptation for the professional returning to work in his country after training abroad.

#### (c) *The training of sub-professional personnel*

At present, the main stimulus for the training of sub-professional personnel who can function as "multipliers" for the professional worker, comes from rural development programmes that have been unable to recruit more than a few professionals. Social work professionals are not all agreed as to the need to train sub-professional personnel. Resistance arises from two aspects of professional insecurity: first, the differentiation between the training of the professional and the sub-professional is only slight and this arouses fear that eventually, the latter would supplant the former. Second, in the programmes, the delineation between functions and statuses of the two levels of personnel are vague. Notwithstanding, practical experience with the sub-professional worker in some countries, although limited, has been quite satisfying. Experimentation is still in progress as regards the appropriate content and duration of training courses at this level.

#### (d) *The training of non-professional personnel*

Historically, social service has always used volunteer service. This still constitutes an important although unreliable resource in programme implementation. At the beginning, anyone who had goodwill and time to spare could

do volunteer work. The most common use of volunteer service is in activities needing the support of social prestige such as fund-raising, collection of donations in kind and promotional work. Volunteers are also used for activities that do not require special skill or continuity of application such as temporary care of children, reading to the confined, supervision of recreation, preparation and distribution of supplies, etc. The training of volunteers has been spearheaded by the private sector through courses in leadership. Although it is generally agreed that leadership training is useful as preparation for public participation in community programmes, there is a danger that the current tendency towards mass training courses to professionalize leadership will produce too many who want to direct and leave only a few who feel humble enough to perform the needed community work. This in itself would hinder participation in community improvement efforts. Leadership and special skills training for volunteers should balance each other.

An obstacle to effective implementation of programmes is the total absence until recently of training facilities in specializations for non-professional service personnel. Training courses for personnel in child care institutions and day care centres and in institutions for juvenile delinquents, most of which were supported by UNICEF funds, have been conducted with satisfactory results. The next step would be to explore training possibilities other than *ad hoc* arrangements and to expand such facilities to include personnel for recreational and use-of-leisure-time programmes and for specialized services for severely retarded and handicapped persons.

### 3. *Social service within other institutional settings*

Social service activities often exist within other institutional settings as a unified functional and administrative division or as an integral part of other administrative units. In Latin America, one may find social service in industrial and commercial enterprises, in programmes of health, education, housing, social security, community and rural development and in public administration, particularly the army, air force, navy, police, ministries and autonomous bodies. The functions assigned to social workers in these settings are combinations of those of social work and of other fields of action. There is also a gap between the alleged functions and the practice due mainly to difficulties in the application of social work techniques to the different activities which social service personnel undertake. An examination of social service within such settings however, indicates that it retains the inherent

generic objectives already described, should make its voice heard in the planning of its contribution in such settings and should not be limited to miscellaneous auxiliary activities.

#### (a) *Social service within industry and commerce*

Most countries of the region have laws, usually as part of a labour code, requiring industrial and commercial establishments with a minimum number of workers to provide "professional" social service (meaning a service staffed by personnel trained in social work) to their employees. Some countries, Brazil for instance, have national councils of industry and commerce to which each enterprise contributes a regular quota depending on the size of its operations, towards the provision of social service. The administration of the service is the responsibility of the national council. In other countries such as Ecuador and Argentina, each enterprise sets up its social services according to its own norms. There are advantages and disadvantages to each system. Where administration is a responsibility of a national council, management is likely to take a disinterested attitude and may fail to provide the necessary resources for effective functioning such as suitable locale, equipment and supporting staff. It may even set up barriers to prevent the workers from using the service. On the other hand, management-established and administered social service arrangements have been suspect to workers and unions as paternalistic "tools" of capital.

The assumption is that a worker can attain a higher level of productivity if his personal, family, work and community relationships are satisfactory, if his family's basic needs for health, education and culture are met to a reasonable degree and if he understands the value of his role within his work organization.

While no evaluation studies have been made so far of the contribution of social service in improving productivity in industrial and commercial enterprises, some managements mention among the benefits derived, improvement in attendance and punctuality, decrease of errors and accidents in work, improved level of productivity, decreased work disputes and more stable loyalty to the enterprise. At the same time, the resources that industry and commerce allocate to social service have permitted a more rational development of programmes than in many governmental or voluntary agencies. Generally, the staff is able, since these enterprises pay better salaries. There is a more permissive atmosphere for experimentation fostered by adequate and sometimes superior facilities.

There is no evidence that social service enters into the initial planning of enterprises. On the



contrary it is usually among the last of the services to be organized. While the activities are almost always directed and supervised by a trained person, administrative responsibility including planning of the services (with few exceptions such as some enterprises in Brazil) is generally vested in a general or labour relations executive.

(b) *Social service within health programmes*

The earliest social service programmes in Latin America were established within the health setting. Thus the greater part of public social service programmes today constitutes a division of health administration and is usually supervised and directed by medical professionals. This pattern of organization is part of the heritage from Western Europe, particularly France, but it also has a historical basis in the Laws of the Indies of colonial times. It should not be surprising therefore that Red Cross first-aid volunteers, nurses and even doctors are often referred to as social workers (*trabajador social* or *visitador social*).

Social service activities are constant components of the service complex in hospitals, sanatoria and health centres. The Servicio Nacional de Salud of Chile, for example, employs at least 50 per cent of all social workers in the country. The function of social service in a health setting is mainly supportive and complementary, intended to render health and medical services more effective and better utilized. On one hand, the aim is to help the sick individual and members of his family understand the nature of the illness and how to cope with the situation. In the process, new needs may crop up, attitudes may change and latent capacity may be released. On the other hand, social service interprets to health personnel the fears, handicaps and aspirations of the individual and his family so that these factors may be taken into account in the course of treatment. It also mobilizes for both patient and health service other resources to help improve the therapeutic relationship.

(c) *Social service and education*

Many countries in the region have social service programmes within their educational systems. The earliest and most widely established of such programmes are at the university level (*bienestar social universitario*) and are responsible for the administration of fellowships, economic grants and loans to financially deserving students, as well as case work and counselling services to students with personal adjustment difficulties.

At the secondary and primary education level, social service is very recent. The beginnings of school social work appear mostly in the operation of school feeding programmes. The use of social service in connexion with the problems of "drop-outs", of irregularity of attendance, of anti-social behaviour and unsatisfactory scholastic performance is still at an initial stage. Its present contribution lies in helping students and parents in meeting minimum needs of food, clothing, school supplies and fees, and in combating other hostile factors in the environment that impede the learning process.

On the other hand, social service programmes use educational methods and include some educational activities in their complex of operations, e.g., primary and vocational training within institutions for children and youth. Other educational activities frequently classified in Latin America as social service rather than as part of the educational system are free and ungraded vocational courses, literacy classes, adult education activities and special classes for mentally retarded and physically handicapped children and adults.

(d) *Social service and housing*

The function of shelter is directly related to other human needs mainly originating from the nature of living in a family. The house is the framework of family life and unless it meets the needs of that life, a house cannot be considered to fulfil its central purpose. This conception of housing has paved the way for the participation of social service in housing programmes.

In practice, the functions of social service in housing may consist of providing empirical data to housing planners and administrators concerning "target" families to be taken into account in planning the lay-outs of housing developments, in the design of the houses and the determination of costs and amortization rates; of defining and applying eligibility requirements in the allocation of houses; of educating families in the use of modern housing, of fomenting neighbourhood and community spirit; and of stimulating the community to create or seek the creation of needed services and opportunities.

In some countries of the region, among them Argentina, Chile and Uruguay, the services of social workers are utilized in organizing "self-help" groups for housing construction as well as for other types of co-operative action in the improvement of housing conditions. The latter include maintenance, repairs, enlargement and beautification of existing houses to meet new needs of the families. These activities are found to be particularly realistic in situations of scarce

public resources to finance new houses and limited or non-existent capacity to pay for a new house on the part of the family.

Social service programmes within housing projects are varied. The most rewarding approach seeks to stimulate community solidarity through social groups integrating all the elements of the community with the subsequent establishment of a community centre from which all services brought into being by such a project can radiate. This approach provides motivation and stimulus to the community to work together for mutual benefit. It is an arrangement which fosters co-operation among technical services and facilities through their provision within the community framework. The activities that can be associated with community centres are numerous. They can even become the starting point of local self-government.

The provision of services in shanty towns and in the older slum areas of cities is minimal in relation to the magnitude of the need. Within the few shanty town eradication programmes (Rio de Janeiro has probably the most extensive of such programmes), existing social service assists in determining the number of people affected through community surveys and in preparing them for the transfer, in providing and mobilizing services to minimize the traumatic effects of change and in helping people to re-establish themselves in new locations and new human groups.

(e) *Social service and community development*

To the present, the demarcation line between community development and social service is not clearly understood particularly because the implementation of "localized" community development projects within social service, educational, housing and other programmes is very much in the hands of social work personnel.

The role of social workers in community development programmes in Latin America has two aspects: (1) the performance of social work functions in an interdisciplinary relationship within the framework of the community development programme; and (2) the application of social work techniques for the achievement of the goals of community development. Both aspects pose important issues for social work theorists and professionals; for example, whether the focus of action in community development should be content or process, and whether the approach should be through the individuals or small groups or the community as a whole.

Among the new movements in Latin America exemplified by "Cooperación Popular" of Peru, "Acción Comunitaria" of Venezuela and "Pro-

moción Popular" in Chile possible elements for a distinction between community development and social service may be identified. Social service calls for the focusing of existing resources, organizations and power structures upon the solution of specific problems. It is carried out within existing formal institutions and its goals are determined by such institutions. Within these limits it helps people to identify problems, to understand what they are and to decide what to do about them. The conceptions of community development that are now evolving assume that solution of the major social problems will involve some sort of reorganization of existing systems and a re-structuration of established relationships based on "grass roots" efforts. The newer national initiatives in Latin America link community development with the national political process. They are revolutionary in the sense that they aspire to involve the public directly as an organized and thinking participant in the development process. Social service leaders face the challenge of finding ways to adopt their techniques of work to the objectives and approaches of such community development initiatives.

(f) *Social service and rural development*

Rural development (including programmes of agrarian reforms, colonization, and rural community development) is the most recent setting for social service. The activities assigned to social service in rural development programmes are directed to and function through groups and communities rather than through individuals. Information campaigns (*divulgaciones*), community centres and leadership training are important techniques. As more technical services become established, some of the initial activities are transferred to more specialized programmes, e.g. to home economics, agricultural extension, health education, nutrition, etc.

In the majority of cases, the over-all administration of rural development programmes is the responsibility of a general administrator whose specialization is almost always another field such as education, sociology, anthropology, economics, or agronomy. The technical direction of social service is generally in the hands of a social worker. Staffing has so far presented one of the most difficult problems. Training oriented to rural social services is very recent and is found in only a few schools of the region (some schools of Ecuador and Brazil). These schools are still in a stage of experimentation as to the content and structure of a rural welfare oriented curriculum. Since in many countries there are more city jobs than trained personnel, only a dedicated few accept positions for rural areas.

The reasons are several: "fear" reactions of urban women (those who have received training in social work are mostly urban women) to rural living, the paucity of opportunities for cultural and professional advancement in rural communities, the inferiority of educational facilities for children and the professional isolation of the rural social worker. In some instances, the worker lives in the city and commutes to the rural area. This practice shortens the actual working hours, but more serious is the non-identification of the worker with the community.

(g) *Social service and social security*

The first and one of the most readily identified activities of social service in the public mind is the meeting of basic needs in times of unemployment, sickness and incapacity, disasters, and other periods of stress. Social security systems today are supposed to stabilize individual and family incomes, thus replacing the "economic" assistance function of social service. However, in the Latin American situation, social security systems do not cover the really needy and this is a very large group.

Actual experience demonstrates, moreover, that social security has not made social service, in the old sense of economic aid, unnecessary for some covered groups. The levels of contributions have often proved to be too high and burdensome for the family, so that the economic advantage for the family of belonging to the system is more apparent than real. Social service within a social security system is an alternative way of using social security resources where benefits are low. More systems are moving in the direction but its desirability is doubtful.

In practice, all social security systems in Latin America provide for their members social service activities of more varied character. The main activities of social service within social security

systems are to assist the system in the determination and control of eligibility to benefits (although this is really an administrative not necessarily a social service activity), to assist the families in taking advantage of available benefits and choosing among alternative uses of the benefits, and to organize for the system and the families additional resources to supplement inadequate benefits. In discharging the first function, social workers interview members or visit them in their homes, helping them to fill out often very complicated forms and guiding them through confusing and complex procedures. In relation to the other functions all the standard social service techniques are brought into play. Most recently, social service within social security is going into community organization activities, mainly the creation of community centres.

(h) *Social service and personnel administration*

Within personnel administration in the army, navy, air force, police, technical ministries (especially those with widely scattered projects requiring deployment of workers far from their families as in the case of public works) and autonomous bodies, social service is frequently provided to the employee and his family. In both private and public settings, it is sometimes criticized as paternalism. Social service in public personnel administration as in private industry is expected to promote work efficiency by helping the worker make a more satisfactory adjustment to his social environment (family and community) and to his work environment (relation with co-workers and superiors). When social service is considered a partial substitute for money earnings, thus depriving the employee of choices in the use of income, it is in itself contrary to the goals of social service. If, on the other hand, it is really an additional benefit, it has an income redistributive function.

### *Part III*

#### THE PLANNING OF SOCIAL SERVICE

Social service was conceived primarily as an expression of goodwill, not as a discipline. The motive was to "do good", at once a source of self-gratification and an expression of kindness to the less fortunate. Subjective factors characterize its growth. The forces behind its evolution from the individual "good deed" to the organized service are strong personal needs for prestige and power and for manifesting philanthropic and religious zeal. The decisions underlying action derived from the humanitarian appeal, the

urgency and the spectacular nature of the needs to be met. The earlier programmes therefore were directed against the readily visible handicaps of the seriously disabled, economically dependent, weak and vulnerable. This also explains the parochialism that still characterizes social service. It follows also that the allocation of resources to programmes depended and still depends to a large extent upon the weakness or strength of the personal factors involved and to a lesser degree on the magnitude of the need and

its vulnerability to action. Within programmes, the distribution of the available resources among the component activities (direct service, administrative overhead and infrastructure) likewise depends upon the personal preferences of the seat of authority.

Interest in over-all planning of social service is recent but clearly in evidence. The statements and declarations made at regional seminars and meetings such as the United Nations-UNICEF sponsored Seminar on the Planning of Social Welfare for Central America held in Costa Rica in May of 1964,<sup>32</sup> those sponsored by the Instituto Interamericano del Niño in Quito, in October of 1964 and in Montevideo in May of 1965, and the 11th Panamerican Congress of Social Service in Lima in November 1965, as well as at national meetings and professional group discussions support the idea of subjecting social service to the discipline of national planning. Up to now, these assertions are only assertions. The stage of systematic investigations and analyses of the problems that need to be resolved before planning of social service can be integrated in national planning is now within view.

(a) *The meaning of planning in social work*

Planning is a word that has always been in the vocabulary of social work. Ideally, when an application for social service is received (whether from an individual, a group or a community), it is determined whether or not the nature of the request falls within the scope of action of the service. If it does, the application is accepted as a "case" and a "planning process" is initiated. This planning process is directed to the solution of a problem or a complex of problems presented by the "case". The stages of this process consist of:

(1) *Prognosis*, which involves the collection of information through direct contact with persons and groups and available records related to the case and the need, concerning the resources that can be made to bear on the problem, and other relevant factors; the analysis of the available data; the formulation of provisional objectives and targets.

(2) *Social diagnosis*, which involves the definition of the problem, a projection of the

<sup>32</sup> Among the recommendations of that seminar appear: "Que dentro de la estructura nacional de planificación, exista una estructura para la planificación del bienestar social, que cuente con profesionales de este campo", and "Que se haga una planificación adecuada de programas de bienestar social conforme a las necesidades y las posibilidades de cada país..." *Planeamiento para el Bienestar Social*, Informe del Seminario Regional sobre Bienestar Social para Centro América y Panamá, Costa Rica, May 1964.

requirements for meeting the problem, the matching of the requirements and the resources available and a lining up of the various possible alternatives for action.

(3) *Decision-making*, which involves the selection or choice of one or more among the alternatives. The active participation of the "case" in the making of the final decision as to the nature of action to be taken is essential. In fact, the decision should be left to the "case", the social worker's responsibility being to enhance the "cases" capacity to make decisions compatible with his welfare.

(4) *Action or treatment*, which is the implementation of the choice that was made. This requires the co-operative action of the "case" and social service. It may also involve other services and the action of other individuals or groups.

(5) *Follow-up evaluation* of the results of the action taken. This follow-up may take place during or after the chosen action has been completed. It is an action in which the "case" must take part actively. It may result in modifications to improve the effectiveness of the plan of action.

An analogous process should take place in the setting up of a programme as well as in the preparation of a calendar of activities for a definite period of time. While the planning process may vary in the sequence of the various stages, the essential elements remain the same. In every instance, a problem must be recognized, the needs and resources assessed and arranged, the alternatives or choices that present themselves must be ordered, a decision must be made and action must be taken. Follow-up is an important stage in the process. This kind of planning may be carried out on one level or on several levels separately, in stages or simultaneously. In principle, it should be the base of all social service action. Generally, it is microcosmic in approach.

Planning in the above sense is part of the content of social work training. It provides the reason for the inclusion in the social work curricula of courses in community surveys, interviews, recording, statistics and other tools of data collection and of the social sciences necessary in social diagnosis.

(b) *Social service in the context of national planning*

Within the context of development planning, experience in relation to social service is nil. In no country in the region is social service now a part of national plans. Some countries attempting comprehensive national planning have

included in their national plans sectors in health, education and housing and more recently and rarely, community development. Mere inclusion in national plans however does not represent real integration into planning, nor is it a guarantee of better functioning.<sup>33</sup> A social service sector in a national plan would render social service more effective only if certain requisities in planning and implementation were met.

Some countries have established planning units in functional departments of public administration.<sup>34</sup> With the exception of one or two countries, even when there is a social service content in the wider programmes, e.g. in health, these activities are not necessarily included in the sectoral programming. In general, the "planning" of social service is autonomous and isolated and often the responsibility of persons who have insufficient understanding of the basic concepts, objectives, techniques and functioning of social service. What has up to now been called planning or programming of social service programmes is more in the nature of directives and administrative decisions made in the upper echelon of the organizational hierarchy. This practice constitutes a barrier to the formulation of planning techniques that would facilitate the integration of social service into national planning. In fact because integration would considerably decrease its value as a source of personal prestige, resistance should be expected even when such integration is overtly endorsed.

The non-inclusion of social service in national development plans has not prevented Latin America from acquiring examples of all kinds of services known to social work. Nevertheless, there are weighty considerations that support the bringing of social service under the umbrella of development planning. Models from more advanced countries excite people to desire and compel governments to provide services that the countries do not need and probably cannot afford. The Charter of the Alliance for Progress endorses the provision of social benefits to the more needy sectors of the population in order to attain an *equalization* of opportunities. Unless social service is viewed as an integral component of development, and unless it is brought within the discipline of national planning, two possibilities present themselves. At one extreme because of dramatically strong appeals and pres-

ures, resources could be diverted to social service to an extent that would hamper investment for rapid economic growth. At the other extreme, resources could be withheld to a degree that would detract from the smooth functioning of existing services and the meeting of the most urgent new needs, with consequent widening of the gap in levels of living between the various sectors of the population and the further incapacitation of people to participate in development, thus defeating its very objectives. If national planning is a process by which the different needs of the population and the resources that can be applied to those needs are ordered, matched and brought to bear upon each other, it is logical that social service, which offers techniques for confronting some of the major national needs, should come within that process of rationalization.

Apart from the problem of formal incorporation of social service into national plans of development, sectoral programming of social service informed by a broad conception of national needs and priorities is necessary. The existent proliferation of social service activities and the consequent seemingly irrational dispersion of already limited resources allocated to social service dilute the impact of such activities and also prevent their measurement and evaluation for purposes of increasing efficiency. The restriction of the planning process in social service to "cases" and its localization within the boundaries of institutions and programmes leads to considerable waste of funds as well as trained human resources. The preceding description of the functioning of social service in the region pictures a situation in which much energy and effort seem expended in processes with poor yields. This is due in part to a tendency to aspire to unattainable ideals instead of applying available capacities for more practical and attainable goals.

### (c) *Some problems of planning social service*

One of the fundamental problems related to the over-all planning of social service originates from two seemingly contradictory requisites. On the one hand, such planning requires a clear understanding of the totality of the social scene. The sum total of the different settings of the "cases" that traditionally are the immediate concern of social service action does not constitute that social scene. To arrive at that "clear understanding", social service must incorporate into its approaches the macrocosmic view, into its methods, those of investigation and analysis, and into its skills, the utilization of the findings of other disciplines, particularly the basic social

<sup>33</sup> Report of the Reunión Técnica sobre la Integración de los Planes Sectoriales de Educación en los Planes Generales de Desarrollo Económico y Social, Pan American Union, Document H.6, 25 January 1965.

<sup>34</sup> The Ministries of Health and Social Welfare of Peru and Paraguay, for example, have such planning units headed by physicians with training in national planning techniques.

sciences. In other words, social service must emerge from "parochialism".

On the other hand, the nature of social service subjects it to a compulsion to arrive at certain practical lines of action in view of the strong demands, the urgency of needs, and its proximity to such needs and demands. Whoever has the responsibility of making decisions within each programme has to face a recurring apparent dilemma between preparation for action through systematic and scientific studies and action that responds immediately to demands. So far, the usual choice has been to attempt practical aid immediately on the basis of what is known, however inadequate. In the long term, these two requisites must be reconciled, although reconciliation can never be easy nor complete. In fact, the need to struggle toward such a reconciliation is one of the basic principles of social work practice that has been only partially absorbed in the region.

Professional social workers of the region strongly favour over-all planning of social service but are handicapped by their lack of opportunities to acquire training or experience in planning techniques. The scientific attitude has not been sufficiently internalized to enable them to develop objective criteria for the determination and measurement of needs, the analysis of requirements, the forecast of benefits and the establishment of priorities. From the standpoint of the economic planner, as expressed in the Regional Seminar on Social Welfare in Central America and Panama, such criteria should be quantitatively and qualitatively defined.<sup>35</sup> Until planning techniques applicable to social service as a whole are formulated, the integration of social service into development planning is hardly conceivable. This task logically belongs to social work professionals in collaboration with specialists in other fields of social policy and with experienced planners. Until a sufficient number of these professionals can free themselves from absorbing and exacting direct services to cases, the principles and the tools for over-all planning in social service will remain an aspiration.

Social service in the region, even in the few instances in which there is supposed to be a programme of national scope, is based on local action designed to meet local needs. Herein lies one of the greatest potential contributions of social service to development—the direct contact with people that places social service personnel in a favoured position to know at first hand their aspirations and their fears, their latent capacities, and the specific approaches that might

<sup>35</sup> *Planeamiento para el bienestar social*, op. cit., pp. 10-12.

enlist their participation in the developmental process.

The great number and diversity of actual and potential demands upon social service in relation to the resources available, present a challenge to planning. The targets of social service action, even when locally based, are ambitious to the extent that they represent the real demands and expectations of people. Moreover, such demands may differ from legislative provisions and official directives and may even be in direct conflict with one another. The pressures of conflicting interests—both from its sources of support and its clientele—tend to make social service oriented to the present in contrast to the orientation of development policy toward future benefits.

The bases of programmes are fragmentary policy provisions scattered in a great bulk of social legislation. These provisions do not form a consolidated framework of guiding principles for action. Such lack of a unified national social policy as a basis for programming, however, is not unique to social service. Various analyses have pointed out the same weakness in social sectors such as education, health and housing which have been formally incorporated into national plans.<sup>36</sup> In the Seminar on the Planning of Social Welfare for Central America and Panama previously mentioned, economists were cited to the effect that there does not exist a true social policy in the region but only a series of governmental directives. According to this source, to formulate a social policy it is necessary to have a diagnosis of the actual situation, a profound knowledge and understanding of its defects (which is parallel to social service concern with social pathology), an agreement on objectives, and a perspective of current tendencies clarifying the disparity between what is desirable and what is feasible and thus permitting an appreciation of the necessary steps to achieve the set objectives. In this same Seminar, administrators of programmes asserted that there are multiple social policies but no instrument to co-ordinate these policies. This same divergence of opinion as to the real existence of "social policies" in the region was observed in the above-mentioned seminars sponsored by the Inter-American Institute for the Child and seems to derive from the varied interpretations of

<sup>36</sup> See, for example, "Some aspects of educational planning in Latin America" by Maximilio Halty Carrere in *Problems and Strategies of Educational Planning. Lessons from Latin America*, International Institute for Educational Planning, UNESCO, Paris, 1964. See also report of the Departamento de Planificación of Colombia to the Interamerican Conference on Children and Youth in National Development, E/LACCY/NR/L.2, p. 4.

“policy”. If one considers that unified social policy should define the value premise for action, a set of objectives, a focus of emphasis, a seat of ultimate responsibility and leadership for the translation of the policy into action and the degree and nature of participation by the public, then in this sense there is no unified and defined social policy in Latin America. There is no clear evidence of decision on the above aspects although there are trends identifiable from the many social provisions that exist. For example, some countries have codes that define the status of and the conditions of protection of minors and of women, while others have laws that place the emphasis on the family. These codes express values on which policy is based. Some countries have legal provisions establishing centralized seats of responsibility, and others define sets of objectives without specifying value premises. Very commonly, a statement of values in a legal code is not accompanied by provisions for its attainment, and administrative specifications for implementation are not matched by provisions for financial support. A general characteristic of the abundant social provisions of the region (many of which remain buried in the statute books) is specificity to defined pathological aspects of society, for example, the destitute dependent child, the low-income worker, the dependent aged, the criminal, the delinquent, etc.<sup>37</sup> There is yet to be formulated a social policy that unifies all these aspects into an integrated basis for social welfare action.

It has been pointed out that there is no definite administrative structure for the planning of social service. Executives of administrative units in which social service is located and those of voluntary programmes take initiatives and make decisions that are based on some sort of analysis of needs, resources and expected results but which are highly coloured by personal and subjective factors. Experiences in technical assistance in social service indicate that decisions related to planning seldom involve professional social service personnel. The justification put forward to explain this phenomenon is the scarcity or total absence of personnel (among the professionals) trained in planning. To sum up, the placing of social service within the framework of development has up to the present been frustrated by: (1) the general absence of a unified social policy on which to base social service planning; (2) the absence of a concept of over-all planning within social service; (3) its traditional local and individual approach to needs and problems; (4) the inadequacies of its

<sup>37</sup> See *Situación de la Legislación Relativa: La Minoridad en América Latina*, Rafael Sajón, José Achard, Instituto Interamericano del Niño, Montevideo, Uruguay.

techniques for planning purposes; and (5) the inadequacies of administration and administrative structures for its planning, including the paucity of planning competence among social service personnel.

(d) *Need-cost-benefit desideratum*

Planning involves an assessment of need, cost and benefit in relation to one other. In social service, this aspect of planning is particularly difficult because to date there is no formula for the quantitative measurement of need, or of benefit related to both need and cost. Need has been measured through the number of people affected but a simple numerical count leaves out the important factor of degree of intensity of deprivation and resulting incapacity, which is highly individual. In the same way, benefit can be quantified if the counting is based on the number of people served or benefited. Again, the degree of satisfaction caused by the benefit is individual and defies ordinary means of measurement.

The problem becomes still more difficult if one seeks the optimum relationship among the three factors. How intense should a need be to justify expenditure and how much benefit would be considered a satisfactory return on a given expenditure? Is the cost of a social service activity solely a consumption expenditure or can it be considered as investment? If it is in part an investment in “human resource development” can the return on such investment be quantified?

Planning implies an assessment and balancing of costs and personnel requirements. In some social service action requirements are modest but the majority require some expenditure on infrastructure, rising levels of costs for continuing operation, and trained personnel. There are many instances when the changing levels of these requirements are not considered in advance, resulting sometimes in elaborate and costly buildings and equipment that lie idle because of lack of funds for operating expenses and lack of personnel. In other instances, the personnel are hired but find they have no facilities nor funds for carrying out their duties. It is important that the different kinds of requirements should be budgeted for and that their provision should be balanced and timed in accordance with their relative roles in the process of implementation. In the case of personnel, this consideration should affect training policy both quantitatively and qualitatively.

Finally, in the planning of social service, it is well to bear in mind that “to apply economic rationality to expenditures on social programmes

cannot be pursued beyond a certain point without running into open contradiction not only with the ways people and nations actually behave but also with their deepest value systems"; that "no people is so poor that it would be prepared to do only the things it can afford according to a utilitarian scheme of priorities"; therefore the "demands of the public should be considered if plans are to respond to real social needs and

to receive popular support and participation"<sup>38</sup> The search must go on for more objective techniques of measuring needs, of defining needy sectors of the population and of relating benefits to costs and needs but such techniques should admit of dimensions other than the economic.

<sup>38</sup> See "Social Development" and "Social Planning": *A survey of conceptual and practical problems in Latin America, supra*, p. 42.

## Part IV

### AREAS FOR FUTURE ACTION: CONCLUSIONS AND RECOMMENDATIONS

In Latin America today, a large proportion of the population cannot satisfy primary needs. Public services for welfare and culture are seriously deficient, as are the different sectors of production. The symptoms of instability are widening: large strata of the population are excluded from full participation in the national societies, but are not quiescent. Some zones have come under military control or have been evacuated as a result of violent unrest. There is a feverish human movement from rural to urban zones, from one region within a country to another, from one country to the next. Social values are neither well-structured nor stable. As a consequence of the technological and social transition in which the region is immersed, patterns of organization and relations are ambiguous and confused and do not serve as clear and sound norms for human behaviour. The manifestations of personal maladjustment and social disorganization are increasing in number and in variety. Under these circumstances, social service limited to increasing the capacity of individuals, groups and communities to make full use of organized services is obviously not contributing to society the maximum potential of its knowledge and techniques.

The potential contribution of social service to the development of Latin America lies in helping people to make the maximum use of what society offers and of their own capacities; in creating institutional forms which society needs but does not provide and new combinations of existing services to make them more relevant to changing needs; in motivating people for change and in preparing them to initiate action that will make them active participants of that phenomenon; and in assisting individuals and groups to cope satisfactorily with the attendant demands that the process of development exerts on the human factor. The full realization of such a contribution will depend upon the remodelling of concepts along with reforms in legislation and

administrative structure adequately supported by competent personnel and research.

#### 1. *Conceptual growth and adaptation*

The conceptual framework of social service in Latin America originated in more highly industrialized countries where it responded to very different social conditions and relationships. The borrowing of this conceptual basis as well as the associated techniques was inevitable when social service was at its beginning in the region. Within a different cultural and social milieu, concepts assume other meanings, techniques applied produce different effects, and institutions established, even though called by identical names, work in different ways. The transplantation of these concepts and techniques is further affected by the human, economic and institutional resources available for their functioning. For them to acquire meaning at all, they must harmonize with the political aspirations of the people and the needs toward which these aspirations are directed.<sup>39</sup> The growth of social service in Latin America should have been accompanied by an evolution in concepts and techniques, bringing it closer to regional value premises, to problems and needs as they are understood and to existing social institutions and resources.

There has been some progress toward this objective. In the daily task of trying to apply what was learned in school from foreign experience and foreign textbooks, social workers adapt and experiment. These efforts are limited

<sup>39</sup> *Social Research in Latin America* (Wagley, Charles) cites illustrations in law courts, public administration, education, etc. In this respect, social service is not an isolated case. He says on page 27 that, although Latin America has borrowed extensively from Europe and the United States, the similarity is only "formal and superficial". "Latin American nations have profoundly modified, adopted and reinterpreted European customs and institutions. A Latin American constitution may read like its U.S. counterpart but it does not function in the same way...".



in their effects on theory and practice for several reasons: they are undirected and un-systematic; they are not recorded, classified and tested and do not therefore become incorporated into the body of systematic knowledge and practice. Most social workers are quite unaware of the potential contributions to professional growth that they can make through their own experiences. Some, too insecure to deviate from the traditional, camouflage their experiences in the familiar terms of the classroom or keep these to themselves. In many instances, the social worker has no time to generalize and sift his thinking; the typical scene in a social service office can be likened to a market place of women elbowing their way through a crowd of sick, hungry and dejected people many of them with squalling babies in their arms. Despite such barriers, growth in harmony with reality must take place.

The differences in terminology under which social service is known (*asistencia social, servicio social, bienestar social*) are of minor importance; in the public mind, all such terms evoke the same image. This image is still that of a more fortunate person giving alms or free service to the less fortunate, of someone visiting the sick and spreading artificial cheer, of someone who can "pull strings" to give the shelterless a house, the hungry food, the crippled alms. It is not an image of a service that aims to capacitate man as an individual and as a member of a group and of a wider society to recognize his legitimate needs and to choose one way or several ways towards the satisfaction of his needs. The adoption of one term is not sufficient. There must be a clarification of the purpose of social service and a definition of its functions within operational limits. This clarification and definition must be subsequently demonstrated in activities, if distorted images are to be dispelled.<sup>40</sup>

The basic principles and methods of social work need to be tested in local settings for their applicability. The principle that society is responsible for the removal of obstacles to self-realization and social participation and the parallel principle of equal opportunity, for example, suffer modifications in interpretation under different political systems and beliefs and the degree of affluence of any particular society. One of the national reports to the Latin American Con-

<sup>40</sup> Quotations are taken from interviews carried out in the course of a study on "Los servicios públicos en una población de erradicación, CE/LACCY/89/L.2/Add.2 prepared by the Social Affairs Division of the Economic Commission for Latin America for the Latin American Conference on Children and Youth in National Development, Santiago, Chile, 28 November to 11 December 1965.

ference on Children and Youth in National Development generalizing from a description of services provided to delinquent youth in local institutions mentions "the common anomaly of civilization by automatically guaranteeing to deviants an opportunity for training whereas the rest of their age group who are well-behaved and well-adjusted have to compete among themselves for places available to but a small proportion of their number".<sup>41</sup> This does not imply that youth in institutions in Latin America receive favoured treatment in general; the resources of many such institutions are inadequate even for minimum custodial functions. It does suggest that social service provisions borrowed from more affluent settings are likely to be implemented mainly in favour of problem groups that are easily identified and small enough so that services can be provided for them without an unmanageable claim on resources. The wider needs are likely to be disregarded both because of their magnitude and because they do not correspond to the borrowed provisions.

Even the nature of basic human needs must be re-interpreted to fit varying conditions of mass poverty and deep-rooted patterns of attitudes toward need and dependency. Food is a basic need, but this does not mean that any food will be acceptable to appease hunger; the assumption that an outside agency knows better than the local people what they need to eat is likely to be rejected by the people themselves, who often use food aid in ways unforeseen by its providers.

The meaning of interdependence in society will differ where alienation from traditional sources of security and well-being is widespread. Its implications need to be considered in conditions such as those described by a social worker in a housing project who classified the population into three groups: those who have steady jobs and incomes, who feel secure and feel individualistic, caring only about their own interests; those who have some income and some kind of job, who feel partially insecure, who care about the well-being of the community and participate actively in communal affairs because they see community solidarity as a potential resource to meet their insecurity; and those who have nothing, not even aspirations, who care for nothing because they have nothing to lose and believe they have nothing to gain.

Schools of social work should take the lead in striving for conceptual growth and adaptation by providing the essential atmosphere for

<sup>41</sup> Case study of countries' policy and planning approach to the needs of children and youth, E/LACCY/CS/L.2, presented by the Government of Jamaica.

searching discussions and the facilities for systematic study and formulation. The possibilities of a regional exchange of personnel among schools of social work should be explored.

## 2. *Social legislation*

Legislation is an important link in the growth process of social service. As stated previously, there is no scarcity of legislation, but existent laws contain expressions of unrealistically high standards impossible of realization because of limitations on resources and discriminatory provisions resulting from interest group pressures.<sup>42</sup> Gaps and duplications in coverage are frequent. Provisions with good intentions are sometimes so interpreted that they become instruments of exploitation. Social service should consider it within its innovating function to re-examine all legislation affecting its areas of concern for the purpose of formulating recommendations for amendment or repeal and of proposing the enactment of needed laws. In fact, professional groups should spearhead social action for legislative reform including the codification of relevant laws so that they become declarations of consistent social policy. There should be a constant testing of the effect of laws on the aspects of life to which they are directed.

The making of laws is not solely a function of legislators. Government and voluntary agencies, the professions, social scientists and the general public should share this function at different stages. The whole process of law enactment for social welfare needs systematization and democratization.

## 3. *Administrative evolution*

Some of the most serious weaknesses of social service discussed above lie in the administrative arrangements for its functioning. Its fragmentation into small-scale isolated activities makes evaluation of programmes difficult and measurement of general impact impossible. It prevents concentration of resources in the areas of highest priority, and fosters the growth of rival cliques and vested interests. These features constitute barriers to programme co-ordination and joint planning. While there are certain advantages to the practice of attaching social service to functional administrative units, there seem to be weightier arguments for the creation of an additional separate policy entity to take care of the major responsibility for defining objectives and functions, formulating, enforcing, and unifying norms of service, co-ordinating action in

<sup>42</sup> These views are also held in Sajón and Achard, *op. cit.*

both government and voluntary sectors, and undertaking over-all planning including the allocation of welfare resources. At present, there is a lack of uniformity in the standards of service from agency to agency and existing definitions of such standards remain buried in official documents with imperceptible effects on implementation.

Many of the existing social service programmes are included in other sectoral programmes. Some, however, do not contribute directly and are only remotely related to the objectives of the other sectors of social action while still others of broader application cut across several sectors. The administration of such programmes should also be a responsibility of a social service administrative entity.

Whether programmes are administratively unified under one entity or distributed among other sectors, social service should be planned at the local, regional and national levels where account is taken of the types of programmes, the kinds, magnitude and cost of requirements including personnel, the nature of resources that can be allocated, the limits of responsibility and the relationships to other forms of action. Some of the advantages of linking the planning of social service to over-all development planning have been mentioned. While national development planning has gained general acceptance in Latin America, most countries have established planning machinery and the majority have national plans, a trend promoted by the requirements of the Alliance for Progress; up to now, planning techniques and machinery are still undergoing evolution as the planners try to apply the lessons that can be learned from the shortcomings or inapplicability of earlier planning initiatives. Completed national plans generally fall short of full implementation. Social service policy makers and planners need to take a realistic view of the state of general planning in their respective countries and to consider their opportunities to participate in the evolution of such planning without exaggerated expectations concerning the amount of support the planning process will be able to give them.

An important step forward would be the establishment, within the national planning machinery if this is able to assume such a responsibility, of a system of over-all evaluation of government and voluntary programmes, or at least of agencies receiving total or partial financial support from public funds. Even when there is an evaluation unit in the central planning body, each functional unit of administration should set up machinery for periodic assessment of changes in the nature and magnitudes

of needs and the impact of the service on such needs. Criteria for evaluation must be clearly stated. Such a step would require progressive attitudes and analytical points of view supported by administrative procedures conducive to free communication, flexibility, group instead of individual decision-making and hierarchical mobility. A well formulated general norm of service and evaluation procedures in support of agency regulation and licensing should weed out the voluntary programme that serves solely for propaganda and self-aggrandizement, permitting thus a more rational distribution of funds to assure the meritorious voluntary programme of adequate and stable support.

Other changes should include a unification of planning and operational functions, a more rational and stable basis for financing of programmes, and a functional rather than a restrictive accounting system equally applicable to public and voluntary agencies expending public moneys. Budget preparation is an important instrument for programme planning and assessment. Functional (sometimes called "performance") budgeting has been experimented with successfully in several countries outside the region. It provides flexibility in the allocation of funds and takes into account the dynamics of programme growth. The periodic examination of budgets and the use of performance as the criterion for budget estimates and the subsequent financing operations emphasizes action and achievement rather than administrative positions and the corresponding hierarchical system. The applicability of performance budgeting to social service administration is worth testing. It might open a way to the formulation of criteria for measuring needs and results qualitatively and quantitatively, bringing social service closer to fulfilling the major prerequisites of its planning at the national level.

No programme can count on success without the participation of those who benefit directly from it. A strong local administration capable of formulating its needs into demands that can be reconciled with wider planning and of sharing responsibility in the implementation of programmes as "a watchdog" to guarantee effective action, is a resource of immeasurable value. In addition to "enabling" individuals, groups and communities to benefit and participate in organized programmes as well as to achieve outside such programmes social mobility and change, social service should support the development of a strong local administration.

Several means of effecting co-ordination are now under experiment. The commonest of these are inter-ministerial commissions, technical com-

mittees and study groups within the governmental system, and councils of agencies, either limited to voluntary agencies or including both the public and voluntary sectors. Whether they are effective or not will depend upon individual and agency attitudes and the recognition of the element of interdependency as an essential consideration for survival.

Improvements in programme planning, implementation, co-ordination and co-operation, and evaluation require changes in organizational structure and administrative procedures, but above all in the general administrative orientation. Such requisites may be difficult to realize for some time to come. Schools of social work should recognize this likelihood and train their students to struggle and survive in "muddled" situations. At present, training is often carried out in illusionary setting.

#### *4. Preparation of personnel for social service*

A programme can only be as good as the people who plan and execute it. A technically and substantively weak programme can sometimes be implemented with some degree of effectiveness if the personnel are capable. The preparation of personnel for social service is uneven and at times internally inconsistent. The training of social workers has advanced ahead of programme development and thus lacks clear objectives related to programme needs. There seems to be little relation between training and actual functions and between training and practice. A necessary pre-condition is the definition of the functions for which personnel are to be trained. In Latin America, the functions of the three distinct levels of personnel—professional, sub-professional and non-professional—have not so far been clearly defined and delimited. As they become defined, these functions should become one of the determinants of the content of the training programmes. Otherwise, personnel will continue to find their training inapplicable in the face of reality.

There is need to re-orient some aspects of the training of professional social workers so that they would be more able to function in human and professional relationships; such relationships constitute the central focus of their activities. A deeper understanding of their role in relation to their functions is the legitimate source of motivation and morale. Such understanding is possible only if the principles they are taught as basic harmonize with the culture values and beliefs that they hold, or if the teaching is able to transform the values and beliefs. The need to enlarge the understanding of social problems and of human needs indicates that the social

science and research content of the curricula must be strengthened. The focus should be on action-oriented types of research and on the use of the findings in social work situations leaving the responsibility for basic research to social scientists. Today, what is often called training in social research is participation in researches conducted by sociologists in which the social worker is merely an interviewer with no responsibility for hypothesis formulation or analysis of findings. This does not constitute an adequate training in research methodology.

The present training in social work, with rare exceptions, is urban-oriented. There is now an unmet need for professionals who can work with people in the countryside and with transplanted rural people in urban areas. The matter of training in rural social service is becoming more and more urgent and schools of social service should study ways of meeting this need. Aside from the inclusion of subject matter dealing with rural society in social work curricula, two possibilities may be considered: (a) a decentralization of training from large cities to towns that function as "community centres" for the rural hinterland; and (b) specialization within a co-ordinated urban-rural perspective. The latter has the advantage of a generic basic formation which prepares the professional for work in either setting.

The entrance of social service into new work areas associated with massive displacement of population as a result of spontaneous migrations, or in some zones, of rural conflict and repressive military action, as well as the widening horizons of its co-operation with rural development programmes and reforms indicate a need to encourage the training of more men for social service. The traditional functions of the social worker and the relatively low pay scales have made of this profession an almost exclusively feminine career. With the new and broader functions of social workers, reinforced by material and status incentives, the profession should become more attractive to men.

Social workers today are in general strongly desirous of training in planning techniques. It is unlikely that the majority would have, during their professional life, functions directly related to development planning. However, social service leaders responsible for programme administration should have competence in planning techniques and a few should be prepared to a degree that will qualify them to maintain a dialogue and collaborate with other planners. Such competence should be acquired as a specialization requiring basic preparation in economics and other disciplines related to development. The

material on planning now included in courses of social welfare administration should be sufficient for the time, until there is further evidence that a more specialized training at this level is necessary, to prepare the rank and file of social workers to contribute to planning. Such contribution consists: (1) in providing planners with information about sectors of population and the social needs that should be considered the targets of national and regional development and sectoral plans; (2) in indicating the activities that are likely to satisfy some needs and to appeal sufficiently to people to merit active public support; (3) in assessing the local resources that can be used towards the implementation of plans; (4) in bringing to the attention of planners the rejection or support of the people for specific parts of the plan, in interpreting such reactions and attitudes particularly their probable overt manifestations and in suggesting practical measures to overcome rejection or to modify the objectionable parts of the plan; (5) in interpreting to people in terms of their recognized needs and available resources the "role" implications of the plan; and (6) in helping people to articulate not only their needs and limitations but also their choices of alternatives and their hopes. These contributions derive from the close contact which social workers have with people, their intimate acquaintance and understanding of human behaviour and the potentialities of the techniques in which they have been trained.

Training opportunities for top-level and specialized personnel should be developed: for teaching in social work, planning, research, administration and methods specialists. The establishment of training institutions for this level of personnel is essential if social work is to acquire leadership capable of original thinking and of participating with other professions in policy formulation, over-all planning and high level administration. In view of limited resources in terms of trained manpower for teaching at this level, as well as in financial resources and training materials, regional co-operation would be more practical, economical and effective than national efforts. A regional professional staff exchange programme should be another promising arrangement for sharing resources for higher level personnel, as well as for direct service. The "Social Workers for America" plan of Argentina has possibilities along this line although conceived for other purposes and on different premises.

Social service in Latin America has arrived at a stage at which it both needs—and can contribute—a core of leaders able to make full use of a Regional Institute for Executive Develop-

ment in Social Service that would concentrate on the top-level training of teachers, administrators, planners, method specialists and researchers in social service. The courses would be intensive and in series, each focusing on one of the above specializations so that the participants in each course would have a high degree of homogeneity as to level of basic preparation and specialization. Regional training arrangements up to the present, such as the course for administration of social welfare programmes under the auspices of the Organization of American States in Buenos Aires and the Centro Regional de Educación Fundamental en América Latina of UNESCO in Patzcuaro, Mexico (CREFAL) for community development are interdisciplinary and do not provide the type of preparation needed by high level personnel in social service. Such an Institute would also be a centre for documentation, for the development of training materials for all levels of personnel, for the revision and unification of criteria in social service and for growth and adaptation of social work concepts and methods.

The regional trend toward increase in the number of schools in itself will not solve the problem of personnel deficiency and might even perpetuate uneven and low standards of training. Consolidation of training facilities to a degree that will permit better selection of students, the development of careers in education for social work, and economy in the use of other resources would be a more constructive trend. In the final analysis, fewer but better staffed, equipped and financed schools and the consequent improvement of quality of the graduates would pave the way to the acceptance of social work on a professional level with the corresponding entitlements to prestige and pay. The formulation and enforcement of minimum requirements in terms of physical and teaching facilities, financing, faculty and curriculum might help toward such consolidation.<sup>43</sup> Schools should however be given

<sup>43</sup> This condition is not only applicable to schools of social service. Similar trends are affecting institutions in many areas of specialized professional training. For example, in his inaugural speech at the "Conferencia Latinoamericana sobre Agricultura y Alimentación" (Eighth Regional Conference of FAO), the Director General said: "Most of the countries in Latin America have not, as yet, any clear idea of the trained personnel which their development plans and programmes require, though such knowledge is essential to ensure that their plans and programmes can be implemented effectively without waste. At the same time, however, one can notice in many countries a proliferation of training institutions which would not seem to respond to any pre-established plan. This can only lead to a dispersion of efforts with the result that, instead of building up a few institutions of the highest standing, a number of small ones is established which are ill-equipped to cope with the problems. We would insist, therefore, on the

leeway to experiment on adaptations to local needs, particularly because the routes of development are not clear, the needs in terms of skills are undefined, thus underscoring the importance of a broad span of capabilities that can be applied to an equally wide variety of situations. While nationally unified standards are desirable there is no need for inflexible and rigid models of training.

Since the functioning of social service does not depend solely on social workers, attention should be given to the training of sub-professional workers and other types of institutional personnel. Social workers should promote the training of such personnel to assure themselves of the availability of competent collaborators. There is much resistance among social workers against the training of lower level auxiliary personnel. A clear delineation of functions and responsibilities should overcome that resistance.

Schools are not the only possible means for personnel qualification. Social service started before training and there are still many untrained persons performing social work functions. Moreover, social service must be dynamic to be functional. Inservice training and supervision are instruments for professional growth. Schools of social work should take the leadership in the establishment of consistent, continuous and progressive in-service training programmes within each institution or as co-operative efforts of several institutions for all levels of social service personnel.

##### 5. *The need for social research and statistics*

If social service has not contributed to the body of knowledge about society and social problems, it is because it has not developed a system of reporting, collection and analysis of data concerning its activities. This is due to the absence of an orientation towards research and of the ability to analyse and conceptualize from empirical data, a weakness in the training programme that is generally recognized by school directors. The report of one of the countries in the region states about social service: "We regret that the chapter about the legal and social protection of children is rather vague but this vagueness is due to an almost complete lack of documentation. Most of the social services feel there is so much work to do and they are so short of personnel, that they cannot bother to prepare any reports. We do not think this is a real excuse. All work and certainly social work

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need for countries to assess carefully their requirements in this field and to proceed with the development of their educational systems on the basis of such assessment." LARO/65/CONF/5, p. 6.

should be organized and any organization without data is impossible.

Documentation should be an important part of this training."<sup>44</sup> A study undertaken by the Economic Commission for Latin America calls attention to the difficulty of obtaining data about social service. The statistics on assistance rendered are recorded in a form that cannot be classified nor analysed to get a complete picture of what constitutes the service, much less to evaluate the benefits, the deficiencies, the duplications and the gaps, if any exist.<sup>45</sup>

An initial step towards a more systematic collection of social service data for purposes of programme implementation, evaluation and research is the revision of existing reporting forms, reducing their number, simplifying them and concentrating on statistics and information that are classifiable and can be interpreted.

The need for basic and operational research is so great and the areas in which such research is wanting so diverse that the problem is where to start. In the first place up to the present, findings of basic research have little, if any, impact on social work concepts and practice. In the second place, basic social research on Latin America is still rudimentary. Merely as an illustration, a few of the areas of basic research that affect directly social work practice are here mentioned:

1. The impact of technological and organizational changes on the family in Latin America.

2. The measurement of the levels of living of different population groups in the regions.

3. The identification of felt needs and aspirations of such groups and of their basic attitudes concerning ways of meeting such needs.

4. The various ways in which individual, family and social satisfactions are fulfilled and the outlooks of different social strata in Latin America relative to these.

5. The convictions that shape attitudes and behaviour.

6. Incentives to family life and the relative importance of various patterns of family life.

Social workers should be trained to make use of the findings of basic research in their practice as well as in the formulation of social work conceptions. At the same time, they should provide social researchers with information as to the areas of basic research that would have bearing

<sup>44</sup> Background document E/LACCY/NR/L.4, August 1965, of the Latin American Conference on Children and Youth in National Development, Santiago, Chile (ECLA/UNICEF/ILPES) (mimeographed).

<sup>45</sup> See "Los servicios en una población de erradicación", *op. cit.*

on social service. This is an essential co-operative relationship between the social researcher who tends to direct investigations to general social phenomena and the social worker who should translate into action and practical achievements the results of such investigations.

In operational research, which should be within the competence of social workers, the following topics are suggested for priority, because they would provide important basic information for programme planning and implementation:

1. Contributions of social service in the promulgation of social legislation.

2. Differences between the written law and its operation in social service.

3. Effects of legal provisions on the operation of programmes and their compatibility with social work principles.

4. Social welfare needs of people in rural and urban settings.

5. Inventory of existing social service facilities and measurement of their adequacy.

6. Identification of elements that can be used as bases for comparative measurement of costs and effects.

7. Identification of elements that can be used as bases for determining priorities and allocations.

8. Identification of areas of relationships that social service is replacing with its activities, and an evaluation of the effects of such replacement, i.e. institutions for children on parent-child relationships, subsidized workers and communal restaurants on family relationships, mothers' clubs on mother-child and husband-wife relationships, etc.

9. Effects of programmes on the lives of beneficiaries—relationships, attitudes, behaviour and general ways of life.

10. Effects of local authority or its weakness on the development and administration of programmes.

Many other operational and organizational aspects of the functioning of social service can be the subject of studies that can be made by social workers themselves within the limits of their daily work activities. Besides the practical value of such endeavours, they also serve as "morale" builders and as incentives for free and objective communication among professionals.

#### 6. *International and regional co-operation*

The United Nations and its specialized agencies have technical assistance programmes in various fields some of which are directly or indirectly concerned with social service. These

are mostly centred around the family, children and youth, rural development, and social work training. The Organization of American States (OAS) has training projects for the preparation of higher level personnel and finances a regional institute for the child as well as regional seminars on specific subjects. Several organizations of voluntary nature from outside the region also administer social service programmes using local staff to some extent, while many governments, including those of the United States, the Netherlands, Israel, the Federal Republic of Germany, France and the United Kingdom, offer fellowships for study abroad.

Certain problems arise from international co-operation. Financing from international assistance usually ties programmes to rigid international standards not adapted to local conditions. Requests for technical assistance are generally formulated by interest groups for certain specializations without previous analysis of the total situation and without benefit of over-all planning. Experts sent to countries normally contribute to the concentration of interest and action in the particular field of specialization, and thus may unintentionally promote uneven development. There is also little co-ordination in international action at the national level, coinciding with the lack of co-ordination among national agencies already described.

International and regional co-operation can contribute to a rational development of social service in several ways. The work of international bodies in the formulation of concepts and standards is very useful if the countries are helped to use these formulations judiciously, as sources of ideas about desirable lines of policy and as encouragement to indigenous efforts. International assistance can also be used to force governments to look more closely at their ways of thinking and patterns of action for the purpose of achieving better unification of purpose and co-ordination of action. International assistance could itself set an example in co-ordination by establishing more effective channels of communication at the national level.

National research both basic and operational can be encouraged and financed. Regional training facilities and opportunities for the preparation of higher level personnel such as the previously mentioned Regional Institute for Executive Development in Social Service can be developed through matching arrangements similar to those under which the Organization of American States (OAS) is presently conducting the courses for administrators of social programmes. While technical assistance in social

work training is potentially valuable, the orientation should be changed from the creation of new schools to the consolidation and strengthening of existing schools. Governments should be encouraged to conduct, using technical assistance if necessary, an evaluation of existing institutional arrangements for social service as a preliminary to requests for more specialized types of expert assistance. The relative productivity of regional conferences and seminars against that of small working groups should be considered. The former have in recent years become popular and frequent in all the sectors of social policy and have set forth numerous recommendations concerning broad social objectives. At the present stage, however, it may be that smaller meetings focused on carefully defined problems and limited to technically qualified participants, would have more real impact on social action at the national level. Some countries have advanced more quickly in certain techniques of social service than others; technical assistance should also promote a system of social service personnel exchange that would open up heretofore untapped training opportunities within the region itself. A valuable contribution which international and regional co-operation can make is the fostering of professional communication among countries and the consequent promotion of development-consciousness and better understanding of the prerequisites of development among social service leaders and professionals.

The traditional approach of social service assumes the existence of economic and social structures that offer real opportunities for self-support and participation to its clientele once they have been helped to overcome their special problems, whether these are economic, psychological or social relationships.

Under conditions of mass under-employment, exclusion of the masses from effective participation in the national society, absence of really effective educational and other basic services, in which half or more of the national population belongs to the "culture of poverty" the limitations of such an approach are obvious.

The objectives endorsed by the Government themselves in such documents as the Charter of the Alliance for Progress suppose rapid and far-reaching changes in economic and social structures, and the policy-makers in social service need to consider how they can adapt their techniques to helping the people with whom they deal to take an active part in bringing about changes rather than in adjusting to intolerable existing situations.

## INCOME DISTRIBUTION IN ARGENTINA

The present paper is concerned with some of the results of a broad study of the distribution of income in Argentina, sponsored jointly by the National Development Council (Consejo Nacional de Desarrollo de la República Argentina—CONADE) and the Economic Commission for Latin America. The first major part of the study, dealing with the collection of the basic statistical data and the elaboration of a series of estimates of the distribution of income by size, has now been completed. A discussion of the sources of data and the methodology followed is presented here, as these are somewhat different from those commonly underlying income distribution estimates, and are likely to be of some general interest. In addition, the preliminary numerical results are presented, to give a picture of the distribution of income which has prevailed in Argentina in recent years. This article is limited to these aspects of the study, and does not enter into any detailed analysis of the results thus far obtained. The co-operation between CONADE and ECLA in this area is continuing, and the study is currently being extended to an analysis of this type, aiming at an evaluation and interpretation of the data in the context of the specific economic and social conditions prevailing in Argentina. This further study is being carried out as one part of a study of income distribution in Latin America being undertaken by the ECLA secretariat, the results of which will be made available in future publications.

The statistical investigation was organized in three broad areas: (a) the construction of the system of national accounts and supplementary information, including the estimation of the functional distribution of income, for the period 1950-63; (b) the estimation of the economically active population, by sector, for the same period; and (c) the estimation of the distribution of income, by size, for each of the years 1953, 1959, and 1961.<sup>1</sup> It is the procedures followed, and the results obtained, in the third of these areas

<sup>1</sup>The study was carried out under the direction of Mr. Alberto Fracchia. A paper discussing some aspects of the investigation was presented by Mr. Oscar Altimir at the Segunda Reunión de Centros de Investigación Económica which took place in Mendoza, Argentina, in December 1965, and the discussion of methodology is largely drawn from that paper.

The provisional results of the first part of the programme, (a) above, were published in *Cuentas Nacio-*

which is here discussed, but it should be emphasized that this work was carried out within the framework provided by the first two sets of estimates. In order to carry out the work within this framework, sources were utilized which have been relatively little explored in estimations of this type, and it was possible to obtain income distributions, by size, for each of the major socio-economic groups which make up the economy.

### 1. Sources and methods

All estimates of the different types of income aggregates, and the breakdown of these aggregates in various ways, are of course subject to some margin of error; and the possible size of this margin of error is heavily dependent upon the source materials used, and their adequacy with respect to the particular estimate being made. This is an especially important factor in making an estimate of the distribution of personal income by size. The area of personal income and its distribution is often a sensitive one, and the sources which must be used are often designed primarily for some other purpose.

#### (a) Conventional sources and their applicability in Argentina

The construction of income distributions by size was developed primarily on the basis of data derived from income tax returns. Improvements in the estimates, both with respect to their quality, and with respect to their coverage, were to a considerable extent automatic, as income taxation was expanded to an ever larger proportion of the population, and as tax systems became more efficient and the returns themselves therefore a more reliable source of information. More recently, sample surveys designed to obtain information regarding incomes and/or consumer expenditure patterns have become a common source of data for the estimation of income distributions.

A central characteristic of the information obtained from these sources is that, in each case, the estimate obtained is an estimate of the *total* income received by the individual, although of

*nales de la República Argentina* (CONADE, Buenos Aires, April 1964). The publication of the detailed results of all three parts of the statistical investigation is now in process.



course the definition of income may vary and require adjustment if the results are to be strictly comparable. Both in the case of income tax returns, and in income or consumption surveys, the individual is required to report his aggregate income from all sources. Other possible sources of data, by contrast, generally give the income received from only a single source, and hence can provide only partial coverage for the estimation of the distribution of income. For example, a widely available source is provided by data on wage and salary payments, compiled by companies or by social security systems. But as such data are only partial, they have only occasionally been utilized in the making of income distribution estimates, and nearly always only as a supplementary source. The use of such partial sources as the basic data upon which to construct an estimate has been rare.

Although the use of these partial sources presents special problems of this sort, an additional factor which has probably weighed importantly against their use, it is worth noting. It has been primarily in the highly developed Western countries that income distribution studies of an empirical nature have originated and have been expanded in scope. In these countries the widespread coverage of income taxation, and the relatively minor degree of evasion, have made it possible to use income tax returns as the basic source of data for estimating the distribution of income. In addition, sample survey techniques have attained a relatively high degree of reliability in the same countries, even regarding questions touching such a sensitive area as that of incomes and expenditures. As a consequence, estimates of the distribution of income in those countries, based on these sources, have reached a level of statistical reliability which can make unnecessary the extensive investigation of possible alternative sources of data. And the methodology, once established and become traditional, with the experience and discussion which has been accumulated, exerts a considerable influence over the course followed when any new investigation is undertaken.

It is probable, however, that in the less developed countries the prospects for obtaining a reasonably accurate estimate of the distribution on income, based on these conventional sources, are much less favourable than in the industrialized countries. This proved to be the case in Argentina. Personal income tax returns covered too small a proportion of the population, and of total income, to be considered representative; and the limited experience with sample surveys had revealed difficulties which indicated that at best this could be used as only a supplementary source for the estimates.

With respect to tax returns, information is available on an annual basis, but income is tabulated net of personal deductions, and would require special tabulations to obtain the total personal income declared. A much more serious shortcoming, however, is the scant coverage and the evidence of evasion for the period considered. The non-taxable minimum income is sufficiently high to exclude a large part of the population from coverage, and among those groups with higher incomes evasion is so widespread as to render unreliable and unrepresentative those returns actually filed.

For specific instances, the following give an idea of the situation. In the case of wage and salary earners, the non-taxable minimum income is, according to the year, from 60 to 90 per cent larger than the average personal income of these groups, and thus the tax only applies to a small stratum with relatively high incomes. For the entrepreneurial and rentier groups the non-taxable minimum is only 25 to 40 per cent, according to the year, of their average personal income, and thus the tax should apply to the bulk of these groups. In spite of this, however, only about one-quarter of these groups files a return, an indication of the extent to which evasion limits the coverage of the tax.

In over-all terms, table 1 shows the extent of coverage of income tax returns in Argentina, in comparison with the similar coverage in a number of other countries. While in many of these countries the coverage is sufficient to provide a firm basis for income distribution estimates, it is clear that this is not the case in Argentina.

With respect to the possible use of sample surveys, a nation-wide survey designed specifically to obtain information on income levels from the different sectors of the population had never been attempted. The only surveys which existed were partial in their coverage: those designed to determine the consumption pattern of working class groups in various zones, for use in the construction of cost of living indices; those undertaken for use in market research studies, also of only local scope and of doubtful reliability; and the survey of social stratification undertaken by the Instituto de Sociología de la Universidad de Buenos Aires, which was limited to the metropolitan area. Taking into account the high degree of under-declaration of income which is evident in this last survey, and the lack of much accumulated experience in the country in surveys of this type, it was reasonable to suppose that the undertaking of a national sample survey of income levels, in the best of cases, could not be accepted as the only source of information for the estimation of the distribution of income. In addition, if the study had

**Table 1**  
TAX RETURN COVERAGE IN ARGENTINA AND OTHER COUNTRIES, 1950-61

<i>Country</i>	<i>Income year</i>	<i>Population filing tax returns, as a percentage of total population</i>	<i>Declared income as a percentage of total personal income</i>
Federal Republic of Germany	1950	83	73
Denmark	1952	...	61
Finland	1952	88	83
Norway	1950/51	64	73
Sweden	1952	...	80
Netherlands	1950	97	77
United Kingdom	1952/53	90	80
United States	1950	89	77
Canada	1951	45	65
Australia	1951/52	80	68
New Zealand	1951/52	...	75
Argentina	1953	10	18
	1959	9	10
	1961	5	9

SOURCE: Argentina: prepared on the basis of tax data. Other countries: *Statistics of the distribution of personal income* (E/CN.3/L.42, 13 September 1957), p. 10.

been based upon such a survey it would have been limited to the single year in which the survey had been conducted.

(b) *The estimation of partial distributions within a national accounts framework*

While neither tax data nor a sample survey, therefore, was relied upon as the basis for the study, all available information from these sources was used, both as a possible check and, as is discussed below, as an aid in estimating some aspects of the distribution. To this end the investigation was co-ordinated with the work being done in Argentina by the OAS/IDB/ECLA Joint Tax Programme.<sup>2</sup>

The basis data for the income distribution estimates were collected from a number of partial sources, and this not only raised the problem of aggregation mentioned earlier, but offered the possibility of structuring the distribution along economic and social lines, so that the composition of the income distribution could be readily described. That is, by selecting the partial sources so that each represented a meaningful socio-economic group in the country series of partial distributions within these groups could be

<sup>2</sup> Those aspects of the investigation undertaken by the Joint Tax Programme which were of particular use in the income distribution estimations were the survey of consumption expenditures of urban families, undertaken in 1963, and the special tabulations of income tax information for 1959.

obtained; and when these were aggregated to estimate the distribution of income in the economy as a whole, the place of each of these partial groups in that total distribution could be specified. An articulated distribution of this sort provides very considerable advantages from an analytical point of view. It makes it possible to specify with relative precision the important factors in determining the distribution of income which exists, as well as the changes which occur.

The problem of ensuring that the different partial estimates did not overlap, on the one hand, and that they included all personal income on the other, was met by structuring the investigation within the framework of the system of national accounts. As was noted earlier, the first part of the statistical study was concerned with reworking the national accounts estimates. An integrated system of accounts was estimated, composed of a number of different sectors, and within each sector the functional composition of income was estimated. This included, for example, the separation of corporate and non-corporate income, so that entrepreneurial income in each sector is known. These estimates then provided the partial totals as a control for the partial income distribution estimates, and these partial estimates summed to the total personal income in the economy, as estimated in the national accounts.

In selecting in the socio-economic groups for which partial income distribution estimates were

to be made, a major factor of course was the availability of data. Within this limitation, an effort was made to organize the groupings so as to give them the greatest possible meaning in economic and social terms. Four broad divisions were made along functional lines: wage and salary earners, entrepreneurs, retired persons and rentiers. The first two groups account for the great bulk of the population, and within each of these there was a further breakdown along sectoral lines. In all, data was collected and the distribution of income estimated for some 25 different socio-economic groups. These groups are listed, and the primary data sources shown for each, in table 2. It should be noted here that for most groups the primary sources served only for the estimation of the principal income of each income recipient. Further adjustments had to be made to arrive at a distribution based on the family as the income unit, and in the process the number of socio-economic groups for which separate estimates were made was reduced to 15.

For wage and salary earners the most important source of data was the different registers of the social security system. The income classifications from this source were made on the basis of a stratified sample of companies (by size, type of productive activity, etc.) taken from each of the different retirement funds. In the case of large public or semi-public enterprises, data were obtained directly by asking such enterprises to process their salary scales; or a sample of wage and salary recipients was extracted from their roles. In the case of the different public administrations, special compilations were made on the basis of budgets and investment accounts.

The registers of the social security system do not adequately cover those wage and salary earners at the higher levels, and for this reason, where the registers served as the source of data, an adjustment had to be made in that part of the distribution. For this purpose a survey was made of a representative sample of private companies. The withholdings which these companies had made from salary payments to their personnel, for payment of income taxes, were compiled, and this provided an estimate of salary payments in the upper levels, and a basis for the required adjustment.

Agricultural workers and domestic servants were not covered by the social security registers or by companies. In these cases salary differentials, both by job classification and by geographical area, were estimated with the greatest possible disaggregation. Since there is relatively little variation in wage payments in these sec-

tors, it was then assumed that, within each of these small segments, there was no dispersion of wages.

For the different entrepreneurial groups, the distributions were estimated in so far as possible on the basis of a special processing of the economic censuses available. This could be done for socio-economic groups which totalled two thirds of the total entrepreneurial sector. Within each group, enterprises were classified first on a legal basis, to eliminate corporations from the calculations and restrict the results to entrepreneurial income. The non-corporate firms were then classified according to their size, with the greatest disaggregation operationally feasible. In the case of agriculture, the classification was first by major crop, and, within each crop group, by size of the farm. Within each of these small groups, the census information covering production and costs was then tabulated, and an estimate of profits for the group as a whole was thus obtained. These estimates, it should be noted, correspond to, and are derived from essentially the same sources, as the estimate of this type of income appearing in the national accounts.

The resulting distributions, however, diverge from the accuracy possible in estimating the distribution of wage and salary income on two counts. First, the entrepreneurial income estimated for each small group is for the group as a whole, and to obtain an estimated income from each entrepreneur, it was assumed that there was no dispersion within the group, that each firm earned the same profit. This assumption tends to reduce somewhat the dispersion of the distribution of each of these socio-economic groups, and therefore of the whole distribution. This factor is probably not of substantial importance. Such group entrepreneurial earnings were estimated for approximately 1,500 different small groupings of enterprises, and in no case did such a grouping include more than 5 per cent of the entrepreneurs in the respective socio-economic group.

The second divergence results from the fact that while wage and salary estimates were made independently for each of the three years for which the income distribution was estimated, such an estimate could be made for entrepreneurial income only for the year in which the economic census was available. For other years, it was necessary to extrapolate the census data relating to each of the small groupings of establishments. This procedure implies the maintenance, through time, of the productive structure formed by these small groups, and is not dissimilar to extrapolations of this sort made in the calculation of national accounts estimates.

Table 2

## ARGENTINA: PRIMARY SOURCES OF DISTRIBUTION BY LEVELS OF PRINCIPAL INCOME

Socio-economic groups	Percentage share of total income in 1960	Principal sources utilized						Other
		Social security registers	Payrolls	Public administration budgets and registers	Classification of employment and salary differentials by professional category and region	Economic censuses	Consumer budget survey	
<b>1. Wage-earners</b>	<b>66.4</b>							
Agriculture	9.4				×			
Fisheries	0.1	×						
Mines and quarries	0.5	×	×					
Industrial workers	18.2	×						
Industrial employees	2.4	×						
Electricity, gas and waterworkers	0.8	×	×	×				
Construction	4.7	×						
Commerce	5.1	×						
Financial institutions	1.0		×					
Transport and warehousing	4.8	×	×					
Communications	1.0		×	×				
General Government	10.0			×				
Domestic service	5.2				×			
Other services <sup>a</sup>	3.2	×						
<b>2. Entrepreneurs<sup>b</sup></b>	<b>21.6</b>							
Agriculture	5.7					Extrapolation of the 1960 census		
Mines and quarries	0.1					1953 census and extrapolation		
Industry	3.1							
Construction employers	0.1						×	
Commerce employers	4.7					1953 census and extrapolation		
Transport and warehousing	0.8						×	

Employers of services	1.3					1953 census and extrapolation			
Professional	1.2						×		
Independent <sup>c</sup>	4.6						×		Similar categories of economic censuses
<hr/>									
3. <i>Retired persons and pensioners</i>	11.3		×						
<hr/>									
4. <i>Rentiers</i>	0.7							×	Adjusted tax returns
<hr/>									
Percentage of the total of returns covered by each source	100.0	48.2	4.0	10.9	14.6	14.9	7.1		0.3
<hr/>									

<sup>a</sup> Including those relating to home ownership.

<sup>b</sup> Including employers and independent.

<sup>c</sup> Including industry, construction, commerce, finance, electricity and other services.

What little empirical evidence exists in this connexion does not invalidate this assumption for the period 1953-61.

The use of economic census data to estimate entrepreneurial income is one of the most significant methodological aspects of the study. The entrepreneurial group is of considerable importance in numerical terms in Latin America (in Argentina 21.6 per cent of all income recipients are in this category), and tends to dominate the upper income levels. Yet data covering income of the group is often scarce and of doubtful reliability, and is the principal weakness in most income distribution estimates. The use of census data offers two advantages in this respect. First, economic censuses are often undertaken at a relatively early stage in a country's development of statistical estimates and their techniques are therefore likely to be better known and the results more reliable than is the case with sample surveys covering income and expenditure data. Second, the income estimates are derived indirectly, on the basis of data covering the other aspects of the firms' operations, and are hence likely to be more reliable on this score as well; the tendency to understate income is circumvented by not directly inquiring about this variable.

As noted, not all entrepreneurial income could be estimated in this way. For about one-third of this group, and for the rentier group as well, the distribution was estimated essentially on the basis of data provided by the consumer survey of 1963; and the distribution was extrapolated to the other years covered. Even here, however, the fact that the investigation was structured within the national accounts framework made important adjustments possible. The aggregate income for each socio-economic group was known, and only the distribution within each group is assumed unchanging in the extrapolations, as estimates of the totals were independently available for the different years.

(c) *The estimation of an aggregate distribution of family income*

Once the basic data sources for each of the socio-economic groups were organized, and a consistent set of estimates made, within the national accounts framework, it was necessary to reorganize the data in the form desired. The final aim was the construction of an income distribution based upon the family as the income unit, and several adjustments were required to arrive at this concept.

The first "distribution" obtained was on the basis of occupations, as this was the form in which it was available in many of the basic

sources, and the form in which it is assembled in the national accounts estimates. That is, within a given sector the number of jobs is generally known; but this need not coincide with the number of individuals as the same person may hold two positions simultaneously, either within a single sector, or in two different sectors.

This is not too uncommon in Argentina, some 6-7 per cent of all income recipients holding a secondary occupation. The first adjustment, therefore, was to eliminate these secondary occupations from the calculations. This was done on the basis of information obtained from the surveys covering consumer expenditures, unemployment, and social stratification.<sup>3</sup> The resultant distribution of principal income was the first real income distribution estimated. It had the individual income recipient as the income unit, but it included only income from the principal source for each person; secondary occupations are not included. In spite of this incomplete coverage, this distribution is the most adequate for some analytical purposes.

The adjustment from the distribution of principal income to that of personal income was a relatively minor one, and was made largely on the basis of data obtained from the consumer survey. The income unit—the individual income recipient—is the same in the two distributions, and the adjustment consisted in distributing the income from secondary occupations (not included in principal income) among the different income groups. These secondary incomes are only a small part of the total, and their distribution is not basically different, so that the resulting distribution of personal income is nearly identical to that of principal income. This distribution of personal income is then conceptually comparable to income distribution estimates often made elsewhere: it is the distribution of all personal income, with the individual income recipient as the income unit.

The adjustment to the distribution of income on a family basis was a much more substantial, and a more complex one. The income total remains the same—it is still personal income—but the number of income units is sharply reduced. While the average size of the family is not particularly large in Argentina (3.7 persons per family), a high percentage of families have more than one income recipient. The total number of

<sup>3</sup> These surveys were: the survey of consumption expenditures of urban families undertaken by the OAS/IDB/ECLA Joint Tax Programme in February and March 1963; the survey of employment and unemployment undertaken periodically by CONADE; and the survey of social stratification in Buenos Aires undertaken in 1960-61 by the Instituto de Sociología de la Universidad de Buenos Aires.

income recipients, the unit for the principal and personal distributions, is nearly 50 per cent greater than the number of families; that is, nearly half of all families have two income earners. Thus the adjustment required was a substantial one, and affected not only the aggregate distribution, but the composition by socio-economic group as well.

There were two aspects of the adjustment: one was the distribution of families among the different socio-economic groups; the other was the distribution of income within each group on a family basis, i.e., the estimation of how those income earners who were not family heads were distributed among family units. For the first aspect of the adjustment the socio-economic classification was determined by the status of the family head, and the distribution of family heads was estimated on the basis of an analysis of the 1960 population census. It was at this point that the number of socio-economic groups for which separate estimates were made had to be reduced, as the census data did not permit the continuation of the more detailed classification. Separate distributions on a family basis were finally made for some 15 socio-economic groups, those shown in table 4. The second aspect of the adjustment, the grouping of income on a family basis within each socio-economic group, was again made largely on the basis of data obtained from the consumer survey, and in a manner similar to that employed in making the adjustment from principal to personal income.

The data required to make these adjustments were available for only a single year, and hence had to be extrapolated to the earlier years for which income distributions were made. This means that the economic and social structure underlying the adjustment from the distribution of personal income to that of family income, as well as from principal income to personal income, is assumed to have remained unchanged during the period 1953-61. The rather different distribution of family income in 1961, as compared with the distribution of personal income in 1961, is significant; but the change in the distribution of family income from 1953 to 1961 is basically a mirroring of the change during those years in the distribution of principal income, for it is only at this level that independent estimates can be made.

From the point of view of the source of income, the classification among the different socio-economic groups is a less pure concept when the family is used as the income unit. In this case the classification is determined by the principal source of income of the head of the family, but the family may also include a mem-

ber who derives an income from some other source, or the head of the household himself may have a secondary income from some other source. Thus, the distribution within any socio-economic group cannot be strictly regarded as a distribution of the income originating in that group. For this reason, as was noted earlier, the distribution of principal income is better suited for some analytical purposes. Nevertheless, the distribution of income on the basis of the family is an important one, and the best suited for most general purposes. Interest in income distribution estimates is ultimately based on a desire to know how economic welfare is distributed in a society, and it is the family which is the basic unit determining such welfare.

As the sources and methods described briefly above differ from those commonly used in the making of income distribution estimates, so are the possible errors of a somewhat different sort, and this should be noted. First there is the "error of estimate" inherent in deriving any statistical measure, and which is generally thought of as the kind of error which might exist in the compilation of the basic statistical data in the present study. It is probable that errors of this sort are very small where direct statistical data of the sort required were available. The collection was done on a disaggregated basis so that the data were quite specific, and carrying the work out within a national accounts framework made possible control checks at various points.

However, some aspects of the estimations depended not only upon the collection of direct data, but also upon certain hypotheses underlying the way these data were combined, or the way in which adjustments were made. Such procedures give rise to the possibility of errors of what may be termed a probabilistic type; that is, the hypotheses were deemed most probable, or best suited to the case, but no direct data were available to verify them. For example, one case of this sort was the calculation of entrepreneurial income on the basis of economic census data. As noted, the net income of a small, homogeneous group of producers was estimated and then it was uniformly distributed among the producers concerned. It is known that this is not the true distribution of income among these producers and that this gives rise to some margin of error. It is justifiable as being the most "probable" distribution (in the absence of specific information) and as covering a sufficiently small group as to make it improbable that dispersion within the group would appreciably affect the final distribution estimate. Other examples of this sort are the assumptions made in estimating the distribution of those entrepreneurial groups

where data were not available from an economic census, and in making the adjustments from one income concept to another. These assumptions can be justified in the same terms, but the possible margin of error is no doubt larger here than in a case such as averaging income among a small group.

On the whole, it is felt that the procedures followed have made possible an estimation which gives a reasonably accurate picture of the distribution of income prevailing in Argentina, both at an aggregate level, and for the individual socio-economic groups studied. The estimate can clearly be regarded as superior to any which might have been obtained on the basis of income tax data or upon the basis of a sample survey, taking into account the conditions prevailing in the case of Argentina.

## 2. Preliminary results

As was stated earlier, an analytical study of the data made available by the CONADE/ECLA programme is currently being undertaken. It is nevertheless of some interest to present here some of the principal statistical findings of the programme. These give a general picture of the income distribution structure which has prevailed in Argentina in recent years, and also suggest some of the possibilities for analysis which exist within the framework of a statistical study of the present type.

The income distribution estimates were made for each of the three years 1953, 1959 and 1961. In part the choice of the individual years and the length of the total time period covered was dictated by considerations of data availability, but within this limitation years were selected which might be expected to give a representative

picture of the period and of the changes which had occurred; 1953 was selected as economic census data were available for that year, and it was considered a representative year for the early 1950's. Both a population census and an agricultural census were undertaken in 1960 and that year therefore offered a second benchmark from the point of view of data availability, the two years on either side being selected as they offered advantages from the point of view of analysis; 1959 was a year of substantial changes in the economy, mostly following from the price stabilization programme undertaken toward the end of the preceding year, and it was of interest to know how these changes affected the income distribution structure; 1961 was the most recent "normal" year for which the distribution could be estimated.

The aggregate distribution of income, by size, is shown in table 3 for each of the three years, and for each of the three income concepts, principal, personal, and by family. Figure I shows the Lorenz curves for the distribution of principal income for each of the three years to illustrate graphically the changes in relative equality which occurred. Figure II shows Lorenz curves for each of the income concepts for a single year—1961—to illustrate the extent to which equality varies from one concept to another. The changes from year to year are best observed from principal income since, as was discussed above, the other two income concepts were estimated from this one by assuming unchanging family and secondary income structures throughout the period. For the same reason, the relation between the different concepts shown for 1961 is essentially the same in the other year. (See table 3 and figures I and II.)

**Table 3**  
ARGENTINA: SHARE OF INCOME CLASSIFIED BY TYPE OF INCOME, 1953, 1959 AND 1961<sup>a</sup>  
(Percentages)

Type of income	0-60				61-80	81-90	91-100		Total
	0-20	21-40	41-60	Total			91-95	96-100	
<b>1953</b>									
Principal income	6.0	9.9	14.0	29.6	19.0	13.9	8.9	28.6	37.5
Personal income	5.6	10.1	13.6	29.3	19.1	13.1	9.5	29.0	38.5
Family income	7.4	10.7	13.6	31.7	18.1	13.1	9.5	27.6	37.1
<b>1959</b>									
Principal income	5.6	9.0	12.1	26.7	17.0	12.7	10.4	33.2	43.6
Personal income	5.5	9.0	12.0	26.5	17.4	12.5	9.9	33.7	43.6
Family income	6.8	9.5	12.3	28.6	16.9	12.2	10.8	31.3	42.1
<b>1961</b>									
Principal income	5.3	9.3	13.2	27.8	18.4	13.5	9.3	31.0	40.3
Personal income	5.3	9.3	13.1	27.7	18.5	13.2	9.0	31.6	40.6
Family income	7.0	10.3	12.9	30.2	18.0	12.7	9.8	29.3	39.1

<sup>a</sup> The share of each income group is approximate since the percentages were read directly from the figures giving the Lorenz curves.



Figure I

ARGENTINA: LORENZ CURVES FOR THE DISTRIBUTION OF PRINCIPAL INCOME, 1953, 1959 AND 1961

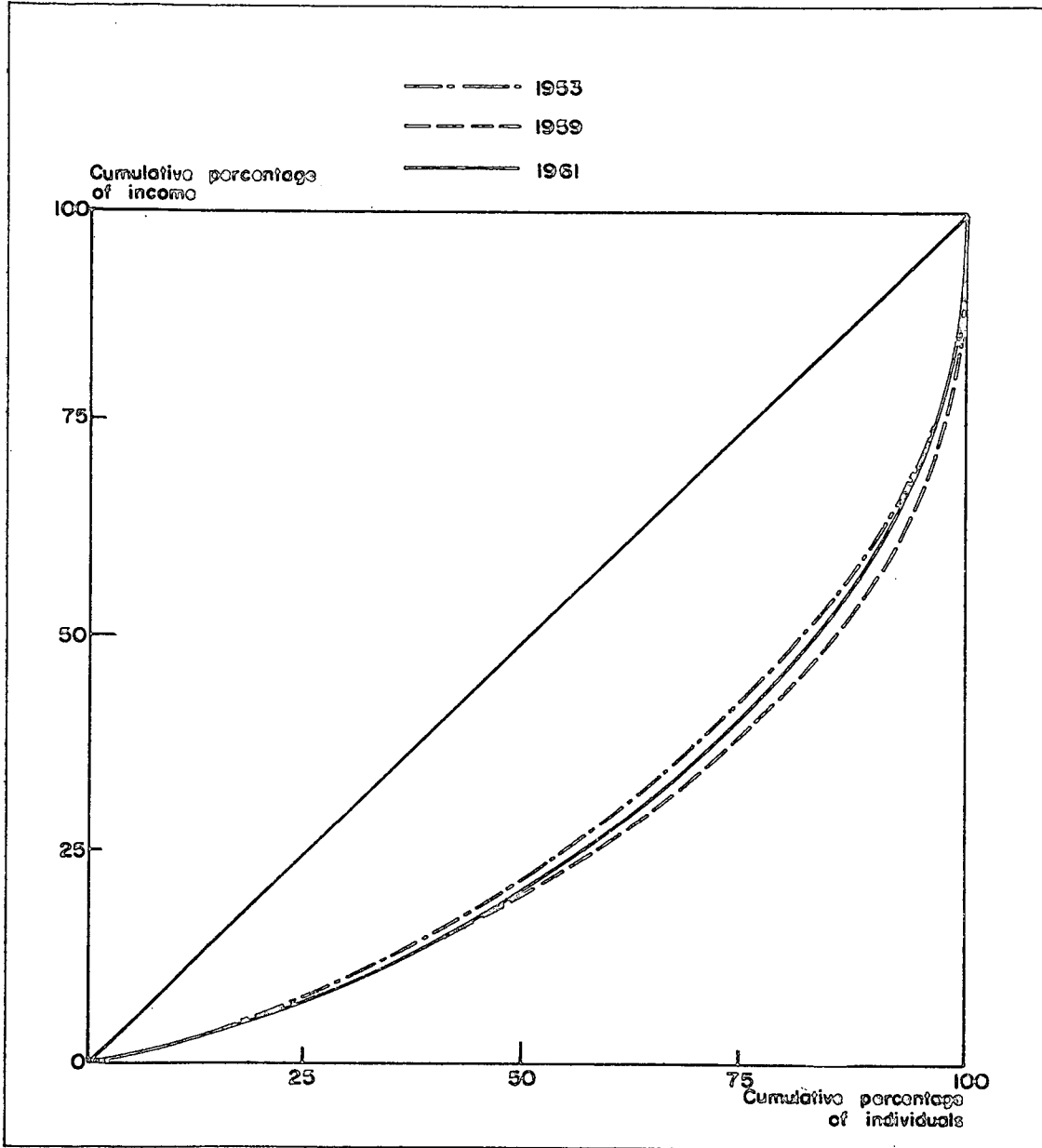
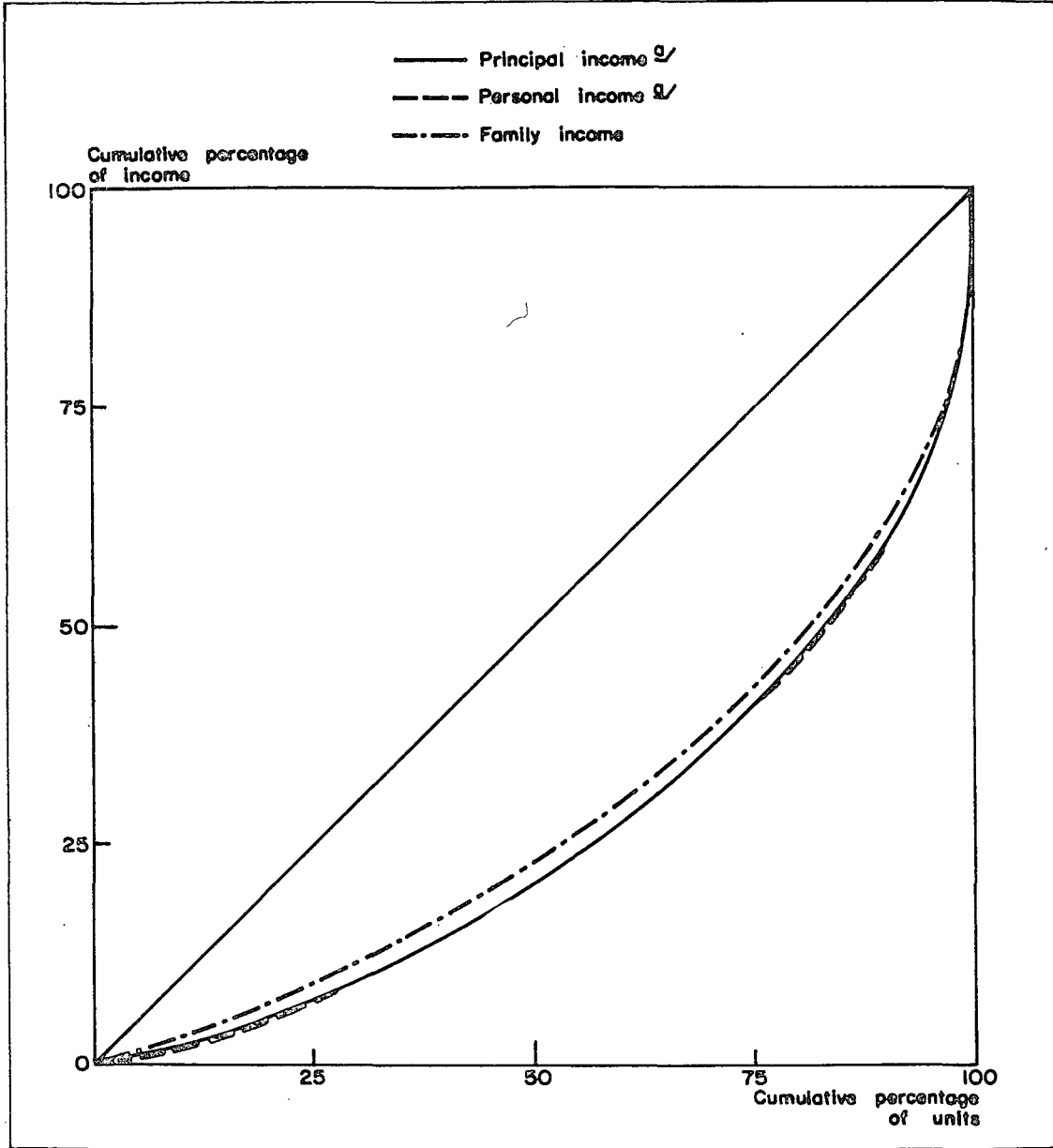


Figure II

ARGENTINA: LORENZ CURVES FOR THE DISTRIBUTION OF PRINCIPAL INCOME, PERSONAL INCOME AND FAMILY INCOME, 1961



<sup>a</sup> The principal income and personal income distribution curves are virtually the same.

The figures show a somewhat uncommon income distribution structure in Argentina. There is a considerable concentration of income in the highest income groups, but at the same time, the lowest income group has a greater share of the total than is generally the case in other countries. It is within the top 30 per cent of all income units that the great dispersion is found. Taking the distribution of family income in 1961 to illustrate the point, this group received 61.6 per cent of all income; the top 5 per cent alone received 29.3 per cent of all income; and the top 1 per cent of families received 14.5 per cent of all income.

The fact that the lowest income group received a larger share than is often the case is important in this context. In conjunction with the fact that average income levels are significantly higher in Argentina than in most other countries of the region, this means that, despite the considerable concentration of income at the top, the poorest sectors of the population have incomes, in absolute terms, much higher than those generally found elsewhere. There is not, to the extent this is sometimes the case, an important segment of the populace which lives at the margin of the economy.

As can be seen from table 3 and figure II, the distribution of personal income does not vary from that of principal income. The distribution of family income, however, is noticeably more equal than that of either of the other two distributions. The difference is especially marked in the lowest income groups, these having, in relative terms, substantially more income when the distribution is by family than when it is calculated on the basis of the individual income recipient. This of course is to be expected, and results from the fact that a large percentage of those with low individual incomes are not family heads, but rather a second income earner in a family group.

With respect to the changes which occurred during the period, the over-all changes in the degree of inequality can best be seen from figure I. The least inequality in the distribution of income was experienced at the beginning of the period, the Lorenz curve from 1953 being significantly flatter than that of either of the later years. The Lorenz curve for 1959 shows an important increase in the degree of inequality, while that for the latest year, 1961, shows an intermediate situation, rather closer to the 1953 distribution than to that of 1959.

How the different income groups shared in these changes can be seen from table 3. The sharp increase in inequality shown by the 1959 estimate was characterized by a substantial in-

crease in the share of income received by the top 10 per cent of the distribution, at the expense of all other groups. Each group below the top 10 per cent had a smaller share of the total in 1959 than it had received in 1953, and the loss was relatively evenly distributed among those groups.

From 1959 to 1961 the direction of this shift was reversed, the top 10 per cent losing and all other groups gaining, but the gains and losses were less evenly spread. Within the top 10 per cent, the top half lost less, in relative terms, than did the lower half of the group. Among those who gained, the lowest 60 per cent of the distribution gained less than did the groups between them and the top 10 per cent.

As was noted, 1959 can be regarded as an abnormal year, so it is of more interest, in some respects, to compare directly the two relatively normal years at the beginning and end of the period. Comparing directly 1953 and 1961, a significant increase in inequality occurred, and the shift occurred in the same group: the top 10 per cent increased its share of total income, and all other groups lost. The relative gains and losses were not, however, evenly shared. Nearly all of the gain was accounted for by the top 5 per cent of all income recipients. While the 5 per cent just below that top group gained, the gain was a much smaller one. Among the groups which lost, the lowest 60 per cent of the distribution lost considerably more, in relative terms, than did the other groups.

Thus, from the early 1950's to the beginning of the 1960's a significant deterioration occurred in the distribution of income in Argentina. The lowest 60 per cent of all income recipients decreased their share in total income. The next higher groups lost, but the loss was small. The top 10 per cent achieved a substantial increase in its share of the total, and this gain was largely concentrated in the upper half of that group. The analysis in detail of these changes, and their relation to developments in the economy, particularly to the problem of inflation and the various measures taken in trying to control it, is perhaps the most significant aspect of the study currently being undertaken.

Several limitations to the figures should be mentioned. First, as with nearly all income distribution estimates, these relate to current income, and do not include any allowance for capital gains and losses. Given the rapid inflation which characterized the Argentine economy throughout the period, a meaningful estimate of this factor is not feasible. Second, and also common in such estimates, the figures do not include any allowance for imputed income derived

from owner occupied dwellings. If this adjustment could be made it would probably improve slightly the relative position of the upper income groups, where home ownership is most common. It would probably also improve somewhat the position of the agricultural sector, as housing is almost always either owned or provided rent free, although it should be noted that such housing is often of very poor quality. Finally, in calculating entrepreneurial income, depreciation was calculated at cost of origin and, given the rapid inflation, this underestimates real costs and hence overestimates the income of this group. Since entrepreneurs dominate the upper income groups, this overestimates the share received by those with higher incomes. A complete recalculation on the basis of replacement costs is being undertaken to eliminate this bias. On the basis of a very approximate calculation it appears that this change is likely to reduce the share of the top 10 per cent in total income by about one percentage point. This is a significant change, but it does not alter the general structure of the distribution.

In addition to the aggregate distributions, it is of interest to present some of the distributions by socio-economic group, both to illustrate the type of detailed data made available by the study, and to demonstrate some of the possibilities for specific analysis which result from a study structured in this way. For the distribution of income, by family, for 1961, there is presented in the appendix a detailed breakdown of the data for each of the 15 socio-economic groups for which a distribution was estimated.

For purposes of analysis, this data can be organized in a variety of ways, depending upon the particular aspect of the problem being studied. For many specific questions, for example, it will be best to deal directly with the distributions of the individual groups. No detailed discussion of this sort will be attempted here; rather, an aggregate way of organizing the data will be presented. This will best illustrate, to the degree possible in a brief discussion, the type of integrated information provided by the investigation, as well as revealing many of the general features of the income distribution structure in Argentina.

Table 4 combines the detailed data included in the appendix in such a way as to give a very general picture of the structure of the distribution of income, by family, for a single year, 1961. The aggregate distribution has been divided into deciles, with the first column showing the average income, in relation to the national average, received by the families in each decile. Each of the other columns corresponds to one of the socio-economic groups for which estimates

were made, and the figures show the percentage composition of each income decile. For example, the first figure shows that 36.17 per cent of all families in the lowest income decile were agricultural workers. Thus, the table shows the composition of the entire income structure, or, looked at from the other point of view, the location of each socio-economic group in the aggregate income distribution. In addition to the ten decile groupings, the last two lines of the table separate out, and show the composition of, the top 5 per cent and the top 1 per cent of all families, as these highest income groups are of special interest for some purposes. (See table 4.)

The broadest conclusion which can be drawn from the table is that the over-all inequality in the distribution of income results to a large extent from differences in income levels of wage and salary earners on the one hand, and the entrepreneurial group on the other. The income of the retired group is broadly in line with that of wage and salary earners, and while the rentier group is concentrated in the highest income levels, the group is not large enough to affect substantially the aggregate distribution.

The entrepreneurial group accounts for nearly one-third of all families in the lowest income decile, due to the substantial numbers of small farmers, and, to a much lesser extent, small producers in the industrial sector. With that exception, it accounts for well under 20 per cent of the families in the remaining deciles of the lowest one-half of the distribution. At that point the participation of the entrepreneurial group begins a steady rise, and in the top income decile accounts for significantly over two-thirds of all families; in the top one per cent, over 85 per cent of the families obtain their income from some form of individual enterprise.

The reverse of course is true of wage and salary earners' families. They dominate the lower part of the distribution, then steadily decline in relative importance, and account for only slightly over one-quarter of the families in the highest income decile; in the top one per cent, wage and salary earners' families are less than ten per cent of the total.

The implications of this fact for analysis are numerous. It should first be stressed that large incomes in Argentina result only to a small extent from returns on property, in the sense of income obtained without direct participation in the production process. The influence of the rentier group is small. It is the control of property for use in the production of goods and services, combined with some (unknown) proportion of managerial income which yields

Table 4

## ARGENTINA: FAMILY UNITS, PERCENTAGE SHARE OF EACH INCOME GROUP BY SOCIO-ECONOMIC GROUP, 1961

<i>Wage-earners</i>									
<i>Income groups</i>	<i>Average income (national average = 100)</i>	<i>Agriculture and fisheries</i>	<i>Industry, electricity, gas, water and mining</i>	<i>Construction</i>	<i>Commerce and finance</i>	<i>Transport, warehousing and communications</i>	<i>Other services and government</i>	<i>Domestic services</i>	<i>Sub-total</i>
1 10%	29.5	36.17	5.69	6.47	0.22	0.29	6.99	5.71	61.52
2 10%	41.1	17.65	21.48	14.23	2.54	3.68	9.83	2.45	71.86
3 10%	48.5	11.54	26.65	11.02	3.80	8.03	13.03	0.55	74.62
4 10%	54.5	7.35	28.12	8.25	4.27	10.40	16.31	0.26	74.96
5 10%	60.5	3.81	29.09	6.65	4.86	10.82	17.76	0.16	73.15
6 10%	69.7	1.31	29.51	4.47	5.7	11.29	20.15	0.1	72.53
7 10%	80.1	0.09	28.93	3.75	6.52	10.87	16.59	0.07	66.82
8 10%	96.3	0.01	27.43	2.50	7.23	9.45	15.31	0.0	61.93
9 10%	129.1	0.0	22.86	1.36	8.04	6.89	16.64	0.0	55.79
10 10%	390.7	0.0	7.85	0.61	7.44	2.29	7.44	0.0	25.63
5% more	588.4	0.0	4.56	0.57	6.33	1.04	4.35	0.0	16.84
1% more	1 448.0	0.0	2.84	0.64	4.89	0.12	1.13	0.0	9.62

<i>Entrepreneurs</i>									
<i>Income groups</i>	<i>Agriculture and fisheries</i>	<i>Quarries, mines, industry and construction employers</i>	<i>Commerce employers</i>	<i>Transport and warehousing</i>	<i>Employers of services</i>	<i>Professional and independent</i>	<i>Sub-total</i>	<i>Pensioners</i>	<i>Rentiers</i>
1 10%	18.58	8.88	0.04	0.02	3.83	0.30	31.64	6.80	0.01
2 10%	8.08	2.42	0.28	0.04	2.71	2.58	16.11	12.02	0.01
3 10%	4.96	2.76	2.44	0.07	1.98	4.18	16.39	8.96	0.03
4 10%	3.88	2.48	4.43	0.1	1.5	5.03	17.42	7.57	0.04
5 10%	4.91	2.42	5.07	0.18	1.47	5.77	19.82	6.96	0.06
6 10%	7.25	1.2	5.8	0.42	1.23	6.73	22.63	4.70	0.11
7 10%	7.59	1.8	7.72	0.66	1.55	7.63	26.95	6.06	0.15
8 10%	7.76	2.8	8.63	1.29	1.40	8.74	30.62	7.12	0.31
9 10%	8.85	4.73	8.21	2.83	0.84	11.19	36.65	6.68	0.87
10 10%	12.10	13.81	17.38	7.30	1.22	16.66	68.47	2.96	2.94
5% more	12.23	19.29	24.67	6.45	1.56	14.26	78.47	1.11	3.58
1% more	17.25	30.23	24.93	1.95	1.45	9.30	85.11	0.0	5.77

high incomes. The upper income groups are dominated by the independent entrepreneur.

There are large numbers of these independent businessmen in Argentina, and they not only dominate the upper brackets in the income distribution, but still form the basis of the production process as well. In 1961, some 28.6 per cent of all families were headed by a self-employed person. In the same year, the enterprises operated by these individuals produced approximately two-thirds of the gross domestic product. Despite the considerable growth of incorporated enterprises in recent years, these

produced only 20 per cent of the gross product in 1961, and the Argentine economy, considered as a whole, can still be characterized as one resting on the basis of large numbers of relatively small independent producers.<sup>4</sup>

This feature can be usefully stressed in analysing various economic problems: decisions in a private sector of this sort are likely to differ

<sup>4</sup> This structure varies markedly from one sector to another. In agriculture, for example, private corporations accounted for only about 3 per cent of total production in 1961, while in industry, mining, and construction they accounted for 37 per cent of the total.

in important respects from those reached in an institutionalized private sector where decisions are made to a greater extent by hired professional managers of relatively large corporate enterprises. Mention will be made here of only two ways in which this is rather directly linked to the problem of income distribution. In both cases this applies largely only to the non-agricultural sector; the agricultural sector is discussed briefly later.

First, this type of economic structure has often been associated with a tendency toward high unit mark-ups, and low sales volume per individual enterprise. It is essentially this which produces the sort of income structure observed: a large number of individual producers, with relatively large incomes. It has as its counterpart relatively high prices, especially in those lines where large scale production might result in substantial economies of scale. The size of the market is thus restricted below what it might be in more favourable circumstances, and the lower income groups in particular remain excluded from the market for many products. This of course is an important obstruction to growth, particularly of the industrial sector, and also tends to reinforce the factor which brings it about: market limitations encourage small-scale operations.

Second, it is likely to require rather different sorts of changes to bring about greater equality in an income distribution structure of this sort. The more conventional policy measures may well prove ineffective. In particular, this is likely to be the case with respect to direct taxes. The difficulties encountered in enforcing income taxation in Argentina are probably due largely to the fact that the upper income groups are largely self-employed, for the possibilities of understating income by this group are numerous. Even in countries where evasion is not considered a serious problem, this group is often given a preferred status by the tax laws, partly to promote "small business", but partly, also, in implicit recognition of the difficulties of effective enforcement. The income distribution structure may effectively change only with the breaking of the high unit cost, small scale type of operation which currently prevails. Problems of this sort, within the specific framework of conditions in Argentina, are among the more interesting topics for further investigation.

In addition to the broad split between wage and salary earners and the entrepreneurial group, there are significant differences in the composition, by socio-economic group, of the various income levels. On a decile by decile basis the changing composition can be seen from a

careful study of table 4. It is useful, however, to show the major changes more clearly by considering a smaller number of income groups, and only the principal socio-economic group in each. This is done in table 5.

No particular social significance should be attached to the income groupings shown, as these have been made solely on the basis of the income changes shown in the first column of table 4. The lowest 20 per cent of all families (category 1) have incomes markedly below the groups just above them, although the second decile is already a transitional group and might have been put in category 2. There then follows 50 per cent of the population (category 2) within which the degree of inequality is relatively small; again the seventh decile is a transitional group. As noted earlier, it is within the top 30 per cent that the inequality is concentrated, and here incomes rise rapidly. Only the top two deciles have an average family income above the national average; the other eight deciles are all below that average. But the top decile has an income nearly four times the national average; the top 5 per cent of all families nearly six times the national average; and the top 1 per cent well over fourteen times the national average. This highest 30 per cent (categories 3 and 4) has been split into two groups, separating out the top 5 per cent of all families (category 4). As will be noted from the table, while the lowest income group (category 1) shown received only about 7 per cent of the total income, the other three groups received approximately equal shares of the total, with a very different population size.

The table lists only those socio-economic groups which accounted for an important part of each income category, and it can be seen at a glance that the composition of the four broad income groupings is quite different. Retired persons are an important part only of the lowest group (the rentier group is not an important part of any category), but that lowest group is dominated by the agricultural sector. Agricultural workers account for 26.9 per cent of all families in the lowest group, and independent farm families account for an additional 13.3 per cent. The sector as a whole thus accounts for slightly more than 40 per cent of the families in this lowest income group; and, as can be seen from table 4, in the lowest income decile alone well over half of all families are found in agriculture.

This heavy concentration of agricultural families in the lowest income groups is not primarily the result of low average income levels for the agricultural sector as a whole. The

Table 5

ARGENTINA: PRINCIPAL SOCIO-ECONOMIC GROUPS IN DIFFERENT INCOME CATEGORIES  
(Percentages of all families)

Income category	Principal socio-economic groups <sup>a</sup>			
1. Lowest income group 0-20% of all families 7.1% of all income	Wage and salary earners 66.7%	Entrepreneurs 23.9%	Retired persons 9.4%	
	a) in agriculture 26.9%	in agriculture 13.3%		
	b) in industry 13.6%			
	c) in construction 10.4%			
	d) in government 8.4%			
2. Middle income group 21-70% of all families 31.3% of all income	Wage and salary earners 72.4%	Entrepreneurs 20.6%		
	a) in industry 28.5%			
	b) in government 16.8%			
	c) in transportation 10.3%			
3. Upper-middle income group 71-95% of all families 32.2% of all income	Wage and salary earners 54.0%	Entrepreneurs 38.6%		
	a) in industry 22.3%	a) professionals 11.8%		
	b) in government 14.9%	b) in agriculture 9.0%		
		c) in commerce 8.8%		
4. Highest income group 96-100% of all families 29.4% of all income	Wage and salary earners 16.8%	Entrepreneurs 78.5%		
		a) in commerce 24.7%		
		b) in industry 19.3%		
		c) professionals 14.3%		
		d) in agriculture 12.2%		

SOURCE: Table 4.

<sup>a</sup> Only the principal activity is shown here. For the complete composition of each socio-economic group, see table 4.

average income per family in the agricultural sector is only about 20 per cent below the average for the economy as a whole. It is, rather, primarily the result of a very unequal distribution of income within agriculture itself. Agricultural workers, who account for somewhat less than half of all families in the sector, are heavily concentrated in the lower income categories; and there is a large number of small farmers also in the lowest groups. At the other extreme, there are substantial numbers of large scale farmers and cattlemen in the highest income brackets.

Industrial workers, construction workers, and government employees are also important groups in the lowest income category, but their importance is quite secondary to the dominance of the agricultural sector in this range.

The most important socio-economic groups in the middle income range are all wage and salary earning groups. Industrial workers are much the most important here, followed by government employees and transportation workers. While wage and salary earners dominated

the lowest income group as well, it will be noted that, within that broad category, the group composition has changed.

In the upper-middle income category, wage and salary earners are still the most important, but the entrepreneurial group has increased its share substantially and, within this income category, as income levels rise this is increasingly the case. Industrial workers and government employees are still the important groups in the wage and salary area, while professional persons are the most important single self-employed group.

In the upper income category no single wage and salary group is important, this income category being dominated by the self-employed. Several groups are individually important among the latter, but perhaps the most important point to note here is that, although there are substantial numbers of large scale farmers and cattlemen in this highest income bracket, even in Argentina the most common source of high incomes is not the agricultural sector. As is shown in the table, most of the highest incomes are earned in commercial or industrial enterprises.

*Statistical appendix*

ARGENTINA: DISTRIBUTION OF PERSONAL INCOME, BY FAMILY, 1961

- Table I : Summary, all families
- Table II : Summary, wage and salary earners
- IIa: Agriculture and fishing
  - IIb: Industry, utilities and mining
  - IIc: Construction
  - IId: Commerce and finance
  - IIe: Transportation and communications
  - IIf: Government and other services (excluding domestics)
  - IIg: Domestic service
- Table III : Summary, self-employed
- IIIa: Agriculture and fishing
  - IIIb: Industry, construction and mining
  - IIIc: Commerce
  - IIId: Transport and storage
  - IIIe: Services
  - IIIf: Professional services and others
- Table IV : Recipients of property income
- Table V : Retired persons

**Table I**

ARGENTINA: DISTRIBUTION OF PERSONAL INCOME, BY FAMILY, 1961

*Summary, all families*

Range	Units			Amounts			
	Number	Percentage	Cumulative percentage	Millions of pesos	Percentage	Cumulative percentage	
Up to	15 600	2 326	0.04	0.04	25.5	0.0	0.0
From 15 601 to	20 800	11 064	0.19	0.23	207.1	0.02	0.02
From 20 801 to	26 000	16 956	0.30	0.53	408.2	0.04	0.06
From 26 001 to	32 500	23 554	0.42	0.95	702.9	0.08	0.14
From 32 501 to	39 000	36 896	0.65	1.60	1 317.9	0.14	0.28
From 39 001 to	45 500	89 711	1.59	3.19	3 808.9	0.41	0.69
From 45 501 to	52 000	173 894	3.08	6.27	8 540.6	0.92	1.61
From 52 001 to	65 000	403 430	7.14	13.41	23 760.0	2.57	4.18
From 65 001 to	78 000	627 037	11.09	24.50	45 413.4	4.91	9.09
From 78 001 to	104 000	1 330 576	23.54	48.04	120 668.9	13.04	22.13
From 104 001 to	130 000	968 283	17.13	65.17	113 175.5	12.23	34.36
From 130 001 to	162 500	689 468	12.20	77.30	101 112.5	10.93	45.29
From 162 501 to	260 000	732 277	12.96	90.26	149 439.4	16.15	61.44
From 260 001 to	390 000	255 373	4.52	94.78	80 939.3	8.75	70.19
From 390 001 to	520 000	101 934	1.83	96.61	450 088.8	4.87	75.06
From 520 001 to	800 000	97 230	1.73	98.34	62 212.5	6.72	81.78
From 800 001 to	1 200 000	44 187	0.79	99.13	44 187.3	4.78	86.56
From 1 200 001 to	2 000 000	29 177	0.52	99.65	45 144.7	4.88	91.44
From 2 000 001 to	3 000 000	9 394	0.18	99.83	23 373.7	2.53	93.97
From 3 000 001 to	5 000 000	6 283	0.11	99.94	24 441.2	2.65	96.62
From 5 000 001 to	10 000 000	2 173	0.04	99.98	14 729.0	1.60	98.27
Over	10 000 000	977	0.02	100.00	16 446.2	1.78	100.00
TOTAL		5 652 200	100.00		925 143.5	100.00	

SOURCE: CONADE/ECLA study of income distribution in Argentina.



**Table II**  
**ARGENTINA: DISTRIBUTION OF PERSONAL INCOME, BY FAMILY, 1961**  
*Summary, wage and salary earners*

Range	Units			Amounts			
	Number	Percentage	Cumulative percentage	Millions of pesos	Percentage	Cumulative percentage	
Up to	15 600	479	0.01	0.01	5.1	—	—
From 15 601 to	20 800	479	0.01	0.02	8.7	—	—
From 20 801 to	26 000	659	0.02	0.04	4.1	—	—
From 26 001 to	32 500	3 020	0.08	0.12	89.0	0.02	0.02
From 32 501 to	39 000	6 574	0.18	0.30	236.6	0.05	0.07
From 39 001 to	45 500	46 184	1.28	1.58	1 908.5	0.44	0.51
From 45 501 to	52 000	135 226	3.74	5.32	6 641.8	1.52	2.03
From 52 001 to	65 000	291 257	8.06	13.38	17 118.3	3.92	5.92
From 65 001 to	78 000	451 111	12.49	25.87	32 530.2	7.45	13.40
From 78 001 to	104 000	994 402	27.53	53.40	89 178.8	20.41	33.81
From 104 001 to	130 000	697 330	19.30	72.70	80 682.1	18.47	52.28
From 130 001 to	162 500	429 342	11.88	84.58	62 762.9	14.37	66.65
From 162 501 to	260 000	420 242	11.63	96.21	83 851.4	19.19	85.84
From 260 001 to	390 000	86 944	2.41	98.62	27 173.7	6.22	92.06
From 390 001 to	520 000	23 057	0.64	92.26	10 552.2	2.42	94.48
From 520 001 to	800 000	17 065	0.47	99.73	10 305.2	2.36	96.84
From 800 001 to	1 200 000	5 253	0.15	99.88	5 086.4	1.16	98.00
From 1 200 001 to	2 000 000	3 034	0.08	99.96	4 326.9	0.99	98.99
From 2 000 001 to	3 000 000	853	0.02	99.98	1 964.7	0.45	99.44
From 3 000 001 to	5 000 000	582	0.02	100.00	2 406.5	0.55	99.99
From 5 000 001 to	10 000 000	7	—	—	52.5	0.01	100.00
Over	10 000 000						
TOTAL		3 613 100	100.00		436 896.6	100.00	

SOURCE: CONADE/ECLA study of income distribution in Argentina.

**Table IIIa**  
**WAGE AND SALARY EARNERS: AGRICULTURE AND FISHING**

Range	Units			Amounts			
	Number	Percentage	Cumulative percentage	Millions of pesos	Percentage	Cumulative percentage	
Up to	15 600						
From 15 601 to	20 800						
From 20 801 to	26 000						
From 26 001 to	32 500						
From 32 501 to	39 000	133	0.03	0.03	4.8	0.02	0.02
From 39 001 to	45 500	33 056	7.43	7.46	1 352.2	4.67	4.69
From 45 501 to	52 000	110 202	24.77	32.23	5 433.0	18.77	23.46
From 52 001 to	65 000	113 419	25.49	57.72	6 714.4	23.19	46.65
From 65 001 to	78 000	78 747	17.70	75.42	5 858.8	20.24	66.89
From 78 001 to	104 000	96 721	21.74	97.16	8 085.9	27.94	94.83
From 104 001 to	130 000	12 502	2.82	99.98	1 477.7	5.10	99.93
From 130 001 to	162 500	89	0.02	100.00	12.9	0.04	99.97
From 162 501 to	260 000	12	...	...	2.4	0.01	99.98
From 260 001 to	390 000	15	...	...	4.8	0.02	100.00
From 390 001 to	520 000	2	...	...	1.0	...	...
From 520 001 to	800 000	2	...	...	1.0	...	...
From 800 001 to	1 200 000						
From 1 200 001 to	2 000 000						
From 2 000 001 to	3 000 000						
From 3 000 001 to	5 000 000						
From 5 000 001 to	10 000 000						
Over	10 000 000						
TOTAL		444 900	100.00		28 948.7	100.00	

**Table IIb**  
WAGE AND SALARY EARNERS: INDUSTRY, UTILITIES AND MINING

Range	Units			Amounts		
	Number	Percentage	Cumulative percentage	Millions of pesos	Percentage	Cumulative percentage
Up to	15 600	129	0.01	0.01	1.4	...
From 15 601 to	20 800	129	0.01	0.02	2.3	...
From 20 801 to	26 000	129	0.01	0.03	2.8	...
From 26 001 to	32 500	257	0.02	0.05	7.5	0.01
From 32 501 to	39 000	900	0.07	0.12	32.2	0.02
From 39 001 to	45 500	1 542	0.12	0.24	65.1	0.04
From 45 501 to	52 000	2 827	0.22	0.46	138.0	0.09
From 52 001 to	65 000	52 051	4.05	4.51	3 065.8	1.90
From 65 001 to	78 000	160 907	12.52	17.03	11 504.9	7.12
From 78 001 to	104 000	373 864	29.10	46.13	33 722.5	20.88
From 104 001 to	130 000	284 029	22.10	68.23	32 919.0	20.38
From 130 001 to	162 500	192 137	14.95	83.18	28 090.4	17.38
From 162 501 to	260 000	174 916	13.60	96.78	33 951.2	21.02
From 260 001 to	390 000	27 889	2.17	98.95	8 458.7	5.24
From 390 001 to	520 000	6 426	0.50	99.45	2 991.3	1.85
From 520 001 to	800 000	3 984	1.31	99.76	2 437.8	1.50
From 800 001 to	1 200 000	1 799	0.14	99.90	1 676.1	1.04
From 1 200 001 to	2 000 000	900	0.07	99.97	1 305.7	0.80
From 2 000 001 to	3 000 000	257	0.02	99.99	627.4	0.39
From 3 000 001 to	5 000 000	127	0.01	100.00	532.2	0.33
From 5 000 001 to	10 000 000	1	...		7.5	0.01
Over	10 000 000					100.00
	<b>TOTAL</b>	<b>1 285 200</b>	<b>100.00</b>		<b>161 539.8</b>	<b>100.00</b>

**Table IIc**  
WAGE AND SALARY EARNERS: CONSTRUCTION

Range	Units			Amounts		
	Number	Percentage	Cumulative percentage	Millions of pesos	Percentage	Cumulative percentage
Up to	15 600	34	0.01	0.01	0.3	
From 15 601 to	20 800	34	0.01	0.02	0.6	
From 20 801 to	26 000	135	0.04	0.06	3.1	0.01
From 26 001 to	32 500	807	0.24	0.30	23.6	0.07
From 32 501 to	39 000	706	0.21	0.51	25.8	0.08
From 39 001 to	45 500	2 455	0.73	1.24	103.8	0.32
From 45 501 to	52 000	6 726	2.00	3.24	328.2	1.03
From 52 001 to	65 000	49 571	14.74	17.98	2 899.9	9.07
From 65 001 to	78 000	90 868	27.02	45.00	6 497.1	20.31
From 78 001 to	104 000	107 514	31.97	76.97	9 783.8	30.59
From 104 001 to	130 000	42 071	12.51	89.48	4 922.3	15.39
From 130 001 to	162 500	21 927	6.52	96.00	3 207.4	10.03
From 162 501 to	260 000	10 224	3.04	99.04	2 159.3	6.75
From 260 001 to	390 000	1 581	0.47	99.51	513.8	1.60
From 390 001 to	520 000	605	0.18	99.69	233.6	0.89
From 520 001 to	800 000	437	0.13	99.82	267.7	0.84
From 800 001 to	1 200 000	303	0.09	99.91	280.8	0.88
From 1 200 001 to	2 000 000	168	0.05	99.96	241.1	0.75
From 2 000 001 to	3 000 000	67	0.02	99.98	162.8	0.51
From 3 000 001 to	5 000 000	67	0.02	100.00	232.9	0.88
From 5 000 001 to	10 000 000	—	—			100.00
Over	10 000 000	—	—			
	<b>TOTAL</b>	<b>336 300</b>	<b>100.00</b>		<b>31 988.0</b>	<b>100.00</b>

**Table III**  
WAGE AND SALARY EARNERS: COMMERCE AND FINANCE

Range	Units			Amounts		
	Number	Percentage	Cumulative percentage	Millions of pesos	Percentage	Cumulative percentage
Up to	15 600					
From 15 601 to	20 800					
From 20 801 to	26 000					
From 26 001 to	32 500					
From 32 501 to	39 000					
From 39 001 to	45 500					
From 45 501 to	52 000	57	0.02	0.02	2.9	0.01
From 52 001 to	65 000	2 340	0.82	0.84	133.1	0.25
From 65 001 to	78 000	22 375	7.84	8.68	1 687.1	3.16
From 78 001 to	104 000	57 480	20.14	28.82	5 380.1	10.09
From 104 001 to	130 000	56 167	19.68	48.50	6 476.0	12.15
From 130 001 to	162 500	48 946	17.15	65.65	7 009.1	13.15
From 162 501 to	260 000	57 563	20.17	85.82	11 627.7	21.80
From 260 001 to	390 000	21 776	7.63	93.45	6 870.3	12.89
From 390 001 to	520 000	8 762	3.07	96.52	4 013.8	7.52
From 520 001 to	800 000	5 423	1.90	98.42	3 341.1	6.27
From 800 001 to	1 200 000	2 169	0.76	99.18	2 197.0	4.12
From 1 200 001 to	2 000 000	1 541	0.54	99.72	2 165.3	4.06
From 2 000 001 to	3 000 000	457	0.16	99.88	998.6	1.87
From 3 000 001 to	5 000 000	342	0.12	100.00	1 400.2	2.63
From 5 000 001 to	10 000 000	2	...		15.0	0.03
Over	10 000 000					100.00
	<b>TOTAL</b>	<b>285 400</b>	<b>100.00</b>		<b>53 317.3</b>	<b>100.00</b>

**Table IIIe**  
WAGE AND SALARY EARNERS: TRANSPORTATION AND COMMUNICATIONS

Range	Units			Amounts		
	Number	Percentage	Cumulative percentage	Millions of pesos	Percentage	Cumulative percentage
Up to	15 600					
From 15 601 to	20 800					
From 20 801 to	26 000					
From 26 001 to	32 500					
From 32 501 to	39 000					
From 39 001 to	45 500					
From 45 501 to	52 000					
From 52 001 to	65 000	3 258	0.78	0.78	189.3	0.36
From 65 001 to	78 000	32 497	7.78	8.56	2 307.3	4.39
From 78 001 to	104 000	138 079	33.06	41.62	12 510.0	23.80
From 104 001 to	130 000	108 059	25.87	67.49	12 459.2	23.70
From 130 001 to	162 500	70 842	16.96	84.45	10 399.6	19.79
From 162 501 to	260 000	52 881	12.66	97.11	10 221.9	19.45
From 260 001 to	390 000	8 730	2.09	99.20	2 728.1	5.19
From 390 001 to	520 000	2 757	0.66	99.86	1 215.0	2.91
From 520 001 to	800 000	501	0.12	99.98	328.9	0.63
From 800 001 to	1 200 000	34	0.01	99.99	34.0	0.06
From 1 200 001 to	2 000 000	30	0.01	100.00	48.0	0.09
From 2 000 001 to	3 000 000	14	—		35.0	0.07
From 3 000 001 to	5 000 000	14	—		56.0	0.10
From 5 000 001 to	10 000 000	4	—		30.0	0.06
Over	10 000 000					100.00
	<b>TOTAL</b>	<b>417 700</b>	<b>100.00</b>		<b>52 562.3</b>	<b>100.00</b>

**Table If****WAGE AND SALARY EARNERS: GOVERNMENT AND OTHER SERVICES (EXCLUDING DOMESTICS)**

Range	Units			Amounts		
	Number	Percentage	Cumulative percentage	Millions of pesos	Percentage	Cumulative percentage
Up to	15 600	316	0.04	0.04	3.4	...
From 15 601 to	20 800	316	0.04	0.08	5.8	0.01
From 20 801 to	26 000	395	0.05	0.13	9.1	0.01
From 26 001 to	32 500	1 344	0.17	0.30	39.1	0.04
From 32 501 to	39 000	3 478	0.44	0.74	124.2	0.12
From 39 001 to	45 500	4 742	0.60	1.34	201.1	0.19
From 45 501 to	52 000	7 588	0.96	2.30	371.1	0.35
From 52 001 to	65 000	42 524	5.38	7.68	2 500.6	2.37
From 65 001 to	78 000	59 280	7.50	15.18	4 214.8	4.00
From 78 001 to	104 000	217 350	27.50	42.68	19 387.6	18.39
From 104 001 to	130 000	193 411	24.47	67.15	22 300.3	21.16
From 130 001 to	162 500	95 401	12.07	79.22	14 043.0	13.32
From 162 501 to	260 000	124 646	15.77	94.99	25 888.9	24.56
From 260 001 to	390 000	26 953	3.41	98.40	8 598.0	8.16
From 390 001 to	520 000	4 505	0.57	98.97	2 047.5	1.94
From 520 001 to	800 000	6 718	0.85	99.82	3 928.7	3.73
From 800 001 to	1 200 000	948	0.12	99.94	898.5	0.85
From 1 200 001 to	2 000 000	395	0.05	99.99	566.8	0.54
From 2 000 001 to	3 000 000	58	0.01	100.00	140.9	0.13
From 3 000 001 to	5 000 000	32	...		135.2	0.13
From 5 000 001 to	10 000 000					100.00
Over	10 000 000					
	TOTAL	790 400	100.00		105 404.4	100.00

**Table Ig****WAGE AND SALARY EARNERS: DOMESTIC SERVICE**

Range	Units			Amounts		
	Number	Percentage	Cumulative percentage	Millions of pesos	Percentage	Cumulative percentage
Up to	15 600					
From 15 601 to	20 800					
From 20 801 to	26 000					
From 26 001 to	32 500	612	1.15	1.15	18.8	0.60
From 32 501 to	39 000	1 357	2.55	3.70	56.1	1.60
From 39 001 to	45 500	4 389	8.25	11.95	186.5	5.95
From 45 501 to	52 000	7 826	14.71	26.66	368.6	11.75
From 52 001 to	65 000	28 094	52.81	79.47	1 615.4	51.51
From 65 001 to	78 000	6 437	12.10	91.57	468.2	14.67
From 78 001 to	104 000	3 394	6.38	97.95	308.9	9.85
From 104 001 to	130 000	1 091	2.05	100.00	127.6	4.07
From 130 001 to	162 500					
From 162 501 to	260 000					
From 260 001 to	390 000					
From 390 001 to	520 000					
From 520 001 to	800 000					
From 800 001 to	1 200 000					
From 1 200 001 to	2 000 000					
From 2 000 001 to	3 000 000					
From 3 000 001 to	5 000 000					
From 5 000 001 to	10 000 000					
Over	10 000 000					
	TOTAL	53 200	100.00		3 136.1	100.00

**Table III**  
**ARGENTINA: DISTRIBUTION OF PERSONAL INCOME, BY FAMILY, 1961**  
*Summary, self-employed*

Range	Units			Amounts			
	Number	Percentage	Cumulative percentage	Millions of pesos	Percentage	Cumulative percentage	
Up to	15 600	1 847	0.11	0.11	20.4	0.0	0.0
From 15 601 to	20 800	10 585	0.65	0.76	198.4	0.04	0.04
From 20 801 to	26 000	16 099	0.99	1.75	388.5	0.09	0.13
From 26 001 to	32 500	20 336	1.25	3.00	608.0	0.14	0.27
From 32 501 to	39 000	29 295	1.80	4.80	1 042.9	0.24	0.51
From 39 001 to	45 500	40 208	2.48	7.28	1 759.3	0.41	0.92
From 45 501 to	52 000	32 726	2.02	9.30	1 608.3	0.37	1.29
From 52 001 to	65 000	58 304	3.60	12.90	3 490.3	0.81	2.10
From 65 001 to	78 000	106 011	6.54	19.44	7 870.3	1.84	3.94
From 78 001 to	104 000	235 196	14.53	33.97	22 501.9	5.27	9.21
From 104 001 to	130 000	223 705	13.82	47.79	27 048.4	6.33	15.54
From 130 001 to	162 500	210 440	13.00	60.79	31 080.6	7.28	22.82
From 162 501 to	260 000	256 020	15.81	76.60	54 458.5	12.75	35.57
From 260 001 to	390 000	150 206	9.27	85.87	47 987.0	11.24	46.81
From 390 001 to	520 000	73 096	4.51	90.38	31 941.8	7.48	54.29
From 520 001 to	800 000	76 381	4.71	95.09	49 474.3	11.58	65.87
From 800 001 to	1 200 000	37 246	2.30	97.39	37 415.1	8.76	74.63
From 1 200 001 to	2 000 000	24 809	1.63	99.02	38 683.4	9.06	83.69
From 2 000 001 to	3 000 000	7 845	0.48	99.50	19 669.0	4.60	88.29
From 3 000 001 to	5 000 000	5 297	0.33	99.83	20 418.7	4.78	93.07
From 5 000 001 to	10 000 000	2 029	0.12	99.95	13 649.0	3.29	96.36
Over	10 000 000	919	0.05	100.00	15 576.2	3.64	100.00
TOTAL		1 618 600	100.00		426 890.3	100.00	

SOURCE: CONADE/ECLA study of income distribution in Argentina.

**Table IIIa**  
**SELF-EMPLOYED: AGRICULTURE AND FISHING**

Range	Units			Amounts			
	Number	Percentage	Cumulative percentage	Millions of pesos	Percentage	Cumulative percentage	
Up to	15 600	—	—	—	—	—	
From 15 601 to	20 800	5,466	1.15	1.15	101.7	0.11	0.11
From 20 801 to	26 000	8 460	1.78	2.93	208.1	0.23	0.34
From 26 001 to	32 500	12 643	2.66	5.59	373.0	0.41	0.75
From 32 501 to	39 000	14 402	3.03	8.62	501.2	0.55	1.30
From 39 001 to	45 500	23 860	5.02	13.64	1 040.3	1.15	2.45
From 45 501 to	52 000	19 535	4.11	17.75	945.5	1.04	3.49
From 52 001 to	65 000	42 539	8.95	26.70	2 531.1	2.80	6.29
From 65 001 to	78 000	42 634	8.97	35.67	3 257.2	3.60	9.89
From 78 001 to	104 000	52 473	11.04	46.71	4 790.8	5.29	15.18
From 104 001 to	130 000	71 201	14.98	61.69	8 707.9	9.62	24.80
From 130 001 to	162 500	53 471	14.25	72.94	8 213.1	9.07	33.87
From 162 501 to	260 000	62 312	13.11	86.05	13,671.3	15.10	48.97
From 260 001 to	390 000	31 227	6.57	92.62	9 808.4	10.83	59.80
From 390 001 to	520 000	7 652	1.61	94.23	3 151.9	3.49	63.29
From 520 001 to	800 000	13 118	12.76	96.99	7 532.4	8.32	71.61
From 800 001 to	1 200 000	5 751	1.21	98.20	5 947.7	6.57	78.18
From 1 200 001 to	2 000 000	4 610	0.97	99.17	6 740.3	7.44	85.62
From 2 000 001 to	3 000 000	2 139	0.45	99.62	5 169.1	5.71	91.33
From 3 000 001 to	5 000 000	1 426	0.30	99.92	5 219.7	5.77	97.10
From 5 000 001 to	10 000 000	333	0.07	99.99	2 030.0	2.24	99.34
Over	10 000 000	48	0.01	100.00	600.0	0.66	100.00
TOTAL		475 300	100.00		90 540.7	100.00	

**Table IIIb**  
SELF-EMPLOYED: INDUSTRY, CONSTRUCTION AND MINING

Range	Units			Amounts			
	Number	Percentage	Cumulative percentage	Millions of pesos	Percentage	Cumulative percentage	
Up to	15 600	1 787	0.73	0.73	19.7	0.02	0.02
From 15 601 to	20 800	5 018	2.05	2.78	94.8	0.10	0.12
From 20 801 to	26 000	6 512	2.66	5.44	153.7	0.16	0.28
From 26 001 to	32 500	6 144	2.51	7.95	186.2	0.19	0.47
From 32 501 to	39 000	11 212	4.58	12.53	409.2	0.42	0.89
From 39 001 to	45 500	12 387	5.06	17.59	540.1	0.55	1.44
From 45 501 to	52 000	6 659	2.72	20.31	336.3	0.34	1.78
From 52 001 to	65 000	2 399	0.98	21.29	148.5	1.15	1.93
From 65 001 to	78 000	21 028	8.59	29.88	1 579.2	1.62	3.55
From 78 001 to	104 000	33 513	13.69	43.57	3 237.2	3.32	6.87
From 104 001 to	130 000	12 093	4.94	48.51	1 470.5	1.50	8.37
From 130 001 to	162 500	16 744	6.84	55.35	2 533.4	2.60	10.97
From 162 501 to	260 000	32 634	13.35	68.70	7 404.7	7.59	18.56
From 260 001 to	390 000	21 224	8.67	77.37	6 604.9	6.77	25.33
From 390 001 to	520 000	13 660	5.58	82.95	5 995.4	6.14	31.47
From 520 001 to	800 000	16 157	6.60	89.55	10 437.4	10.70	42.17
From 800 001 to	1 200 000	10 747	4.39	93.94	10 449.3	10.70	52.87
From 1 200 001 to	2 000 000	8 127	3.32	97.26	12 449.3	12.76	65.63
From 2 000 001 to	3 000 000	2 840	1.16	98.42	6 924.2	7.10	72.73
From 3 000 001 to	5 000 000	2 252	0.92	99.34	8 141.8	8.34	81.07
From 5 000 001 to	10 000 000	1 029	0.41	99.75	6 935.5	7.11	88.18
Over	10 000 000	634	0.25	100.00	4 531.1	11.82	100.00
TOTAL		244 800	100.00		97 582.9	100.00	

**Table IIIc**  
SELF-EMPLOYED: COMMERCE

Range	Units			Amounts			
	Number	Percentage	Cumulative percentage	Millions of pesos	Percentage	Cumulative percentage	
Up to	15 600						
From 15 601 to	20 800						
From 20 801 to	26 000						
From 26 001 to	32 500						
From 32 501 to	39 000						
From 39 001 to	45 500						
From 45 501 to	52 000	68	0.02	0.02	3.5	—	...
From 52 001 to	65 000	304	0.09	0.11	18.3	0.02	0.02
From 65 001 to	78 000	2 467	0.73	0.84	179.6	0.16	0.18
From 78 001 to	104 000	59 910	17.73	18.57	6 080.9	5.39	5.57
From 104 001 to	130 000	57 544	17.03	35.60	6 778.7	6.02	11.59
From 130 001 to	162 500	64 550	19.10	54.70	9 805.1	8.69	20.28
From 162 501 to	260 000	57 004	16.87	71.57	11 355.2	10.07	30.35
From 260 001 to	390 000	24 869	7.36	78.93	8 249.0	7.31	37.66
From 390 001 to	520 000	20 206	5.98	84.91	9 409.9	8.34	46.00
From 520 001 to	800 000	25 140	7.44	92.35	16 989.6	15.06	61.06
From 800 001 to	1 200 000	14 360	4.25	96.60	14 708.9	13.04	74.10
From 1 200 001 to	2 000 000	7 670	2.26	98.86	12 498.3	11.08	85.18
From 2 000 001 to	3 000 000	1 960	0.58	99.44	5 329.2	4.72	89.90
From 3 000 001 to	5 000 000	1 172	0.36	99.80	5 297.4	4.70	94.60
From 5 000 001 to	10 000 000	489	0.14	99.94	3 410.7	3.02	97.62
Over	10 000 000	187	0.06	100.00	2 680.0	2.38	100.00
TOTAL		337 900	100.00		112 794.3	100.00	

Table IIIa  
SELF-EMPLOYED: TRANSPORT AND STORAGE

Range	Units			Amounts			
	Number	Percentage	Cumulative percentage	Millions of pesos	Percentage	Cumulative percentage	
Up to	15 600						
From 15 601 to	20 800						
From 20 801 to	26 000						
From 26 001 to	32 500						
From 32 501 to	39 000						
From 39 001 to	45 000						
From 45 001 to	52 000						
From 52 001 to	65 000	174	0.24	0.24	10.6	0.04	0.04
From 65 001 to	78 000	276	0.38	0.62	20.3	0.08	0.12
From 78 001 to	104 000	1 407	1.94	2.56	129.9	0.51	0.63
From 104 001 to	130 000	4 285	5.91	8.47	509.5	2.00	2.63
From 130 001 to	162 500	6 322	8.72	17.19	940.1	3.69	6.32
From 162 501 to	260 000	19 582	27.02	44.21	4 206.2	16.53	22.85
From 260 001 to	390 000	21 357	29.45	73.66	7 058.5	27.74	50.59
From 390 001 to	520 000	9 251	12.76	86.42	4 277.7	16.81	67.40
From 520 001 to	800 000	7 352	10.14	96.56	4 933.9	19.39	86.79
From 800 001 to	1 200 000	1 660	2.29	98.85	1 686.7	6.63	93.42
From 1 200 001 to	2 000 000	660	0.91	99.76	1 073.4	4.22	97.64
From 2 000 001 to	3 000 000	116	0.16	99.92	293.1	1.15	98.79
From 3 000 001 to	5 000 000	36	0.05	99.97	141.0	0.55	99.34
From 5 000 001 to	10 000 000	22	0.03	100.00	168.2	0.66	100.00
Over	10 000 000						
	TOTAL	72 500	100.00		25 449.1	100.00	

Table IIIb  
SELF-EMPLOYED: SERVICES

Range	Units			Amounts			
	Number	Percentage	Cumulative percentage	Millions of pesos	Percentage	Cumulative percentage	
Up to	15 600	60	0.06	0.06	0.7	0.01	0.01
From 15 601 to	20 800	101	0.10	0.16	1.9	0.01	0.02
From 20 801 to	26 000	1 127	1.12	1.28	26.7	0.20	0.22
From 26 001 to	32 500	1 549	1.54	2.82	48.8	0.36	0.58
From 32 501 to	39 000	3 642	3.62	6.44	131.1	0.97	1.55
From 39 001 to	45 500	3 883	3.86	10.30	175.5	1.30	2.85
From 45 501 to	52 000	6 348	6.31	16.61	317.4	2.35	5.20
From 52 001 to	65 000	10 020	9.96	26.57	611.2	4.53	9.73
From 65 001 to	78 000	17 223	17.12	43.69	1 231.4	9.10	18.83
From 78 001 to	104 000	19 979	19.86	63.55	1 818.1	13.46	32.29
From 104 001 to	130 000	11 971	11.90	75.45	1 388.6	10.28	42.57
From 130 001 to	162 500	12 042	11.97	87.42	1 754.5	12.99	55.56
From 162 501 to	260 000	5 925	5.89	93.31	1 236.5	9.15	64.71
From 260 001 to	390 000	2 123	2.11	95.42	653.9	4.84	69.55
From 390 001 to	520 000	2 123	2.11	97.53	930.3	6.89	76.44
From 520 001 to	800 000	1 036	1.03	98.56	663.0	4.90	81.34
From 800 001 to	1 200 000	775	0.77	99.33	673.5	4.98	86.32
From 1 200 001 to	2 000 000	332	0.33	99.66	465.6	3.45	89.77
From 2 000 001 to	3 000 000	170	0.17	99.83	403.4	2.99	92.76
From 3 000 001 to	5 000 000	101	0.10	99.93	378.8	2.80	95.56
From 5 000 001 to	10 000 000	40	0.04	99.97	234.6	1.74	97.30
Over	10 000 000	30	0.03	100.00	365.1	2.70	100.00
	TOTAL	100 600	100.00		13 510.6	100.00	

**Table III**  
SELF-EMPLOYED: PROFESSIONAL SERVICES AND OTHERS

Range	Units			Amounts		
	Number	Percentage	Cumulative percentage	Millions of pesos	Percentage	Cumulative percentage
Up to	15 600					
From 15 601 to	20 800					
From 20 801 to	26 000					
From 26 001 to	32 500					
From 32 501 to	39 000	39	0.01	0.01	1.4	...
From 39 001 to	45 500	78	0.02	0.03	3.4	...
From 45 501 to	52 000	116	0.03	0.06	5.6	0.01
From 52 001 to	65 000	2 868	0.74	0.80	170.6	0.20
From 65 001 to	78 000	22 383	5.78	6.58	1 602.6	1.84
From 78 001 to	104 000	67 914	17.53	24.11	6 445.0	7.40
From 104 001 to	130 000	66 611	17.19	41.30	8 193.2	9.42
From 130 001 to	162 500	57 311	14.79	56.09	7 834.4	9.00
From 162 501 to	260 000	78 563	20.27	76.36	16 584.6	19.06
From 260 001 to	390 000	49 406	12.75	89.11	15 612.3	17.94
From 390 001 to	520 000	20 204	5.21	94.32	8 176.6	9.40
From 520 001 to	800 000	13 578	3.50	97.82	8 918.0	10.25
From 800 001 to	1 200 000	3 953	1.02	98.84	3 949.0	4.54
From 1 200 001 to	2 000 000	3 410	0.88	99.72	5 456.0	6.27
From 2 000 001 to	3 000 000	6 211	0.16	99.88	1 550.0	1.78
From 3 000 001 to	5 000 000	310	0.08	99.96	1 240.0	1.43
From 5 000 001 to	10 000 000	116	0.03	99.99	870.0	1.00
Over	10 000 000	20	0.01	100.00	400.0	0.46
<b>TOTAL</b>		<b>387 500</b>	<b>100.00</b>		<b>87 012.7</b>	<b>100.00</b>

**Table IV**  
ARGENTINA: DISTRIBUTION OF PERSONAL INCOME, BY FAMILY, 1961  
*Recipients of property income*

Range	Units			Amounts		
	Number	Percentage	Cumulative percentage	Millions of pesos	Percentage	Cumulative percentage
Up to	15 600					
From 15 601 to	20 800					
From 20 801 to	26 000					
From 26 001 to	32 500					
From 32 501 to	39 000					
From 39 001 to	45 500					
From 45 501 to	52 000	15	0.06	0.06	0.7	
From 52 001 to	65 000	56	0.22	0.28	3.3	0.02
From 65 001 to	78 000	61	0.24	0.52	4.4	1.03
From 78 001 to	104 000	607	2.39	2.91	55.2	1.34
From 104 001 to	130 000	1 140	4.49	7.40	133.4	0.83
From 130 001 to	162 500	1 247	4.91	12.31	182.4	1.14
From 162 501 to	260 000	5 956	23.45	35.76	1 257.9	7.85
From 260 001 to	390 000	5 975	23.52	59.28	1 941.3	12.12
From 390 001 to	520 000	2 936	11.56	70.84	1 335.9	8.34
From 520 001 to	800 000	3 112	12.25	83.09	2 053.9	12.82
From 800 001 to	1 200 000	1 666	6.56	89.65	1 666.0	10.40
From 1 200 001 to	2 000 000	1 334	5.25	94.90	2 134.4	13.32
From 2 000 001 to	3 000 000	696	2.74	97.64	1 740.0	10.86
From 3 000 001 to	5 000 000	404	1.59	99.23	1 616.0	10.09
From 5 000 001 to	10 000 000	137	0.54	99.77	1 027.5	6.41
Over	10 000 000	58	0.23	100.00	870.0	5.43
<b>TOTAL</b>		<b>25 400</b>	<b>100.00</b>		<b>16 022.3</b>	<b>100.00</b>

SOURCE: CONADE/ECLA study of income distribution in Argentina.



**Table V**  
**ARGENTINA: DISTRIBUTION OF PERSONAL INCOME, BY FAMILY, 1961**  
*Retired persons*

<i>Range</i>	<i>Units</i>			<i>Amounts</i>		
	<i>Number</i>	<i>Percentage</i>	<i>Cumulative percentage</i>	<i>Millions of pesos</i>	<i>Percentage</i>	<i>Cumulative percentage</i>
Up to	15 600					
From 15 601 to	20 800					
From 20 801 to	26 000	198	0.05	0.05	4.6	0.01
From 26 001 to	32 500	198	0.05	0.10	5.9	0.01
From 32 501 to	39 000	1 027	0.26	0.36	38.4	1.08
From 39 001 to	45 500	3 319	0.84	1.20	141.1	0.32
From 45 501 to	52 000	5 927	1.50	2.70	289.8	0.64
From 52 001 to	65 000	53 813	13.62	16.32	3 148.1	6.94
From 65 001 to	78 000	69 854	17.68	34.00	5 008.5	11.05
From 78 001 to	104 000	100 371	25.41	59.41	8 933.0	19.70
From 104 001 to	130 000	46 108	11.67	71.08	5 311.6	11.72
From 130 001 to	162 500	48 439	12.26	83.34	7 086.6	15.63
From 162 501 to	260 000	50 059	12.67	96.01	9 871.6	21.78
From 260 001 to	390 000	12 248	3.10	99.11	3 837.3	8.46
From 390 001 to	520 000	2 845	0.72	99.83	1 258.9	2.78
From 520 001 to	800 000	672	0.17	100.00	379.1	0.84
From 800 001 to	1 200 000	22	—		19.8	0.04
From 1 200 001 to	2 000 000					
From 2 000 001 to	3 000 000					
From 3 000 001 to	5 000 000					
From 5 000 001 to	10 000 000					
Over	10 000 000					
TOTAL		395 100	100.00		45 334.3	100.00

SOURCE: CONADE/ECLA study of income distribution in Argentina.

## RECENT ECLA ACTIVITIES

### I

#### CONFERENCE ON THE APPLICATION OF SCIENCE AND TECHNOLOGY TO THE DEVELOPMENT OF LATIN AMERICA<sup>1</sup>

*(Santiago, Chile, 13 to 22 December 1965)*

In accordance with resolution 2311, adopted by the General Conference of the United Nations Educational, Scientific and Cultural Organization (UNESCO) at its thirteenth session, the Director-General of UNESCO, in co-operation with the Economic Commission for Latin America (ECLA) and in consultation with the other specialized agencies of the United Nations and with Latin American organizations, convened the Conference on the Application of Science and Technology to the Development of Latin America, at Santiago, Chile, from 13 to 22 December 1965. The Conference was attended by delegations from Argentina, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru, the United States of America, Uruguay and Venezuela, and by observers from Canada, the Holy See, Israel and the Union of Soviet Socialist Republics. Others represented at the Conference included the United Nations, ECLA, the International Labour Organisation (ILO), the Food and Agriculture Organization of the United Nations (FAO), the World Health Organization (WHO), the World Meteorological Organization (WMO), the United Nations Technical Assistance Board and the Special Fund, the United Nations Conference on Trade and Development (UNCTAD), the Organization of American States (OAS), the Inter-American Development Bank (IDB), the Organisation for Economic Co-operation and Development (OECD), the Permanent Secretariat of the General Treaty on Central American Economic Integration (SIECA) and a number of non-governmental organizations.

At the inaugural meeting speeches were made by His Excellency Mr. Eduardo Frei, President of Chile; His Excellency Mr. Juan Gómez Millas, Minister of Education of Chile; Mr. Manuel Balboa, Acting Executive Secretary of ECLA,

and Mr. Malcolm S. Adiseshiah, Deputy Director-General, UNESCO. At the closing meeting there were further speeches by Mr. Gómez Millas and Mr. Balboa, and a speech by Professor A. Matveyev, Assistant Director-General for Science, UNESCO. The Chairman of the Conference was Mr. Juan Gómez Millas (Chile), the Vice-Chairmen were Mr. José Salvador Gandolfo (Argentina), Mr. Victor Bravo Ahuja (Mexico), and Mr. Roberto Solorzano Marin (Nicaragua), and the Rapporteur was Mr. Oswaldo Proaño (Ecuador).

In view of the great range of problems to which science and technology can be applied in relation to economic and social development, the Conference concentrated mainly on natural resources and their utilization, human resources and training of scientific and technical personnel, the application of science and technology to the industrial development of Latin America, and scientific and technological policies and instruments for their realization. These questions were discussed by four special committees set up for this purpose.

As a result of the discussions of the four committees, a number of recommendations were approved, and were subsequently ratified by the Conference. Their text is given below.

#### FUNDAMENTAL IDEAS ON THE APPLICATION OF SCIENCE AND TECHNOLOGY IN LATIN AMERICA

Among the great regions of the world, Latin America has one of the highest birth rates. The increase in population should therefore be paralleled by a high development policy, so as to avoid the impoverishment resulting from the stagnation of resources and productivity revealed in the statistics of the last few years.

Consequently, this state of affairs must be modified by a drastic activation of the economy. Modern forms of progress are closely linked to the application of scientific knowledge, basic and applied research, and technical transformation of rural and industrial activities, in order

<sup>1</sup> See the report of the conference (UNESCO/CASTALA/L.I.).

to obtain a greater output of processed materials from natural resources, and so raise the prospects of domestic and foreign markets.

With the object of improving teaching and training programmes and also promote the expansion of these countries in the near future, the attention of Governments is drawn in particular to certain fundamental concepts:

#### I. *The place of science and technology in modern society*

Science and technology in modern society have become a productive force. The following conclusions may be drawn from this fact:

(i) The application of science and technology to development must be considered as part of the general problem of development.

(ii) Science and technology become one of the most important preoccupations of Governments.

(iii) Investment in science and technology should be considered as productive investment.

(iv) The status of scientists and engineers deserves serious attention.

(v) The importance of creating the right image of science and technology and its role in the minds of politicians, administrators, businessmen and the general public.

#### II. *Inter-relation between science and technology, and education and training*

(i) The importance of education for the development of science and technology. This close connexion goes as deeply as into problems of illiteracy.

(ii) When planning development of education it is necessary to foresee the creation of facilities for the employment of educated people.

(iii) The content of technical education is defined by the requirements of science and technology.

(iv) Science penetrates the humanistic content of education.

(v) The role of universities in technological and scientific research in Latin America should be increased.

#### III. *Relation between applied research and fundamental research*

It is impossible to achieve the aims of the application of science and technology to development without proper attention to the development of fundamental research.

#### IV. *Priority activities in the field of science and technology and technological training*

(i) Education and training of scientists, engineers and technicians.

(ii) Natural resources research and use of natural resources.

(iii) Science policy problems.

(iv) Statistics and information.

(v) Study of existing technology and its adaptation to local conditions.

(vi) Standardization work of all kinds.

(vii) Agricultural education.

#### V. *International and regional co-operation*

Problems of exchange of experience, the rational use of existing resources, the utilization of local experts and problems of regional institutions.

#### NATURAL RESOURCES AND THEIR UTILIZATION

It is recommended:

##### *Collection and assembling of data*

1. That States with sovereignty over the great regions of Latin America from the standpoint of ecological differentiation—such as the Andean region, the dry tropical region and the humid tropical region—employ with top priority the necessary means for studying their natural resources, enlisting the co-operation of such regional and international scientific, technical and financial institutions as they may wish to call upon for this purpose.

2. That States draw up qualitative and quantitative inventories of their own natural resources as soon as possible and promptly remit the corresponding reports to UNESCO so that the latter circulate them in turn to the international sponsors and to the member states with a view to enabling the latter to make use of these data in planning their agricultural, forestry, industrial and commercial development, as well as in planning their scientific and technological development, and as a basis for discussion and agreements at future international conferences such as the present one.

3. That the Governments of the Latin American States should pay special attention to the need to assess marine resources, and to that end deems it advisable:

(a) As an immediate measure, to initiate or intensify direct and expeditious prospection programmes based on the use of ultrasonic devices;

(b) At the same time, to improve the fishery statistics services, recording not only the catches of each species but also the effort employed in making them;

(c) As an immediate measure, to improve or set up, as the case may be, biostatistical services

in connexion with the unloading of catches, with a view to providing the appropriate machinery for assessing the effects of exploitation on the dynamics of resources;

(d) To improve or create services to study the chemical composition and nutritive value of the various components of marine resources with a view to determining their correct treatment for marketing purposes and also promoting the development of new consumer products.

(e) To investigate the influence of meteorological conditions, and especially solar radiation and other natural conditions, on the periodical but irregular migrations of various species of fish along the coasts of the Andean countries.

4. That the utmost support be given to the activities of the Member States of UNESCO within the framework of the International Hydrological Decade, and that action be taken to intensify hydrological studies, together with steps to set up National Committees for the International Hydrological Decade, where they do not yet exist.

5. That the countries of Latin America co-ordinate their efforts in preparing a cartographic plan that is uniform in quality and scope and meets the requirements as regards the various natural resources; that this task be given high priority; and that a centre for cartographic documentation and aerial photographic material be established that would permit the supply of up-to-date information in this connexion.

6. That the Latin American States:

(a) Give top priority in the field of geological activity to intermediate-scale geological surveying of their territories, using the most advanced methods existing at the present time;

(b) Make large-scale geological surveys of high priority regions selected in view of the fact that they may contain mineral deposits or important water resources, or need to be surveyed for the purpose of special development projects.

7. That the Latin American States prepare their maps of the present and potential use of the soil, specifying therein, on the basis of studies of the environment, which crops are to be recommended for each ecological unit; in this way, it will be possible to regulate the establishment of an economically sound agriculture, or the use of the land for other, non-agricultural, purposes, for in each case the plants would be cultivated in the most efficient manner.

8. That the Latin American countries establish the necessary legislation to require private undertakings to furnish government bodies with all geological information obtained in prospec-

tion and exploration work, and all other information relating to natural resources.

#### *Institutes*

9. UNESCO invite Member States to make a list of their institutes and organizations at present working in the field of natural resources, with a brief description of their functions, achievements and technical staff and equipment. In the light of a study of this information, UNESCO should give advice on the course of action to be taken.

10. Countries which do not possess the necessary institutes for research on natural resources or in which it would not be possible at the present time to set up an institute to deal with a given specific subject, might for the time being make use of well-developed institutes in some other country of the region. This institute would thus provisionally act as a regional centre, until such time as the country or countries in question were able to set up their own research bodies. All this would be without prejudice to studying the possibility of setting up regional institutes for research in specific problems relating to the areas for which they were set up.

11. The countries of the region arrange to create fully co-ordinated systems or networks of forestry experimentation centres for studying rapid-growing species in relation to their ecological adaptation and to carry out surveys on volumetric growth. These centres might also serve to investigate the ordered management of natural spontaneous forest areas, according to species, having good technological and forestry characteristics.

#### *Collaboration between organs*

12. Countries in which the organization of the political and administrative institutions makes it possible, and in which it is advisable, group together, into a single state body at the highest governmental level, all the state agencies concerned with the research, evaluation, conservation and/or planning of the utilization of one or more natural resources.

The body, the establishment of which is proposed in the preceding articles, be charged to formulate and carry out government policy in the matter of natural resources (inventory, conservation, evaluation and planning of utilization).

#### *Staff*

13. Member States:

(a) Should organize centres for the training of intermediate-level technical experts;

(b) Should organize regional, national and/or international centres for graduates;

(c) Should encourage the training of technical experts and research workers at all levels, and especially intermediate levels, by means of instruction provided at workplaces and/or research centres;

(d) Organize special intensive courses for the further training of existing technical staff;

(e) Ensure that technical assistance contributes effectively to the training of technical experts at the national level.

14. In all the Latin American States, instruction concerning the conservation of the soil and other natural resources as an economic objective essential to the welfare of the community, be included as a subject at the various educational levels.

In the Latin American States, in addition to the entities responsible for matters relating to natural resources, associations be created, if they do not already exist, their purpose to be not only to contribute to assisting in studying the conservation of such resources, but also to serve as means of publicity, enabling the people to become aware of the importance of these resources for their own welfare and so encourage their conservation. These associations should be affiliated or maintain close relations with international organizations devoted to the conservation of natural resources, because of the valuable co-operation the latter are in a position to provide, both in the form of information and of technical assistance.

The States of the region promote the legislation necessary for the establishment of conservation measures appropriate to the importance of the problem.

15. There be organized in each country an intensive campaign of erosion control, to be developed through the large-scale use of communication media such as the radio, television, the Press, posters, etc., schools and other agencies capable of educating the public, especially farmers and peasants, in elementary measures of soil protection such as the maintenance and extension of wooded areas, reforestation, contour ploughing, terracing, etc., and the establishment of government services for the recovery and improvement of land ravaged by erosion, salinification, lowering of the water table, etc.

16. There be held, in Latin America, a Symposium on the Conservation of Nature and Natural Resources, similar to those held by the Commission for Technical Co-operation in Asia and the International Union for the Conservation of Nature and Natural Resources, under

the auspices of UNESCO and FAO in Arusha, Tanganyika, in September 1961.

The symposium might be organized in three stages (three years):

(1) The sending of highly qualified specialists to the various Latin American countries with a view to promoting interest and participation in the symposium;

(2) The holding of a symposium to discuss the present situation and suggest future measures for the conservation of nature and natural resources;

(3) A meeting of one or two representatives from each country with a view to complementing the decisions approved during the second stage.

17. The countries of the region be recommended to establish reserves of natural resources in each large ecological unit in their countries. In doing so, they should give top priority to the idea of preserving a sample to serve in making basic qualitative and quantitative studies of the general relationship between living beings and their physical environment.

#### HUMAN RESOURCES AND TRAINING OF SCIENTIFIC AND TECHNICAL PERSONNEL

It is recommended that:

##### *Technological level in the main branches of industry in Latin America*

1. The training of engineers and professional workers in the applied sciences includes, in addition to the necessary technical training, instructional guidance concerning the economic and social responsibility involved in the exercise of their functions, in order to produce personnel capable of directing the technological process.

2. In the universities and technological institutes, systems of research and development be promoted, by means of pilot units dealing not only with the technical but also with the economic aspects involved in any process of industrial transformation.

3. (a) Steps be taken to organize or intensify, as the case may be, the advanced training of entrepreneurial managers and technical experts, both in the universities and in undertakings;

(b) The curriculum of engineering studies include the subjects directly related to economic development and courses for graduates be organized giving importance to economic engineering subjects.

##### *Selection of techniques and their adaptation to local conditions*

4. (a) That for each country the most suitable technology be adopted for increasing pro-

ductivity, reducing costs and improving quality by the technical organization of labour designed to create the most adequate relationship between man and the machine.

(b) That the Governments continuously regulate the employment pattern of the working population by means of new activities.

(c) That since engineers and the specialists in the applied sciences are the motive force for social-economic development, they should be educated to realize that they are fulfilling the high social function of enhancing the status of dignity of the man of the Americas.

5. The Governments of the Latin American countries give priority to the development of plans and projects destined to make available, within a short time, efficient electrical supply services in the rural areas. To this end the methods of financing most suitable to each particular case should be studied and organized.

6. Governments encourage the utilization and supply of electrical power and the construction of additional installations, in order that the resulting development may encourage industrial decentralization.

*Local technological integration and technical contributions from abroad as instruments for the introduction of modern technologies in industry in the region*

7. The creation of technical research institutes be encouraged and the existing ones promote their close co-operation with the universities with a view to stimulating the study of natural resources and developing research on relevant technological processes, as well as basic studies on standardization.

8. Efforts tending to the national industrialization of raw materials be intensified. In some cases this process should be done by stages, beginning with intermediate industrialization and ending with the full utilization of the raw materials in the elaboration of manufactured products.

9. Technical research institutes be organized administratively on an independent or autonomous basis, or in the form of foundations, or in the most convenient way, in close relation with the universities, thus affording them greater freedom in the choice of their technical staff, and the determination of their system of work and a wages policy for research best suited to the institute.

10. That suitable facilities be established for technological research institutes to enable them to receive research workers and exchange information with other institutes in the region,

for purposes of training, refresher courses and specialization.

*Role of regional co-operation in raising the technological level of Latin American industry*

11. Each country in Latin America promote the development of techniques relating to the utilization and integral industrialization of food products, beginning with those relating to the fertility of the soil, up to the commercialization and adequate employment of the finished products, endeavouring to achieve, in the process, complementation between the countries of the region.

12. At the regional level, international agencies and the Governments of the member countries intensify the organization of conferences, commissions and agencies for the study of those economic sectors which might benefit from technological exchange, and to help promote greater co-operation between the industries of the region.

13. International organizations having responsibility for economic and social development promote technical co-operation with national and regional bodies dealing with these problems.

14. That a list of Latin American scientists and technologists be drawn up, with the additional use of the information possessed by Pan-American professional bodies with the specific purpose of improving the selection of Latin American experts by Governments and international organizations providing technical and/or financial assistance for the study of the problems of the region.

*Latin American Centre for the Application of Science and Technology to Development*

15. A centre be organized with the professional staff necessary for carrying out studies on the problems indicated below.

In order to stress its Latin American character, consideration should be given to the creation of an Advisory Committee composed of personalities representative of the various countries and the various activities connected with the aims of the Centre and belonging to the region.

16. The Centre should approach the consideration of problems arising from the application of science and technology to the development of the region. In its activity it should not neglect the repercussion of its recommendations on the social and economic field and to that end should co-ordinate its action with other specialized organs in the region.

17. That the work of the centre should be organized with the following ends in view:

#### A. Study

(a) To identify the major technological problems that hamper development, in accordance with the need of finding technical solutions to fit the specific characteristics of the area.

(b) To evaluate the work that is actually carried out by the various scientific organizations in the region, from the point of view of a solution to the technological problems affecting development.

(c) To analyse the existing technical teaching systems, bearing local conditions in mind and formulating recommendations on how to improve the systems of teaching in Latin American countries.

(d) To study the measures enabling national and international resources to be channelled to the technological development of the region.

#### B. Information

Information services should be organized with the following main objectives:

(a) To compile inventories of qualified personnel in the fields of applied sciences and technologies within the area.

(b) To compile inventories of the training and applied research establishments in the region.

(c) To collect and distribute technological information.

(d) To organize a Documentation Service specializing in the field of activities of the Centre.

#### C. Promotion

(a) To make recommendation to the Governments, universities and institutes of the Latin American countries and to the regional organizations, with the intent that they consider the influence of the development of Latin America as a whole in framing their scientific policy.

(b) To seek co-ordination of the efforts of technological research institutes in the region with the object for avoiding the overlapping of work.

(c) To further applied scientific and technological research projects of a regional nature.

(d) To organize regional courses for graduates in the various fields of technology and the applied sciences.

(e) To administer a programme of fellowships.

(f) To organize the exchange of research workers and professors, both among the countries of the region and with other countries.

(g) To organize regional courses on subjects which, though new to the region, are important for it.

(h) To promote the translation and publication of textbooks and books of other kinds on such subjects as may be considered necessary.

(i) To encourage constant contacts between universities, technical institutes and other technical training institutes, and between them and industry in the region.

(j) To promote the organization of information services in the countries of the region.

(k) To organize the exchange of information and experiences among the different information services in the region.

(l) To organize activities likely to facilitate the publication and distribution of technological material in the region.

#### SCIENTIFIC AND TECHNOLOGICAL POLICIES AND INSTRUMENTS FOR THEIR REALIZATION

It is recommended that:

##### *National science policy and economic and social development*

1. Each Latin American country define and adopt a science policy, on the basis of an analysis of its economic and scientific situation, with a view to promoting the rapid expansion of the scientific and technological research essential to the achievement of sound and continuous economic and social development and to the solution of the serious and pressing problems affecting the region.

2. To that end, national bodies should be established consisting of scientists and technologists representing research institutions (Research Council, universities, academies, governmental technical institutes and agencies) which, attached to the Government and in close contact with the bodies responsible for drawing up economic development plans, would make it possible to direct scientific and technological development, establishing priorities, providing the appropriate resources and integrating such development with government action so that its influence is reflected in all the relevant decisions of the various ministries or departments.

3. To enable them to operate effectively, steps be taken to organize or carry out the necessary basic studies and the systematic and up-to-date compilation of data and information concerning national scientific activity and the human and material resources employed in it

and for that purpose an appropriate service be set up, to work under the authority of the body mentioned in (2) or the respective national research council.

*Infrastructure of institutions for the execution of scientific and technological research*

4. Governments of Latin American countries which have not yet set up national councils for scientific and technological research or equivalent bodies take steps to establish them, with due regard to the existing scientific infrastructure, for the purpose of promoting and co-ordinating research in the light of the country's science policy based on its development plans.

5. The national councils for scientific and technological research operate in close co-ordination with the universities and other institutions of research and higher education in the respective countries, assisting, within the measure of their possibilities and according to established priorities, all those that have achieved high standards in their scientific work.

*Research workers in science and technology: numbers, qualifications, status and careers*

6. Governments in the region devote special sums to subsidize, in universities and other scientific and technological institutions, research on subjects which the State regards as having priority for the promotion of economic and social development. As far as the universities are concerned, these sums should be independent of and supplementary to the sums normally allocated to them in the budgets.

7. Member countries establish a comprehensive national plan of fellowships in the country and abroad for young people showing interest in the university careers which it is desired to promote in accordance with the objectives referred to in the preceding paragraph.

8. Latin American universities and other leading scientific and technological institutions take steps to create—in a co-ordinated form wherever this is called for—documentation and study centres for the application of the results of research done by them, and, in general, of the scientific and technological information likely to influence the development of their respective countries.

*National expenditures for scientific and technological research*

9. Governments, bodies responsible for science policy and national research councils, in each country, devote the closest attention to problems relating to the training of qualified research

workers, establishing appropriate fellowship programmes for the purpose and creating suitable incentives to direct young people with aptitudes for research in general and for research in particular in the special branches most needed for the scientific, economic and social development of the nation.

10. Steps be taken to encourage full dedication to research in universities and other scientific and technological institutions responsible for the training of scientists and technical experts. To this end, adequate conditions should be created as regards both status of the research workers and the availability to them of means necessary to the performance of their work.

11. Consideration be given to the question of the training and professional status of technical experts collaborating in scientific research and constituting an indispensable source of assistance in that work.

12. Each Latin American State allocate to scientific and technological research the largest possible sums so as to permit the adequate expansion of such research and its execution at the level required by the present world situation. These sums should amount to a given percentage of the national income or gross national product, the optimum figure varying according to the conditions of each country. Without, however, ignoring the differences existing between the countries of the region as regards both economic development and scientific progress, it is considered that for Latin America as a whole, a figure of between 0.7 and 1 per cent of the gross national product should be established as a minimum target to be attained as soon as possible.

13. Appropriate procedures be adopted in each country to facilitate the achievement of the objective indicated above and to ensure the financing of the activities of the national research councils, and of research within the universities and other institutions. These procedures might consist in instituting special taxes or charges, the proceeds from which would be applied to these ends, or in making arrangements for devoting to them a given percentage of the resources of the national budget, either as a whole or in accordance with the allocations made to the different sectors of the administration, in which case the percentages should vary according to the nature and needs of each.

14. National funds (sometimes known as "reserve" funds) be set up for research from private or budgetary funds, with a view to guaranteeing the availability of the necessary resources and permitting their better utilization.



### *Auxiliary services*

15. There be established in each country, in order to provide scientific and technological research with the infrastructure necessary for conducting it at the level and at the rate required in accordance with international standards, the appropriate auxiliary services such as services for documentation, library work, analysis, data collection, standardization, metrology, patents, etc., the lack of which often creates serious obstacles to the work of Latin American research workers.

16. Means of action be instituted or extended in the case of libraries and documentation and information centres, this being essential to the development of original research and the utilization of the sources of data and knowledge permanently available in the international sphere. In establishing the above-mentioned services, and in order to allow them to pursue their appropriate activities, efforts should be made to achieve the greatest possible measure of co-ordination at the national level and full co-operation between the countries of the region.

17. Standardization be promoted in the countries of the area and efforts be made to achieve full co-ordination of their work in this connexion also, in view of its importance to technological advancement and the progress of industrialization. In this connexion it should be noted that standardization is an important aspect of the process of applying technology to economic development, for all of which reasons the competent institutions should be given the means and support required for the appropriate formulation of standards.

### *Latin American co-operation in science and technology*

18. All Latin American countries intensify and increase their efforts to achieve the fullest co-operation in the field of science and technology. This will involve, above all, the exchange of information and experience and the reciprocal granting and utilization of the facilities which each of them can provide for the training of research workers or the carrying out of research work.

19. Decisive steps be taken to promote the formulation and execution, by institutes, scientists and technologists of different countries in the region, of joint research programmes on subjects of common interest, and especially on those capable of making a rapid and effective contribution towards expediting economic and social development and mastering the grave problems afflicting its peoples.

### *Latin American Council for Science and Technology*

20. That the Director-General of UNESCO, through the Science Co-operation Office for Latin America, with its headquarters in Montevideo, convene annual meetings to be attended by representatives of the institutions in each member State of the region for the policy in the matter of science and technology or in charge of research programmes, together with those people competent in this matter, for the following general purposes:

(a) To exchange experiences as regards the integration of scientific and technological development plans within the national and sectoral plans for economic and social development;

(b) To propose to Governments appropriate measures to expedite the development of science and technology, as deemed necessary in the light of such exchanges;

(c) To propose to UNESCO and other regional and international organizations appropriate measures for co-operation;

(d) To examine the problems relating to scientific, engineering, research and statistical education as recommended in Chapter III of the Report.

21. To ask the Director-General of UNESCO under the terms of Resolution 2.112 and Project 2.112.4 contained in the Approved Programme and Budget for 1965-66 (13C/5), that he make the necessary arrangements for the holding of these meetings.

22. That in the first meeting of representatives, the establishment is studied of a Latin American Council for Science and Technology as an instrument for co-ordinating the region's plans for scientific and technological development and which can also act in advisory capacity to UNESCO with regard to its scientific and technological programme for the region.

### *International and regional co-operation*

With regard to the international agencies, the Conference:

23. Pointed out the need for intensifying and extending their action in Latin America in the field of technical assistance and of assistance for scientific development, both by giving advice on the formulation of national science policies and by establishing appropriate structures in the various countries.

24. Emphasized also, the necessity for pursuing such action in a planned and co-ordinated manner in order to avoid overlapping and to ensure that the best use is made of efforts and resources. It is gratifying, in this connexion,

to mention this present Conference as an example of the good results achievable through co-operation between international agencies.

25. Expresses, in conclusion, its keen appreciation of the work accomplished, in their respective spheres of competence, by the UNESCO Science Co-operation Office for Latin America with its headquarters in Montevideo, and the UNESCO Science Policy Division, which has made a decisive contribution in formulating a theory and spreading appropriate concepts concerning science policy and organization which are of the utmost interest to the developing countries.

#### INTERNATIONAL CO-OPERATION

It is recommended:

1. That continued and increased assistance be given by the international agencies in the planning, financing and establishment of a science policy, for the creation of the adequate groups of personnel of high technical level required, in the all-round development of the resources of the countries, and in the systematic development of the agricultural and industrial potential of the Latin American countries; that this co-operation be channelled at the national level through support of national programmes and at the regional level through the co-operation of the interested countries of the region; and lastly, that international co-operation should include decisive support for the fundamental sciences which are the basis for the application of science in solving specific problems.

2. That the Director-General of UNESCO intensify his negotiations with the United Nations Special Fund in order to get that body to extend its economic support to finance the development of the fundamental sciences and

basic research and to collaborate, in particular, in the establishment of reinforcement of university science faculties or scientific research institutes.

#### GENERAL RESOLUTION

It is recommended:

1. That the concepts expressed at the inaugural meeting of the Conference on the Application of Science and Technology to the Development of Latin America by H.E. Eduardo Frei, the President of Chile, to the keen satisfaction of the participants, and especially the following passage, be given wide currency:

“Now is the time to create great regional scientific centres in Latin America where, with the backing of all, we can make progress in discovery, research and the training of our rising generations. Not one of our countries would have enough human and economic backing to carry out such a scheme alone. If there is a field in which the need of integrated co-operation is obvious, it is precisely this one; and I cherish the hope that scientists and technologists, who by the very nature of their studies have a wider and clearer vision, at the same time more open and more profound, will be able to understand, better than anyone else, not only the possibility but the urgent need for integration in this field.”

2. That the Latin American Governments, the respective scientific research councils, the universities and other higher institutions for research and education, and the scientists and technologists, strive to contribute to the scientific and technological integration of Latin America, this being indubitably calculated to act as an effective impetus towards the integration in all areas to which the countries of the region aspire.

## II

### MEETING OF GOVERNMENT EXPERTS ON ECONOMIC INTEGRATION<sup>2</sup>

*(Santiago, Chile, 27 September to 4 October 1965)*

In accordance with ECLA resolution 251 (XI), adopted on 15 May 1965, the secretariat convened a meeting of Latin American government experts in the field of economic integration, which was held at Santiago, Chile, from 27 September to 4 October 1965. The meeting was attended by 59 experts from Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Guatemala, Mexico, Panama, Paraguay, Peru,

Uruguay and Venezuela, member States of the Commission, and by representatives of IDB, the Inter-American Committee on the Alliance for Progress (ICAP), the Panel of Nine, the Latin American Free-Trade Association (ALALC), SIECA, FAO, and by senior officials of the Latin American Institute for Economic and Social Planning and of ECLA.

There were extensive discussions of a policy to accelerate and broaden the economic integration of Latin America, which was the main

<sup>2</sup> See the report of the meeting, document ST/ECLA/Conf.21/L.5/Rev.1 (Spanish only).

theme of the meeting. In particular, the following points were dealt with.

1. Trade policy; tariff reduction and liberalization of trade; a common external tariff; preference margins.

2. The treatment to be accorded to the relatively less developed countries, and the principle of reciprocity.

3. Arrangements and instruments needed to facilitate a harmonious development within the framework of Latin American integration, in the light of the diversity of conditions in the individual countries.

4. Technical and financial assistance.

5. Agreements for specific industrial branches.

6. Agricultural integration.

7. The institutional structure.

The experts also introduced other points: the connexion between the process of forming a common market and the need for countries to carry out the structural reforms necessary for the acceleration of their economic development; problems arising from the inadequate infrastructure of the Latin American countries, as regards transport and communications; publicizing of the meaning and aims of the economic integration movement; broadening the geographical basis of integration, in particular by linking up ALALC and the Central American common market.

The discussions were based mainly on a number of documents already submitted to the Commission,<sup>3</sup> together with two documents specially written for the meeting: *Aspectos fundamentales de la política de integración de América Latina* (ST/ECLA/Conf. 21/L.3), prepared by the ECLA secretariat, and *La integración de América Latina*, prepared by IDB.

The participants agreed on the need to accelerate and broaden the integration process in order to achieve a Latin American common market as soon as possible. For this purpose, in the light of the questions discussed, it was generally agreed that it would be necessary to adopt certain practical decisions with the following aims:

(1) To accelerate tariff reductions and reciprocal trade liberalization, to unify tariff treatment of the rest of the world, while working out the necessary measures of area preference, to

<sup>3</sup> *A contribution to economic integration policy in Latin America* (E/CN.12/728); *Proposals for a Latin American common market presented by Felipe Herrera, José Antonio Mayobre, Raúl Prebisch and Carlos Sanz de Santamaría* (E/CN.12/730); *Evaluación de las negociaciones de la ALALC* (E/CN.12/717).

provide technical and financial assistance and promote investment programmes in various branches of economic activity and in infrastructure;

(2) To strengthen the preferential treatment of the relatively less developed countries in various respects relating to trade measures and to specific programmes of technical and financial assistance and industrial development;

(3) To consider the special problems arising in the countries where the market is too small to support certain economic activities;

(4) To reach specific decisions to put into effect a broader concept of the principle of reciprocity, to ensure an equitable distribution of the benefits of integration among the member countries;

(5) To establish more satisfactory arrangements regarding saving clauses, and a system of technical and financial assistance to facilitate the application of adjustments that the broadening of the market may make necessary in order to avoid harmful effects on national economies;

(6) In view of the great value of agreements for industrial branches in permitting more rapid progress towards integration, to accelerate the conclusion of such agreements within the framework of an over-all integration policy, either for the region as a whole or for groups of countries;

(7) To determine suitable machinery for stimulating agricultural integration, in order to make the most rational use of the region's resources;

(8) To reach a decision on the establishment of an effective institutional structure for the administration and execution of the integration process;

(9) To study practical formulas for linking up the two existing integration areas;

(10) To co-ordinate at the regional level the work of analysis, research and programming carried out by the various bodies engaged on integration activities, in particular ECLA, IDB and ALALC, in order to avoid duplication, make better use of resources, and reinforce the activities and future development of ALALC.

This is not to say that there were no differences of opinion on the proper time for the decisions in question, the technical features of the specific formulas for putting these basic proposals into effect, or the conditions needed for the application of each of the measures concerned.

In addition to the useful exchange of views between the experts, the meeting can be regarded

as having played a valuable role in that it reaffirmed the need for ECLA, IDB and the secretariats of the two existing integration agencies, ALALC and SIECA, to work together and

co-ordinate their activities, and led to substantial progress in broadening and strengthening the co-operation and collaboration between ECLA, IDB and ALALC.

### III

#### REPORT OF THE WORKING GROUP ON NATIONAL ACCOUNTS<sup>4</sup>

*(Santiago, Chile, 8 to 17 November 1965)*

The Working Group on National Accounts met at Santiago, Chile, from 8 to 17 November 1965 under the joint auspices of the Economic Commission for Latin America and the United Nations Statistical Office, with the co-operation of the Bureau of Technical Assistance Operations. This Group is one of a number of similar working groups which have met or are going to meet in the various regions of the world during 1965 and 1966 in order to discuss the proposed extension and revision of the United Nations System of National Accounts (SNA) and its adaptation to conditions in the developing countries.

Fifteen participants from Argentina, Barbados, Brazil, Chile, Colombia, Ecuador, Guatemala, Jamaica, Mexico, Panama, Peru, Trinidad and Tobago, and Uruguay attended the meeting, together with representatives of the Inter-American Statistical Institute (IASI), and officials of the Latin American Institute for Economic and Social Planning and of ECLA's Statistical Division and Economic Development and Research Division.

The main items dealt with were the following:

1. The world programme of extension and revision of the SNA.
2. Objectives and basic structure of the revised and extended SNA.
3. Structure and concepts of the revised SNA and its adaptation for use in Latin America.
  - (a) Real accounts and supporting tables at current prices. Production and capital expenditures, including input-output.
  - (b) Financial accounts and supporting tables; incomes and outlay and capital finance.
  - (c) Special account; the key segment.
  - (d) Consolidated accounts for the economy as a whole.
  - (e) Real flows at constant prices; concepts and tables.
4. The classification and definitions with regard to Latin American circumstances.

5. Orders of priority in developing the new system in the light of the requirements and basic statistics in the region.

The basic documents considered at the meeting were the report of the expert group which had met in New York in December 1964 in order to present a basic framework for a new extended and revised SNA (E/CN.3/320), a document which included specific proposals for an adaptation to Latin American conditions of the framework proposed by this group (ST/ECLA/Conf.22/L.2), and a document with additional suggestions presented by the ECLA secretariat (ST/ECLA/Conf.22/L.4).

#### *Points of major concern*

In the course of the discussions the participants stressed the increased requirements in the field of national accounts resulting from the advances in economic and social analysis in the region, especially in relation to planning activities. Subjects such as national accounting at constant prices, input-output and commodity-flow methods, information relating to the external sector, the treatment of the public sector, the detail of financial transactions, and the inclusion of gross instead of net flows, appeared to be the questions of main interest, in terms both of the broad aspects of the new proposals and of certain specific points.

The group also stressed the need to publish as soon as possible the detailed manual on the SNA in its revised and expanded form. It was indicated that one aspect of the revision which had so far been neglected was the working out of statistical systems on demography, the labour force, and other social concepts relating to national accounts. It was considered highly desirable to organize working groups at the regional level, in order to make a more detailed study of certain conceptual aspects, and to consider questions of the comparability of the national accounts figures of different countries, as well as the practical problems in the field of basic data for national accounts.

The meeting took note of the considerable advance represented by the new proposals, and

<sup>4</sup> See the report of the meeting (E/CN.12/740).

formulated specific suggestions for taking them into account in the content and arrangements of future work. The Working Group expressed the general view that the United Nations Statistical Office and ECLA should not fail to impress upon national Governments that they should promote primary statistical research on essential economic, demographic and social aspects.

*The aims and basic structure of the revision and expansion of the SNA*

The Group noted with approval that the new system consisted of real accounts—production and capital expenditure—and financial accounts—income and outlay, capital finance, revaluation and balance-sheet. In the real accounts, industries (enterprises), general government and households including private non-profit institutions were distinguished from one another; and the establishment or similar unit was used in classifying their economic activity. The other major classifications utilized in the real accounts dealt with the commodities produced by industries, consumer goods and services, and government services (purposes). The use of two units of observation—the establishment and the commodity—in the production accounts is an appropriate solution to the problems arising from the occurrence of assorted (primary and secondary) production in the case of a number of establishments. In the financial accounts, the enterprise or similar unit was utilized as the statistical unit; and the institutional sectors were further sub-divided in the light of differences in their financial and other economic behaviour.

*Real accounts*

In discussing the basic aspects of the lay-out of document E/CN.3/320, it was considered that the definition of production limits was not fully suited to the characteristics of production in Latin America. It was agreed that the concept should be broadened.

The national accounts system in force comprised total primary production and the traded portion of the other goods and services. In the revision proposed in document ST/ECLA/Conf.22/L.2, the concept was enlarged upon to include production of all other goods provided that a certain proportion of the output was traded. It was considered, however, that the limits should be widened even further, to include all the processing done by primary producers and similar to that effected by goods-producing enterprises and generally forming the basis of transactions in a monetary economy.

It was felt that such an extension in the boundary of production could enhance the analytical values of the national accounting data although it would raise some practical problems of application. The Group proposed that where pertinent, a distinction should be drawn between the two categories of production—for the market and for own use—in the tables and accounts of the Latin American adaptation of the system.

In discussing the two institutional sectors included in the production account, it was considered advisable to treat government and households and private non-profit institutions as productive institutions providing services and not only as final units.

It was decided to adopt the following criterion:

(a) *Treatment of the government*

“The government has two separate activities within the accounting system, that of a producer of goods and services and that of consumer of those goods on behalf of the community. In connexion with the first activity, it should obviously be included in the production account, by branch of activity, as an additional enterprise, which combines the services of factors of production and inputs with a view to obtaining the units of a product called administrative, defence or educational services. With respect to the second activity, the government should appear as a collective consumer or representative of the community, purchasing all those services”.

(b) *Treatment of production activities of households (domestic service) and private non-profit institutions*

“Here the distinction is much clearer and more precise; the production accounts by branch of activity will equal the value of the service and costs incurred, and the commodity accounts will show the distribution of those services. This treatment permits a clear distinction to be made between production accounts and production reclassification accounts, and it also makes it possible to establish a clear and comprehensive relationship between the “B” system production accounts and the consolidated expenditure and product account.”

With respect to the elimination of the imputations suggested in document E/CN.3/320, the Working Group agreed that for the imputation of the charges for banking services it would be desirable to maintain the existing treatment.

In the matter of the suggested elimination of the imputations of government rents, some participants wished to retain the imputations as in the present SNA, whereas others were in favour of the proposal in document E/CN.3/

320. The rents paid for the use of structure or equipment were to be treated as payments for non-factor services and therefore as part of the cost of production. On the other hand, rents for agricultural land were to be considered payments for the use of property and therefore part of the operating surplus of the agricultural producer. The Group accepted these proposals, though some participants had reservations.

In the discussion on the calculation of imports and exports, it was generally agreed that it would be more appropriate to take them into account at the moment when they crossed the frontier.

With respect to the problem of unfinished constructions, the Group accepted the proposal to consider these as increases in stocks. It was agreed that the criterion to be adopted in considering a building as completed was that it should be ready for occupation. It was recommended that in presenting data this concept should be separated from the total of stock variations.

With respect to own-account construction some experts were in favour of including this item in construction only when it represents a major activity of the bodies concerned. Other experts felt that the treatment of secondary production was not in line with the suggestion that only own-account construction should be separated in each sector. Arguments of a certain weight were advanced relating to the desirability of including this activity in the sector concerned—particularly in the case of the agricultural sector—because of the practical difficulties of separating it from agricultural activities proper. This view implies maintaining the present treatment of this item.

The participants also discussed such questions as the definition of capital formation in the rural parts of the economy, the calculation of depreciation, and other questions of detail.

#### *Financial accounts*

The Group considered that the proposed composition of the financial accounts, based on an institutional classification of financial transactions, provided a highly useful analytical tool.

One specific point raised was how to regard the definition of the item on pension funds and social security agencies in the light of conditions in Latin America. The Group felt that general government should be sub-divided in order to establish a closer relationship between the sub-sectors and the various levels of government administration, that the extra-budgetary funds of central government should be delineated separately, and that local government should

be sub-divided into state or provincial government and municipalities. It was suggested that non-financial enterprises and private non-profit institutions should be classified by activity.

The Group accepted the basis of recording employed in the accounts and tables of the new system. It was considered that though combination, instead of consolidation, of the transaction of the units of an institutional sector was in general desirable, consolidation should be utilized in the case of the monetary system and general government. The Group noted that the paid-received basis of recording was utilized in the case of financial assets and liabilities, and the payable-receivable basis in the case of other types of transactions.

It was also thought desirable to extend the definition of national residents; to treat the retained earnings of banks, insurance companies and similar institutions as the savings of these units, and not of households; and to preserve the distinction between current and capital transfers in the case of the Latin American countries, although a more precise definition of the two types of transfers was needed.

#### *Special sector accounts*

The Group considered that the proposal to establish two accounts for special sectors of the economy was of fundamental importance for the countries of the region, since by its means questions relating to two basic sectors—the traditional rural sector and a key sector comprising activities of exceptional significance in the structure and dynamics of any given economy—which were difficult to analyse under the conventional accounting system, could be dealt with in depth.

The prevailing opinion was that the “D” accounts should include a special account for the public sector. Other types of “D” accounts mentioned as incorporating analytical possibilities of interest in relation to Latin American conditions were distinctions between the urban and rural sectors; traditional and modern sectors, etc.

The Group also discussed the desirability of supplementing the set of accounts for each sector with the corresponding accounts for the rest of the economy, so that in the “D” accounts the totals for the economy as a whole could be obtained in each case.

#### *The consolidated “A” accounts for the economy as a whole*

The Group considered that the “A” accounts of the system presented a valuable summary of the domestic and foreign transactions of an economy

and of the major national accounting aggregates. It was however considered that some additional important aggregates should also be presented, and consequently the Group recommended the following changes: (a) the entries on domestic factor incomes to be sub-divided into compensation of employees and operating surplus, (b) the entry on saving to be sub-divided into public and private saving, and (c) a sub-total for national income at factor costs to be shown in Account 2, national disposable income and its appropriation.

#### *Real flows at constant prices*

The Group supported the proposal to include in the SNA a consolidated system of accounts at constant prices, despite the conceptual and methodological difficulties it would entail. The Group felt that the inclusion of this system would further serve to accentuate the need for the international agencies to give priority to devising the concepts and methods required to solve those problems.

With respect to the alternatives for estimating value added in the various industries at constant prices, it was noted that the method of double deflation sometimes resulted in negative figures of value added in constant prices. This may be the result of the change in the mix of raw materials inputs in favour of raw materials which fell relatively sharply in price from the base period, or in the mix of commodities made in favour of products which rose relatively sharply in price since the base period. In these

circumstances it was necessary to turn to other approaches for making the constant-price estimates. In one view, deflation of gross output only had conceptual, as well as practical, advantages over the double deflation approach to estimating value added in the various industries.

#### *Orders of priority in the revised SNA*

In discussing the problem of priorities for the various accounts and tables, the Working Group agreed that only two levels of priority should be demarcated. The first was defined on the basis of two criteria: the degree of urgency with which the information was needed for economic analysis, and the availability of statistical coverage.

Other accounts and tables were relegated to a second category of priority. It was not possible to establish intermediate priorities which might differ essentially from one country to another.

The establishment of priorities should be accompanied by an effort to improve basic statistical data, in which international agencies, in particular ECLA, the United Nations Programme of Technical Assistance and the Inter-American Statistical Institute should co-operate more closely with the Latin American countries.

It was felt that principles should be laid down in relation to the length of the intervals at which the various accounts and tables should be presented. For example, input-output data might be published once in so many years, whereas in the case of certain other measurements it was better to present them every quarter.

## IV

### LATIN AMERICAN CONFERENCE ON CHILDREN AND YOUTH IN NATIONAL DEVELOPMENT<sup>5</sup>

*(Santiago, Chile, 28 November to 11 December 1965)*

A Conference on Children and Youth in National Development, jointly sponsored by the United Nations Children's Fund (UNICEF), ECLA and the Latin American Institute for Economic and Social Planning, was held at Santiago, Chile, from 28 November to 11 December 1965, in co-operation with a number of specialized agencies (the International Labour Organisation (ILO), the United Nations Food and Agriculture Organization (FAO), UNESCO, the World Health Organization (WHO) and the International Bank for Reconstruction and Development (IBRD)). At the opening meeting

speeches were made by His Excellency Mr. Eduardo Frei, President of Chile, and Mr. Espíritu Santos, the First Vice-Chairman of the Conference, who also spoke at the closing meeting, together with Mr. Manuel Balboa, Acting Executive Secretary of ECLA. At the first working meeting Mr. Henry Labouisse, Executive Director of UNICEF, indicated the general lines that the Conference's debates should follow.

The Conference was attended by sixty-nine participants, observers and consultants from the following countries: Argentina, Austria, Bolivia, Brazil, British Guiana, Canada, Chile, Colombia, Costa Rica, Cuba, the Dominican Re-

<sup>5</sup> See the report of the conference in document ST/ECLA/Conf.20/L.20/Rev.1.

public, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Nicaragua, the Netherlands, Panama, Paraguay, Peru, the United Kingdom of Great Britain and Northern Ireland, the United States of America, Uruguay and Venezuela.

In addition to the sponsors of the Conference, the following were also represented: the UNICEF Executive Board, the United Nations Bureau of Social Affairs, the above listed specialized agencies, and the Latin American Demographic Centre (CELADE), together with the Organization of American States (OAS), the Inter-American Development Bank (IDB) and the Inter-American Children's Institute.

The officers of the Conference were to have been: Mr. Adolfo López Mateos, former President of Mexico, Chairman; Mr. Espíritu Santos and Mr. Roberto Maldonado, Vice-Chairman; Mr. Fernando Cardoso, Rapporteur, and Mr. Albert Reynolds, Secretary. Mr. López Mateos was unable to take the chair because of ill health, and it was taken instead by Mr. Espíritu Santos.

The work of the Conference was divided into two parts, each lasting a week. During the first part the Conference discussed the problems and needs of children and young people in Latin America, and ways and means of dealing with them; during the second, it studied the experiences of certain countries in the planning field, in relation to the place of children and young people in national development, and the bases for a national policy for the younger generation.

The main conclusions and recommendations of the Conference, in subject order, are given below.

The work of development, which is a permanent responsibility for all the peoples of the region, should not be regarded simply and solely as a future commitment, but should make practical use for its implementation of those who represent the process of growth, namely, the younger generations. The participation of young people in the work of development will guarantee the continuity of the efforts already made to speed up the rate of progress.

In this way, a national policy can be evolved in which children and young people are regarded as an integral part of the development process. According to the tenets of such a policy, national and international aid should complement each other in such a way as to give first attention to the basic needs of children and youth by improving their environment and physical condition, developing their personality and economic skills, and giving them the sort of education that will equip them to take an active and

creative part in life while respecting the rights of others and serving the cause of peace.

#### *Obstacles to development that affect children and youth*

The current factors in Latin America that are reducing the ability of the rising generation to take a more effective part in national development can be examined from two standpoints: that of the family bringing up its children and that of the social factors related to the help that society gives the family in that task.

As it grows up, the child needs affection, suitable conditions in which to develop physically, mentally and emotionally, employment opportunities and social acceptance. Its parents' inability to satisfy these requirements in full measure stems from the shortcomings of their own childhood (which are irremediable) and the inadequacies of the social system that provides for them, which can be improved upon. Any progress in this respect will make for less tension between the different groups, peoples, regions and countries in future.

An analysis of the demographic structure shows that the regional population is young, 40 to 45 per cent being under 15 years of age, and has a rapid growth rate, reaching about 3 per cent annually in many of the Latin American countries. The lower age groups thus form an increasingly large proportion of the over-all population, with the result that each economically active person has more dependants. The rate of growth gives rise to three types of problems: (a) few countries have succeeded in raising the gross national product sufficiently above the 3 per cent mark to make an appreciable improvement in the living level of families that have larger numbers of children because of the drop in mortality; (b) the inflow of capital is not large enough to create satisfactory employment opportunities in which the talents of the younger generations would be put to good use; (c) the countries' inability to expand the desired social services so as to cover all children and young people.

The same process of development leads to mass migration from the country to the towns since the population exodus provoked by rural conditions is aggravated by the lure of urban life.

Although a certain amount of migration is necessary for industrial growth, the creation of new employment opportunities is lagging behind the influx of people from the countryside and with over-all population growth, and therefore leads to mass urban under-employment with particular adverse effects on children and



young people as regards family and social life, environmental sanitation, health, nutrition, housing, social welfare services, education and vocational training.

The rural exodus has created problems in the towns without improving the positions in the countryside where more than half the child population of the region is still to be found and where the need to transform the existing pattern of agriculture means that a new generation of farmers had to be trained. One of the crucial aspects of the situation in rural areas is the fact that they are not integrated into the national economy.

In the different social sectors, the main obstacles to the improved development of the rising generations are as follows.

*The family.* The large family which acts as a protective shield is disappearing. This is all to the good when a less rigid family nucleus takes its place. But it also makes for irresponsibility on the part of the father. It is the mother, with her extremely limited prospects of earning a living, who has to provide for the children, and can no longer depend upon the support that used to be forthcoming from the family. Society must make every effort to strengthen the family and to stave off, as far as possible, the unprotected feeling which a child is apt to have when it lacks a complete family.

*The pre-school child.* This is a particularly vulnerable stage of life and one of great importance in the formation of the human personality. The care of the pre-school child has traditionally been left in the hands of the family, but as a result of the changes mentioned above, the family should be supplemented by other types of attention, and more particularly by day-care services to look after the children while their mothers are working and by pre-school education in kindergartens.

In the countries that have collected data, the number of children enrolled in pre-school establishments as a proportion of the total number in the same age group varies from 1 to 5 per cent.

In this connexion, it was suggested that it was preferable to give families financial aid to enable them to keep their children at home rather than to set up more institutions specializing in child care.

As it is harder to provide organized services for children in rural areas, more emphasis should be laid on information and aid programmes for the parents, particularly the mothers.

*Health.* The fact that it has not yet been possible to extend health services to the whole

population affects young children in particular, mainly because of the lack of maternal and child health services, environmental sanitation and water supplies in suburban and rural areas. The progress made in providing medical attention for mothers and infants, while far from complete, has as yet not been matched in regard to children, since the child mortality rate in many Latin American countries is up to twenty times as much as that of the high-income countries. In this large and vulnerable group, preventive action would avert the need for much more costly services later.

*Food and nutrition.* Malnutrition is widespread among young children; it is one of the main factors responsible for the high death rate in this age group and where it does not cause death, it can be a source of irreparable damage to physical and mental development. Weaning is the most dangerous period; the most common deficiency is that of proteins, with vitamins and minerals ranking second. In rural areas much can be done by education, and by advice on local food production and its use by the family. In suburban and urban areas the processing and marketing of low cost protein-rich foods should be promoted and, where necessary, the sale of such products subsidized. The co-operation of ministries of health, agriculture, education and trade is a vital factor in this development.

*Education.* By dint of the great efforts made by the Latin American countries within the framework of the UNESCO Major Project for the Extension and Improvement of Primary Education in Latin America, enrolment in primary schools increased by about 50 per cent in the space of ten years although the goal of a complete primary education for every child has not yet been attained. The problems of repetition, retardation, dropping out and absenteeism add considerably to the cost of education and reduce the social and economic development returns on the investment. Unless the child completes at least four years of primary education, the financial and educational investment is virtually lost.

Major obstacles to the improvement and extension of primary education in Latin America include the persistence of traditional educational structures unsuited to a changing society; inadequate budgetary provision for primary education, resulting in extremely low salaries for teachers and an almost complete lack of teaching materials; a large number of primary schools not providing the full cycles; inadequate teacher training, particularly in rural areas; overcrowded classrooms and the shortened school day.

In order to solve these problems, institutional obstacles and other barriers outside the formal educational system will have to be overcome. In the case of the latter the co-operation of various ministries and services will be needed. It is important in primary education and even more so in secondary education to forge closer bonds between the curricula and school structure, on the one hand, and on the other the different needs of a developing society, and, in particular, the occupational structure as visualized in the development plan.

The fact that large population groups will be unable to benefit from the formal school system in the years to come means that other solutions should be envisaged such as night schools, correspondence courses, teaching by radio and television and by youth corps, university students, the armed forces, trade unions, etc.

*Youth and employment.* Modernizing economies face two manpower problems simultaneously: the shortage of people with economically strategic skills and the vast surplus of unproductive labour. This situation is partly due to the growing number of young people seeking employment, and partly to the limited education and training they are given before entering the labour market. It is estimated that a substantial proportion of the workers in the 15-19 age bracket are school drop-outs, and most of them have not had more than three years of primary schooling. Moreover, the absolute number of young people who are illiterate continues to increase.

Vocational and technical training for the few young people who reach the necessary level is, on the whole, unsatisfactory; courses are too long; curricula are not always geared to industrial, agricultural and social needs; facilities are few and far between; and students receive little vocational guidance. There is also a general dearth of employment services to help young people find jobs.

Consequently, programmes and measures should be undertaken to improve the current quality of education. It was proposed that schools should provide vocational guidance services for children and adolescents, in close co-operation with employment services. It was also pointed out that it would be desirable to organize intensive low-cost courses for training large numbers of young people, possibly with the collaboration of the enterprises themselves.

Child labour accounts for 2 to 11 per cent of the economically active population in the different countries. The aforementioned measures for extending school attendance represent some

of the practical ways in which this problem can be approached.

Within the context of each country's over-all employment policy, due importance should be attached to the creation of employment opportunities for young people. Among the suggestions made by the participants for tackling this question were land reform, the creation of urban centres midway in size between rural communities and the big towns, the adaptation of modern technology to the conditions prevailing in Latin America and, in particular, the choice of the optimum combination of the available capital and labour when new enterprises are set up.

*Legal protection.* In most countries there are detailed laws for the protection of children, young people and mothers. The immediate need is to create the conditions in which the existing legislation can be applied, although it may be necessary to enact stronger laws to ensure that fathers discharge their responsibilities. More trained personnel are required for the legal work of protecting minors. Many countries are felt to be lacking in the institutions needed for implementing the existing legislation, including rehabilitation centres for dealing with vice of different kinds, prostitution and juvenile delinquents.

#### *National policy in relation to children and youth*

Each country should frame a national policy with respect to children and youth as part of its economic and social development.

The policy should cover all children in both urban and rural areas, i.e. infants, children at the pre-school and school levels, those of school age who do not go to school, and young people. It should also apply to handicapped children.

A policy of this kind should aim at meeting requirements in the following fields:

(a) Protection—measures aiming at the reduction of child mortality and morbidity; the elimination of communicable diseases, poor sanitary conditions, malnutrition and illiteracy, and the general improvement of conditions for children.

(b) Preparation for living—the development of the child into a useful and constructive member of society. Here the need is for education, vocational guidance and training and good employment prospects.

Protection of the family, and especially of the mother, should be one of the main features of a national policy for children and youth, since the family plays a highly important part in the child's development.

Apart from providing for the material needs of children and young people, the policy in question should aim at consolidating and strengthening the fundamental values of society for the rising generations, inspired by a profound understanding of their needs and a sense of universal brotherhood.

A national policy of this kind should state the principal problems that confront the younger generations and the prospects of obtaining results within a certain space of time. It should enlist the support of the whole nation, that is, of the public and private sectors alike.

As regards population policy, it was agreed that this should be formulated with the best interests of the family in mind so as to provide for the needs of children and young people. A policy of this kind depends on the complex of problems in each country, and should not be regarded as a substitute for the driving force needed in national development processes.

#### *Methods of planning*

The problems connected with children and youth in national development, and the measures and efforts to solve them, have a bearing on several social and economic sectors. In view of this, the Conference considered that the needs of children and young people could be met without establishing a special sector for that purpose in national planning systems. On the contrary, the problems associated with them cut across the different planning sectors, and some sort of co-ordinating machinery should be set up as part of the plan to ensure that the programmes carried out by the different ministries, departments and services are directed towards a common goal. Planning groups should also launch programmes and policies to meet the needs of children and young people who are outside the existing system of administration, as, for instance, those not going to school.

In the formulation and application of plans and policies concerned with young people, their substance will naturally be decided by the Governments concerned.

Whatever the particular stage of development reached by a country, it is recommended that regular and systematic assessments be made of the situation of children and youth, in order to single out the key problems, evaluate the results of previous action and choose the areas in which development efforts should rationally be concentrated. With the aid of an appraisal of this kind, the countries can see how far their policy objectives in this field have been attained.

Apart from inter-ministerial co-ordination of sectoral children and youth programmes, bal-

anced progress in the protection of children and their preparation for adult life requires that more importance should be attached to the planning of related aspects in the agencies and ministries, where such procedures have not yet become a matter of routine. Thus, planning units have been set up in health and education. As this practice is extended to other activities, it will become possible to provide on a co-ordinated basis, the special care that children and young people require.

Some of the most effective ways in which to influence the situation of children and young people are the indirect measures, many of them of an economic nature, which conduce to better living conditions for the family. Examples of these are income redistribution, family allowances, food price policies and, first and foremost the creation of new employment opportunities. In addition, an endeavour should be made to mobilize the groups and movements, whether public or private, that are concerned with filling the gaps in the care of children and young people. In this respect, it is recommended that campaigns to improve the material and cultural conditions in which children and young people are living should make use of youth groups, mass communication media, and organized bodies such as trade unions, religious denominations and the armed forces.

Lastly, special quantitative and qualitative data have to be collected and processed for the preparation and execution of development plans that pay due heed to children and youth. However, the fact that such information may not be available should not be used as a pretext for postponing action. As possible guidelines for such action, the following measures are suggested: the removal of the glaring inequalities in the educational system, the elimination of bottlenecks in each country, the choice of simple rather than complicated programmes; the establishment or improvement of services to complement those already in existence; selection of low-cost programmes; and, lastly, mass campaigns to reach the majority of children and young people.

#### *Training*

The training of staff for the planning, organization, application and evaluation of programmes for children and young people should be one of the first points to be given attention.

The training courses on the problems of children and youth provided by the Latin American Institute for Economic and Social Planning and by other United Nations bodies may well be strengthened and greater use made of national institutions and universities.

### *Research*

The improvement of plans of action requires systematic research on economics, social affairs, teaching, vocational training and statistics. The present report makes a number of suggestions on possible lines of work which, while not exhaustive, are sufficient to prevent the wrong methods from being used to deal with the evils that must be remedied or eradicated. Basic research is needed, together with field experiments whose validity would be tested by practical means. Organizations, universities and institutes working in the region are asked to explore the possibility of helping to bridge the gap in research on children and young people.

### *International organizations and external co-operation*

The organizations that had sponsored and collaborated in the Conference were requested to

make a concerted effort to help the countries to strengthen their national development programmes in all matters bearing upon children and youth. It was hoped that they would cooperate in personnel training, research, the provision of advisory services in planning and in the execution of programmes forming part of national development plans. The fact that international banks are making larger investments in social programmes was welcomed.

It was recommended that the planning commission or equivalent body should, with the approval of the Government, act as a liaison office for the external co-operation extended to each country.

The bilateral, international and non-governmental organizations co-operating with the Latin American countries were asked to consider the desirability of granting high priority to requirements and possible action in respect of children and youth.

## V

### NINTH SESSION OF THE CENTRAL AMERICAN ECONOMIC CO-OPERATION COMMITTEE<sup>6</sup>

*(Guatemala, 25 to 31 January 1966)*

The ninth session of the Central American Economic Co-operation Committee was held at Guatemala from 25 to 31 January 1966. It was attended by delegations from Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua, the member countries of the Committee, and by an observer from Panama. The session was also attended by various United Nations specialized agencies—the ILO, FAO, IMF and IBRD—and a number of Central American organizations (the Organization of Central American States (OCAS), the Permanent Secretariat of the General Treaty on Central American Economic Integration (SIECA), the Advanced School of Public Administration for Central America and Panama (ESAPAC), the Central American Research Institute for Industry (ICATTI), the Central American Higher Council of Universities (CSUCA), the Central American Air Traffic Corporation (COCESNA), the Central American Bank for Economic Integration (BCIE), the Institute of Nutrition for Central America and Panama (INCAP), the Central American Monetary Council (CMC), the Federation of Central American Chambers of Commerce), and by other international organizations (the Organization of American States (OAS), the Inter-American Development Bank (IDB), the Inter-

American Committee on the Alliance for Progress (ICAP), the Panel of Nine, the Inter-American Institute of Agricultural Sciences (IIAS) and the Joint Central American Programming Mission). There were also present officials of the United Nations Development Programme, the Bureau of Technical Assistance Operations (BTAO) and ECLA.

At the opening meeting statements were made by Mr. Carlos E. Peralta Méndez, Minister for Economic Affairs of Guatemala, who was subsequently elected Chairman of the session and of the Committee; Mr. Carlos Manuel Castillo, Director of the Mexico Office of ECLA, and Mr. Abelardo Torres, Minister for Economic Affairs of El Salvador and the outgoing Chairman of the Committee, who spoke on behalf of the delegation. Mr. Manuel Acosta Bonilla, Minister for Economic Affairs of Honduras, was elected Rapporteur. At the closing meeting statements were made by Mr. Pedro Abelardo Delgado, Secretary-General of SIECA, by Mr. Bernal Jiménez Monge, Minister of Finance and of Industry and Trade of Costa Rica, and by the Chairman of the Committee.

During the debates the following main items were dealt with:

1. Evaluation of the Central American economic integration programme:

<sup>6</sup> See the report of the meeting in document E/CN.12/AC.58/3.

- (a) Present situation and future prospects of the programme;
- (b) The economic policy of the Common Market during the next phase of integration;
  - (i) The operation of the Common Market,
  - (ii) Trade policy,
  - (iii) Industrial policy,
  - (iv) Agricultural integration,
  - (v) Regional programmes by sectors;
- (c) The institutional framework for integration;
- (d) Balanced development within the Common Market.

2. Activities since the eighth session of the Central American Economic Co-operation Committee:

- (a) Technological research and vocational training;
- (b) Technical assistance;
- (c) Subsidiary organs of the Committee.

3. Other matters:

- (a) Draft Central American Treaty on Uniform Legislation Concerning Migration;
- (b) Central American Institute for Educational Loans.

These items were discussed on the basis of the following documents submitted by the secretariat: *Evaluación de la integración económica en Centroamérica* (E/CN.12/CCE/327/Rev.1 and E/CN.12/CCE/327/Rev.1/Add.10); *El crecimiento económico de Honduras y el desarrollo equilibrado en la integración económica* (CCE/IX/DT.1); *Possibilities of integrated industrial development in Central America* (United Nations publication, Sales No. 63.II.G.10); *Carreteras, puertos y ferrocarriles de Centroamérica* (E/CN.12/CCE/324); *La productividad, el costo de la mano de obra y el costo de producción en el Istmo Centroamericano* (E/CN.12/CCE/335), together with a number of reports giving an account of the activities undertaken since the Committee's eighth session by ICAITI, ESAPAC, the Technical Assistance Board, FAO, ILO and the subsidiary organs of the Committee.

#### *General situation and prospects of the Central American Economic Integration Programme*

In the course of the general debate and the Committee's proceedings, it was made clear that the aims established for the first stage of the programme had been largely realized as far as the operation of the basic Common Market mechanisms was concerned, in terms of the figures for trade, and the rapid growth of the

economic sectors, especially industry. It was admitted, however, that the Central American economies had not been developing in unison, partly because their export trade was carried on in different conditions but also because some countries had not been able to make as much use as others of the opportunities afforded by the expansion of the market. Moreover, it was emphasized that the prospects for the area's traditional exports were so bleak as to make it doubtful whether they would continue to spur on the economy of the Central American economies as effectively as in recent years. Consequently, the Committee considered that at the present stage of the programme the joint action of the member countries should be concentrated on activities that would conduce to a co-ordinated expansion, on a regional basis, of the directly productive sectors, and on providing the area with the physical facilities and the services it needed.

The Committee once again stressed the importance of maintaining the maximum fluidity in trade, making the tariff instrument more flexible, eliminating the obstacles that in some cases were still hampering trade, and reviewing the uniform common tariff in line with the changing needs of development policy. However, the experience of recent years showed that the transformation of the Central American productive systems could not be based solely on tariff policy and regional free trade.

Aspects that should receive special attention in the immediate future, the Committee considered, included a more precise definition of industrial policy, and the setting up of the necessary machinery to permit prompt use of the financial and promotional instruments available, with a view to the allocation of industrial activities among the countries with due regard for economic considerations and an equitable sharing of the benefits of integration.

Both industrial and agricultural development policies must be based on the rational and co-ordinated exploitation of the area's natural resources. The Committee drew attention to the need to intensify survey work that the five countries had undertaken jointly, on an organized basis, with some technical and financial external help. That activity should be combined with the active promotion of new export lines, and the opening up of other markets abroad for Central American products. In that connexion, the Committee felt that there should be an immediate speeding up in the work and preparatory studies relating to the formulation of a common trade policy towards other countries and groups of countries, in order to establish closer economic

links and defend its position more effectively in world markets as regards its traditional export products.

The Committee considered other questions that were becoming increasingly important to the unification of the national economies. They included the differences in the tax systems, and other elements tending to distort flows of goods and capital between the countries. In addition, greater mobility of manpower and capital was needed for a complete merging of the individual economies, as well as a unification of social security policies and labour legislations, not only to level out production costs, but also to increase the participation of the labour sector in the benefits of integration.

#### *The institutional organization of integration*

During the discussions problems were raised in the Committee, in connexion with several different agenda items, relating to the institutional organization of integration, and in several of the resolutions adopted not only was the existing concern on that point voiced, but specific institutional formulas to solve such problems were put forward. However, the Committee decided not to examine the question separately, preferring to refer it for consideration to a forthcoming special session of the Economic Council to be convened specifically to deal with this item.

#### *Subsidiary organs of the Committee*

The Committee, in reviewing the activities between the eighth and ninth sessions, took note of the work of its subsidiary organs, the Trade Sub-Committee, the Agricultural Development

Sub-Committee, the Transport Sub-Committee, the Electrification Sub-Committee, the Housing Sub-Committee and the Statistical Co-ordination Sub-Committee (E/CN.12/CCE/304, E/CN.12/CCE/319 and E/CN.12/CCE/322), together with the reports of the working groups on agricultural and industrial statistics. The Committee took note of the reports concerned and of the resolutions contained therein.

The Committee took note with satisfaction of the reports submitted by ICAITI and ESAPAC and of the statements by the directors of those bodies.

#### *Resolutions adopted*

There was also a detailed discussion of the other items of the agenda, and the following resolutions were adopted: 134 (CCE) Functioning of the common market; 135 (CCE) Foreign trade policy; 136 (CCE) The industrial policy of the common market; 137 (CCE) Agricultural policy; 138 (CCE) Unification of tax systems; 139 (CCE) Regional sectoral programmes; 140 (CCE) Central American telecommunications network; 141 (CCE) Balanced development of Honduras under the economic integration programme; 142 (CCE) Study on balanced development; 143 (CCE) Technical assistance; 144 (CCE) Central American Treaty on Uniform Migration Legislation; and 145 (CCE) Central American Institute for Educational Loans.

The Committee also decided to hold its tenth session in Tegucigalpa, at a date to be set in due course in consultation with the Central American Governments, and to express its appreciation to the ECLA secretariat in recognition of its contribution to the achievements of the ninth session.

# ACTIVITIES OF THE LATIN AMERICAN INSTITUTE FOR ECONOMIC AND SOCIAL PLANNING

## SEVENTH MEETING OF THE GOVERNING COUNCIL

*(New York, 16 and 17 December 1965)*

The Governing Council of the Latin American Institute for Economic and Social Planning held its seventh meeting in New York on 16 and 17 December 1965. At this meeting the Director General's report (INST/41/Rev.1) was submitted, giving a detailed account of the activities undertaken by the Institute in the field of training, economic research, advisory assistance activities, preparation of projects and social programming during the year 1965, and an outline of work in progress and the work programme for 1966.

Below are reproduced some of the introductory paragraphs of the report. This text, in addition to giving a broad outline of the main activities of the Institute, also summarizes the evolution of planning to date, describes the present approach to planning, and indicates the lines that will be followed in the future.

### *Summary of the report of the Director General*

Planning in Latin America is not simply an attempt to introduce up-to-date techniques tried out in other countries. On the contrary, it emerges concomitantly with powerful movements of opinion centring on the urgent need to undertake sweeping structural changes at the national level. As planning advances, the countries of the region are making increasing efforts to integrate their economies. Moreover, once the first stage involving the institutional organization of planning and the preparation of plans is accomplished, problems are brought into focus which relate more to the operational phases of planning and its relationship with the direction of economic and social policy, e.g., unemployment and under-employment, income distribution, inflation, the stagnation of the industrialization process through import substitution, the need to remove fiscal and external disequilibria, and the need to modernize and adapt public administration systems.

Planning should come to be a competent instrument for dealing with these problems; consequently, it has been the subject, in recent

years, of growing demands to serve as an instrument for guiding and co-ordinating development policy.

The burden of these requirements has fallen essentially on the countries' public administration, which is generally ill-equipped to meet them. This entails the need to train numerous highly skilled teams at all levels of economic and social policy; the gathering of a great deal of objective information and the analysis thereof; and, above all, budgetary and administrative reforms that would permit the translation of policy guidelines into programmes and projects, the establishment of mechanisms for co-ordinating the State machinery itself, and the incorporation of the private sector in the work of devising and implementing plans.

The evolution of planning in Latin America has conditioned the Institute's activities. Thus in 1962 its work was confined essentially to training—and to a certain extent—advisory services; but in the last few years it was necessary to expand and improve the training programme to cover practically all the Latin American countries and a far wider range of planning specialties and sectors; it was also necessary to contribute to the establishment and work of advisory groups that provide technical assistance to the Governments of ten countries of the region, and to carry out a large number of specific advisory missions to a further five countries.

When the Institute was first set up, its research activities were confined to those related to teaching. As its staff and functions became more firmly established, it was able to intensify this type of research and extend it to new fields and, in particular, to tackle major economic and social development planning projects in other spheres, through two teams of researchers set up for the purpose.

As a result of these activities, a printing programme has been launched covering the printing and circulation by a well-known Latin American publishing firm of studies and handbooks on

economic development and planning and of documents describing other research carried out by the Institute. This programme includes the publication of six volumes in 1966, four of which are in the final stages of editorial process.

The above activities have been supplemented by the holding of several seminars—on educational planning, fiscal accounting, natural resources and organization for planning—at which there has been an exchange of ideas and experience among noted specialists from Latin America and other parts of the world, and Institute personnel.

The Training Programme has been expanded along three main lines. First, the number of trainees has been increased; secondly, the geographical area has been extended as regards both the number of countries in which the courses take place and the nationality of participants; and thirdly, a wider range of specialties has been covered in the sphere of economic planning and the social sectors have been introduced as a lasting concern of the Institute.

The Institute provided training for 433 professionals in 1962, and 546 in 1965, a total of 2,060 participants having attended all the courses held in the last four years. Moreover, intensive courses were held in six countries in 1962, and in eight countries in 1965, besides those organized in other countries of the region by national institutions to which the Institute gives support, in line with the promotion policy indicated in earlier reports. During the past four years the specialties covered by the Basic Course have included general, public sector, industrial, agricultural, transport, budget and human resources programming, some of which have been introduced in the intensive courses held in the various countries. Furthermore, special courses on educational and health planning have taken place every year since 1962, the number of participants attending the latter having increased from 47 in 1962 to 109 in 1965.

In addition to these quantitative trends, an intensive effort has been made gradually to reorganize the Institute courses with a view not only to improving the teaching efficiency and technical level, but more especially to adapting each course to the conditions of development and planning problems with which it is concerned, according to the country, area and specialty covered.

The advisory services carried out by Institute staff members in the various countries have shown how far the training of national officials has helped to strengthen the planning machinery and have also brought into focus the need to introduce gradual improvements and changes in

the training programmes. One of the most deeply felt needs is the provision of opportunities for additional training and research to a limited number of participants of outstanding ability and promise. These participants—as provided for in the programme prepared for next year—could remain at the Institute engaged in research, advisory and other activities, or even in the capacity of assistant professors.

The training activities of the Institute and of other national and international bodies in Latin America have aroused universities of the region to an awareness of the need to modernize the teaching of economics and to adapt it to national development requirements. In response to this need, the Institute began in 1964 a more systematic rapprochement with universities, and particularly with faculties of economics. Some headway had been made in this direction in previous years through the incorporation of professors and assistant professors of schools of economics to the Institute's courses and also through the organization of intensive training courses in conjunction with universities in several countries.

In the last few years the Institute has been co-operating directly with the Faculty of Economics and Administration of the University of Concepción, Chile, in the reorganization of its curriculum. It has also begun to co-operate with universities in Uruguay and Peru. This contribution consists in helping to define the type of professional it is wished to train, to prepare concurrent curricula with that end in view, to specify in detail the content of the subjects taught and to reorganize teaching techniques and systems of promotion.

As regards advisory assistance, the Institute helped to establish planning advisory groups in nine countries, including the group covering the five Central American countries. This involved activities designed to support the action of the OAS/IDB/ECLA *Ad Hoc* Committee on Co-operation in the constitution of those groups, the definition of their functions and work programmes, assistance in their specific undertakings and, in general, an intensive effort to help in the formulation of plans and the initiation of planning processes.

In addition, the Institute has helped nearly all the Latin American countries to establish performance budgeting, which is considered a key instrument of administrative reform and of the efficient operation of the planning process.

Experience has shown, moreover, that it was necessary to establish these activities on a continuing basis and to adapt them to the new requirements imposed by the progress made in planning in other strategic sectors. In order to



meet these needs, the Advisory Services Division was established in 1965, consisting of a team of officials whose attention would be permanently centred on this work; the necessary financing was obtained from the United Nations Special Fund with the firm support of countries of the region. On this new basis, advisory assistance is given through the team of experts in this Division, in consistence with predetermined needs and programmes. The first projects of this nature were undertaken in Bolivia and the Dominican Republic, in 1965, by groups sent there by the Institute to provide over-all assistance in critical phases of the planning process.

In other countries the initial steps were taken to integrate frontier zones (in co-operation with the Inter-American Development Bank—IDB) and to provide specific and specialized advisory services in such fields as natural resources, the application of decision-making techniques to economic policy problems, fiscal organization and social development.

Another sphere in which the Institute is beginning to extend its radius of action is the promotion of project preparation within the context of planning. The extensive work of training and basic research accomplished in previous years and the valuable experience gained by the advisory groups in this sector have made it possible to start sending missions to countries of the region in order to strengthen their machinery for the formulation and preparation of projects with a view to helping to make their planning efforts operationally feasible. These activities were carried out in Ecuador, as a co-operation with IDB as that country's financing agency, and in Uruguay. In essence, this action represents a direct effort to deal with the shortage of projects and improve their compatibility with the development programmes that are in course of preparation. The experience gained, linked to the efforts that are being made in relation to natural resources, the development of particular areas, administrative reorganization and sectoral programming, should help to clarify the nature of the difficulties hampering projects and facilitate the drawing up of specific programmes and policies designed to solve them.

Increasingly, the Institute's activities are based on research. The training and advisory programmes have been taking shape in accordance with the results of the research that is constantly being carried out on specific development and planning problems in Latin America. These efforts have resulted in the preparation of studies and handbooks—shortly to be printed—benefiting from experience in the field and presenting

the theoretical and analytical elements of the various branches of teaching. Other results are the techniques and procedures that have been applied in advisory services as planning has gradually entered the operational phase. These techniques relate specifically to the problems involved in the implementation of plans, the shortage of projects, the investigation and development of natural resources, administrative reforms and regional aspects of planning.

Basic research, moreover, has been focused on three main fields: economic integration, social development and an effort to interpret the Latin American economic development process. The aim of the last two types of research, which from the start have been closely related, is to arrive at a synthesized socio-economic interpretation.

In the first of these fields, preliminary versions have been issued of the following studies: *La integración económica y los planes de desarrollo* and *Efectos de un programa regional de sustitución de importaciones sobre la brecha del sector externo de América Latina*. Moreover, a methodological study has been prepared for the course on planning techniques with the purpose of demonstrating the potential effects of a number of hypotheses of integration and growth rates on the principal variables contained in the plans.

In the social sphere, research activities are focused on a long-term study project in which an over-all interpretation is sought of Latin America's development process. This research was devised and initiated in 1965 and a trial presentation of its basic hypothesis is entitled *El proceso de desarrollo en América Latina (una tentativa de interpretación sociológica)*. Some preliminary documents have been completed for purposes of this research: *Las élites empresariales en América Latina*, *Las clases populares y el desarrollo social*, and *La incorporación de los sectores obreros al proceso de desarrollo*. Another study indicates some of the effects of over-all development on cultural development in its broadest sense. This research is embodied in the document entitled *Filosofía del Desarrollo*.

The interpretation of Latin America's economic development—the subject of one of the major research projects—is based on the preliminary text used in the training programme, which combines information on the framework of past regional development with an examination of development theories, a quantitative analysis of the development process and an attempt to interpret the latter in relation to Latin America.

The provisional version is embodied in the study *El desarrollo económico*.

*Resolutions adopted*

The Governing Council decided, *inter alia*, to adopt the report of the Director General and to transmit it for information to the Committee of the Whole of ECLA.

The Governing Council also adopted a number of recommendations addressed to the Latin American Governments, the Committee of the Whole of ECLA, and the Director General of the Institute, for the purpose of ensuring the continuity of the Institute's activities, and increasing their scope.





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