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Notes and explanation of symbols

The following symbols are used in tables in the *Review*:

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

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

A blank space in a table means that the item in question is not applicable.

A minus sign (-) indicates a deficit or decrease, unless otherwise specified.

A point (.) is used to indicate decimals.

A slash (/) indicates a crop year or fiscal year, e.g., 1970/1971.

Use of a hyphen (-) between years, e.g., 1971-1973, indicates reference to the complete number of calendar years involved, including the beginning and end years.

Reference to "tons" mean metric tons, and to "dollars", United States dollars, unless otherwise stated.

Unless otherwise stated, references to annual rates of growth or variation signify compound annual rates.

Individual figures and percentages in tables do not necessarily add up to corresponding totals, because of rounding.

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CONTENTS

Neo-Keynesian macroeconomics as seen from the South. <i>Joseph Ramos.</i>	7
Saving and investment under external and fiscal constraints. <i>Nicolás Eyzaguirre.</i>	31
Export promotion and import substitution in Central American industry. <i>Larry Willmore.</i>	49
The specificity of the Latin American State. <i>Enzo Faletto.</i>	69
The ecopolitics of development in Brazil. <i>Roberto Guimarães.</i>	89
Social policies in Costa Rica. <i>Ana Sojo.</i>	105
Poverty in Ecuador. <i>Eduardo Santos.</i>	121
Natural disasters and their economic and social impact. <i>Roberto Jovel.</i>	133
Institutionalism and structuralism. <i>Oswaldo Sunkel.</i>	147
Guidelines for contributors to CEPAL Review.	157
Raúl Prebisch Prize for Economics.	158
Recent ECLAC publications.	159

Poverty in Ecuador

*Eduardo Santos**

Ecuador is one of those developed countries which has experienced the greatest economic changes and at the same time the highest rates of infant mortality, malnutrition, illiteracy, morbidity and overcrowding.

In this article consideration is given to the performance of various macroeconomic variables including investment, the international prices of raw materials, external indebtedness, income distribution and real wages and to the development of urbanization and the impact of various natural disasters on the national economy. Consideration is also given to the social policies followed in recent decades and to social development plans and programmes, the sectoral approaches taken and the institutional framework of those policies.

A new social policy should be based on the great structural heterogeneity observed in the country and should provide for the application of far-reaching agrarian planning measures which, without inhibiting agricultural development, may prevent the migration of the poor rural sector of the population to the city. A new style of industrialization is also suggested as being the most efficient way of decreasing unemployment and underemployment. The importance of promoting the development of artistic and utilitarian craftsmanship is also suggested. Finally, attention is drawn to some basic elements in the proposal for a new social policy, such as the proposal to increase the degree of social awareness, mobilization and organization.

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Introduction

During the 1980s, Ecuador and Latin America in general have been experiencing one of the most far-reaching crises of the century. In ECLAC's view, it has, strictly speaking, been a lost decade. The crisis has been complicated by stabilization policies of a markedly recessive nature, which have been responsible for negative growth rates of gross domestic product, a worsening of the age-old problem of the concentration of wealth and income and a resurgence of open unemployment and underemployment. These effects have, in combination, raised the levels of absolute poverty in the country and in the region.

Thus, for example, the levels of absolute and critical poverty, which in Ecuador have been among the highest in Latin America, fell slightly as a result of the so-called banana and petroleum booms, in particular during the period between the 1950s and the 1970s (table 1). However, in 1982 a reversal begins to be noted from the point of view of levels of concentration of wealth and income, the growth rate of the social product and employment statistics. In 1988 critical poverty measured on the basis of these and other indicators would stand at a level similar to that recorded in 1970, which would indicate that present-day Ecuador has, in terms of absolute and critical poverty, moved back to the point at which it stood nearly two decades ago. It would thus appear that we are up against a case of true social regression. Unfortunately, statistical series in the social field are very far behind, and in periods of crisis, when they are most urgent and necessary, it may almost be said that they are notable for their absence. In spite of these limitations, some more or less trustworthy references do exist on the basis of which it may be assumed that the living conditions of the poorer sector of the population deteriorated considerably as a result of the crisis. This is borne out by the drop in real wages which have been cut in half during the decade of the 1980s so far. It may be assumed that this deterioration has been even more pronounced among non-wage earners in poor groups, in particular in the peasant and the urban informal sectors. Historical events which have aggravated this situation include the weakening of the indicative

planning system, the failure to establish long-term strategies, the pre-eminence given to the short-term approach and the paralyzation of processes of social change, such as agrarian reform, which in the case of Ecuador, has to all intents and purposes been shelved. An obsession with pragmatic, short-term methods, especially those of a monetarist, neoliberal nature, has meant that a long-term perspective is no longer taken.

The so-called "lost decade" is the most telling proof that the direction and scope of

Table 1
LATIN AMERICA: PERCENTAGE OF
HOUSEHOLDS BELOW THE LINE
OF POVERTY
(Percentages)

	Around 1970	1981	1987
Argentina	8	8	
Brazil	49	46	
Colombia	45	43	
Costa Rica	24	23	
Chile	17	17	
Ecuador	55	53	55
Honduras	65	64	
Mexico	34	32	
Peru	50	50	
Venezuela	25	25	
Latin America	39	37	

Source: *De crisis a crecimiento equitativo*, edited by Rob Vos.

development in Latin America and in Ecuador in particular are no longer the same, with the result that absolute poverty has grown substantially. This increase in absolute poverty works against social stability and—even more serious—against political stability in the context of the re-establishment of democracy, the most noble objective of Latin American society. In the case of Ecuador, democracy is affected by the fact that half the country's population suffers from segregation, discrimination and marginalization, due to the problems of existence generated by absolute poverty, including the non-satisfaction of basic needs. Ecuador's tragedy is not due primarily to slow growth of its social product as may be seen from the frequent cocoa, banana, shrimp and oil booms but rather to the drain on the country's resources caused by social disconnectedness and heterogeneity which are reflected in a high concentration of wealth and income. It may properly be said that the challenge of existence in Ecuador is more of a social challenge than an economic one. There are few places in the world where the struggle against absolute poverty is waged on a broader front than in Ecuador, which, in spite of being one of those countries of the developing world and Latin America which has changed the most in the post-War period, is still beset by an extraordinarily high incidence of infant mortality, malnutrition, illiteracy, semi-literacy, premature school leaving, morbidity, overcrowding and slum housing conditions.

I

Absolute poverty and the behaviour of gross domestic product

It may be inferred from the experience of Ecuador over the years that the relationship between the growth rate of gross domestic product and levels of absolute poverty is not very close since, in spite of the repeated booms experienced within the agro-exports model (cocoa, rice, coffee and bananas) and the more recent oil bonanza, absolute poverty has remained at levels which are among the highest

in Latin America. Although it is true that Ecuador was one of those countries which showed the highest levels of economic transformation in the post-War period, its experience in terms of social transformation has not been equivalent; and although it is still not the most backward country in the region since it has surpassed the levels of advancement of Haiti, Honduras, Bolivia and Paraguay and can

Table 2
ECUADOR: GROWTH RATES
(At 1975 prices)

	1975	1979	1980	1981	1982	1983	1984	1985	1986 ^a	1987 ^b
Total GDP (at buyers' prices)	5.60	5.30	4.90	3.90	1.20	-2.80	4.20	4.30	3.20	-5.20
Total consumption	11.80	6.10	7.60	4.40	1.50	-3.10	1.60	2.30	0.50	1.80
Final household consumption	10.40	6.40	7.20	4.80	1.80	-2.40	2.70	3.60	0.70	2.50
Final government consumption	18.70	5.10	9.00	2.40	0.50	-6.20	-3.60	-4.20	-0.40	-2.00
Gross capital formation	17.20	-2.80	8.80	-13.40	12.60	-31.20	-1.40	8.00	1.90	0.70
Total fixed gross capital formation	23.30	-0.30	6.10	-7.20	0.70	-26.10	-4.50	6.90	2.90	6.90
Fixed gross capital formation (government)	0.70	-9.00	27.20	6.60	-12.90	-19.50	-3.40	17.80	9.60	-7.60
Fixed gross capital formation (other)	33.50	2.10	0.80	-11.60	5.90	-28.30	-4.90	3.00	0.20	13.40
Exports	-8.40	5.00	-2.40	4.70	-5.00	2.40	12.50	12.00	9.50	-17.10
Imports	16.70	-0.10	10.10	-9.30	6.90	-24.60	-2.40	7.30	-0.80	11.40
Total GDP (at producer prices)	5.10	5.80	4.50	5.10	1.40	-1.70	4.10	4.20	3.30	-5.40

Source: Banco Central de Ecuador, *Cuentas Nacionales del Ecuador*, Nos. 7 and 11.

^aSemi-final calculations.

^bProvisional figures.

almost be classified among those countries of Latin America which are at medium levels of development, the extremely high level of poverty from which its population suffers keeps it at the threshold of development, poverty constituting the clearest demonstration that a development model is not functioning adequately, especially where equity is concerned.

As for the present decade, the recessive adjustment and the stabilization policies (table 2) caused the gross domestic product to show negative growth in 1983 whereas the negative growth recorded in 1987 was due to the earthquake of 5 March, and mild recoveries were experienced in 1984, 1985 and 1986, the latter being the year when petroleum prices plummeted. Positive rates were recorded in 1980, 1981 and 1982, when in spite of the moderate growth shown, the national economy showed the negative effects of the conflict on the

border with Peru and the cessation of private loan flows which brought the problem of the external debt to the fore.

In short, present-day Ecuador is caught in the grip of external debt, which is putting a strangle hold on its economy, and internal debt, which is forcing it to tighten its belt until it hurts. These are the fruits of the recessive adjustment which contracts demand in an attempt to stabilize the economy and cuts social expenditure (on health and education) with profound consequences in terms of income redistribution. At the same time, the nearsightedness of the free market has allowed two basic indicators—the exchange rate and the interest rate—to float, sacrificing investment and encouraging speculation whose only effect is to make the rich richer. Thus, the monetarist neoliberal model is giving rise to a kind of social regression which promotes the growth of absolute poverty.

II

The investment coefficient

The weakening of investment (table 3) is undoubtedly one of the most severe consequences of the crisis and the adjustment policy. It has had profound effects, including the paralysis, regression or slackening of capital accumulation; a decline in the growth rate of the productive sectors and a drop in both public and private investment. This has resulted in a considerable increase in open unemployment, which has doubled in the course of the present decade, and, what is even worse, it has fostered the development of complex linkages and of reciprocal dependency between the formal and informal sectors of the economy. The weakening of the formal sector has had serious repercussions on the informal sector, whose rapid growth has contributed to its inefficiency. Thus, absolute poverty is on the rise again in this sector, affecting over 90% of its active population.

Table 3

ECUADOR: INVESTMENT COEFFICIENTS

	Gross internal investment/GDP	Gross fixed investment/GDP
1980	26.6	23.7
1981	22.1	20.9
1982	24.6	21.0
1983	17.4	16.0
1984	16.5	14.7
1985	16.7	15.0
1986 ^a	16.5	15.0
1987 ^b	16.0	14.0

Source: Banco Central del Ecuador, *Cuentas Nacionales del Ecuador*, Nos. 8 and 9.

^a Preliminary estimates showed that the investment coefficient for 1986 was 11.7, a figure which was later readjusted by the Central Bank.

^b Estimated figures.

III

Income distribution

The crisis and the stabilization policies corresponding to it have set off a process in which wealth and income are becoming markedly concentrated as can be seen from the share of wage-earners in gross domestic product (table 4). In other words the crisis has made the traditional model even more apt to result in concentration since strictly speaking, the lion's share of the burden imposed by the crisis is absorbed by the poorer sectors of the population, which are increasing in size and in their relative share in the total population. The situation has grown still worse as a result of the shrinkage of social expenditure, especially expenditure on education and health, the major impact of which has tended to be income redistribution.

Table 4

ECUADOR: DISTRIBUTION OF GDP BY
EMPLOYEE REMUNERATION AND GROSS
OPERATING SURPLUS 1980-1986
(Millions of sucres)

Year	Employee remuneration		Gross operating surplus	
	Sucres	Percentage	Sucres	Percentage
1980	93 662	31.9	175 187	59.8
1981	105 275	30.2	210 755	60.4
1982	120 017	28.9	259 967	62.5
1983	135 761	24.2	377 847	67.4
1984	179 524	22.0	565 415	69.0
1985	231 506	20.0	737 674	66.0
1986 ^a	291 218	21.0	924 528	67.0

Source: Banco Central del Ecuador, *Cuentas Nacionales del Ecuador*, No. 9.

^a Preliminary estimates showed that employee remuneration in 1986 amounted to 16% of GDP, a figure which was adjusted to 21% later on.

IV

Real wages

One of the most tragic consequences of the adjustment policies which have characterized the 1980s in Latin America has been the drop in real wages. This drop has been particularly notable in Ecuador, where the wage index has fallen from 100% in 1980 to an index estimated by ECLAC to be 61.8% in 1986 (general minimum living wage, 1986, January-October average) (table 5). Estimates for 1987 and 1988 are for an even greater loss due to the acceleration of inflation. The drop in the level of remunerations has meant a decrease in demand,

which has been reflected in a greater contraction in the already limited domestic market, and this, in turn, has helped to deepen the recession.

Table 5

ECUADOR: URBAN MINIMUM WAGES

1980	1981	1982	1983	1984	1985	1986 ^a
100	86.2	75.9	63.6	62.8	60.8	61.8

Source: ECLAC, on the basis of official information.

^aPreliminary figures.

V

Urban growth

One of the most important phenomena in the history of Ecuador is the accelerated rate of urban growth (table 6), which is among the highest in Latin America. This growth has given the country a certain amount of inter-urban and urban-rural balance and harmony, of a kind which may also be observed in Colombia. Ecuador is a country with many medium-sized and small towns and two large development poles—Guayaquil and Quito—as well as Cuenca, a smaller pole. In spite of this comparative harmony, however, the country has increasingly tended towards macrocephaly,

particularly in the case of Guayaquil, whose slums are mushrooming, a phenomenon which in the last analysis, constitutes the very best indicator of absolute poverty. It should be noted then that the process of urban growth has been characterized by the ever-present conflict between modernity and the increasing severity of social clashes and manifestations of social violence and by the alarming proliferation of crime, especially in Guayaquil and Quito.

A rise in urbanization over the past 15 years has not helped to eliminate absolute poverty, which has in fact persisted and even increased as

Table 6

ECUADOR: DEMOGRAPHIC INDICATORS

	1975	1979	1980	1981	1982	1983	1984	1985	1986	1987
Total population (thousands of people)	7 035	7 893	8 123	8 361	8 606	8 857	9 115	9 378	9 647	9 922
Urban	2 940	3 629	3 825	4 021	4 226	4 444	4 677	4 881	5 094	5 310
Rural	4 095	4 264	4 298	4 340	4 380	4 413	4 438	4 497	4 553	4 612
Density (inhabitants, per km ²)	26	29.2	30	30.9	31.8	32.7	33.7	34.7	35.6	36.7

Source: CONADE INEC-CELADE, Ecuador: estimaciones y proyecciones de población 1950-2000, Quito, December 1984. INEC CONADE, Proyecciones de población ecuatoriana 1982-1995, November 1985. Provisional data.

a result of the crisis (tables 1 and 6). Such poverty has, however, moved from the urban sectors to the metropolitan areas. In this respect, it is a matter of concern that violence as expressed socially in urban guerrilla activity has on occasion cropped up in Ecuador as, for instance, in the "Alfaro Vive" incident, which is all the more worrying when viewed in the light of the fact that for several decades the country

was known as an oasis of peace in Latin America. All of this is cause to ponder the strategical importance of combating absolute poverty as the incubator of social violence. Repressive measures are inadequate when viewed in the positive light of development policies providing for social justice, which tend to eliminate social violence, one of those evils which cast a long shadow over democracy in our region.

VI

Natural disasters

The 1980s has been characterized not only by the persistent structural crisis affecting the economy but also by sizeable and serious natural disasters, including the floods of 1983 and the earthquake of 5 March 1987. The floods destroyed much of the road infrastructure on the coast, which seriously jeopardized the harvest of basic food commodities and made agricultural commodities in general scarce. Because they were scarce, inflation reached a level higher than 50%, an

unusual occurrence in a country accustomed to financial and monetary stability. As for the earthquake, it destroyed the trans-Ecuadorian pipeline, left over 70 000 victims in the eastern part of the country and affected the colonial quarter of Quito, regarded as part of the cultural heritage of mankind. These disasters contributed to the resurgence of absolute poverty, especially among peasants.

VII

International prices of raw materials

Since Ecuador's economy is one whose growth is directed outward, one of the factors which has contributed most spectacularly to the crisis has been the deterioration in the terms of trade (table 7). This deterioration occurred primarily because of the tremendous drop in petroleum prices in 1986 and also because of the persistent rise in the prices of imports. Another contributing factor was speculation due to the floating of the exchange rate in the context of an international scenario in which "monetary chaos" prevailed and which was characterized by an irresponsible, unco-ordinated floating of

their exchange rates by the leading industrialized countries of OECD. The external bottleneck has been the factor most responsible for the acceleration of the crisis.

Table 7

ECUADOR: TERMS OF TRADE

1981	1982	1983	1984	1985	1986 ^a
85.6	68	52.5	47.3	35.3	19.9

Source: Banco Central del Ecuador.

^aProvisional figures.

VIII

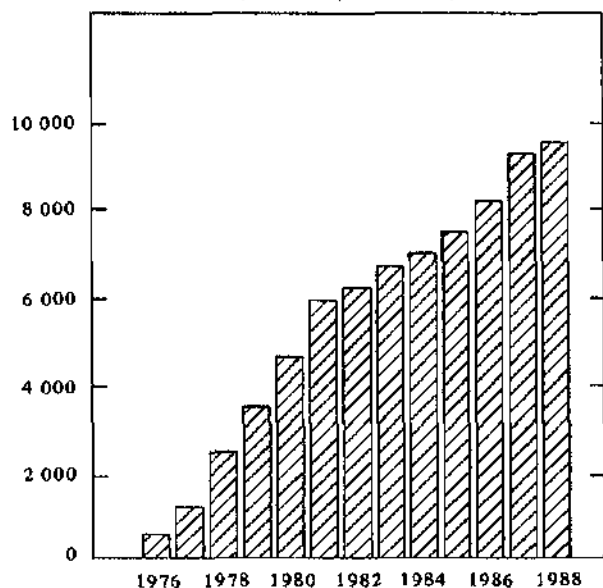
The external debt

The most negative aspect of the economic and social development of Ecuador during the present decade so far has undoubtedly been the country's inherited "aggressive" external debt, which rose from just US\$693 million in 1976 to an average of approximately US\$11 billion in 1988. In only 10 years —between 1976 and 1986—, the external debt increased twelvefold

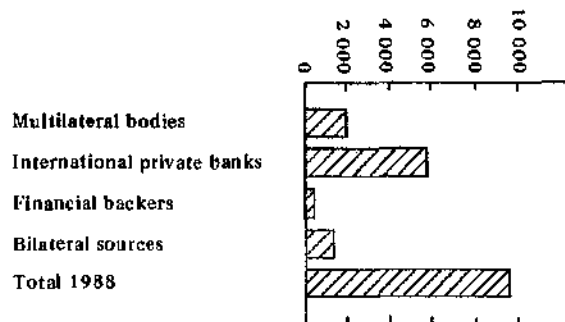
(figure). This has been one of the reasons why external debt servicing has become the crucial problem in terms of the crisis and development. Not only does debt servicing lessen any possibilities for economic growth and make it necessary to maintain recessive stabilization policies (which are imposed from outside (IMF) and inhibits effective demand and the consumption of the middle and poor strata in particular, it also has a very bad effect on both public and private investment, and its human and social cost is high.

In other words, the external debt has become the most dangerous symptom of dependence and is one of the root causes of the social regression observed in Latin America and in Ecuador in particular.

Figure
EXTERNAL DEBT
(Millions of US dollars)



COMPOSITION OF THE EXTERNAL DEBT IN 1988
(Millions of US dollars)



Source: Banco Central del Ecuador.
Note: 1987 and 1988, provisional data.

IX

Social policies in recent decades

As has usually been the same in Latin America, social analysis was brought into focus late in Ecuador, problems were viewed from a sectoral perspective, and little progress has been made in global analysis. Some recent indicators have made it possible to affirm that this trend is changing in favour of the multi- and

interdisciplinary approaches which are beginning to be seen in the social sciences. These are, however, only in their early stages and an enormous task remains to be done in order to identify the structural characteristics of and the areas of interrelationship between the economic, social, political and cultural topics covered in

planning and in development strategies; consideration should be given, for example, to the interaction between economic structure and levels of organization, consciousness-raising, mobilization and social participation.

A certain amount of progress has been made in the study of the processes of capital accumulation, while the study of wealth and income has proceeded more slowly and in less depth, and the study of the capacity for resource development, especially human resource development has been still slower and even less progress has been made. In contrast with the importance attached to these economic variables scant attention has been paid to the role which has been played, particularly in the Andean countries, by the slow and sometimes heart breaking process of crossbreeding. The challenges presented in this connection range from inter-ethnic exploitation to marketing, and all of them affect the age-old patterns of concentration and distribution of wealth and income and the cultural models for social integration. They also affect the assimilation and creation of science and technology, an area in which the country lags enormously behind the industrialized countries. This structural heterogeneity, especially in the social and cultural fields, has not been fully explored and reflects a cultural identity crisis. It goes hand in glove with the systems of dependence in which Latin America and Ecuador, in particular, have developed, and its resolution or persistence of the identity crisis is the very best yardstick for measuring the economic and social development potential of the region for the most profound obstacles to its development.

In addition, the advances made by the science of economics and the comparative lag in sociological, political and, in particular, cultural interpretation are the reflection of a very

unequal process of development which makes it difficult to perceive development, in the sense of human development, in an integral and integrated manner. This lag must be eliminated in order to come to a better understanding of the dynamics of development.

Another problem is that both absolute and critical poverty have been viewed of relatively marginal issues and only recently have they been examined from the perspective of basic needs, an approach which has contributed much to the study of poverty. The studies on marginality carried out by the National Council on Economic Planning and Co-ordination at the end of the 1960s provide an objective insight into the severity of the poverty problem which at that time affected over 50% of the economically active population of Ecuador. The national population and housing censuses carried out since the 1950s and also the agricultural censuses have unquestionably provided quantitative information concerning the country's demographic structure and outmoded systems of landholding and land use. The latter are reflected most tellingly in the persistence of large holdings and the proliferation of small holdings, the two structural obstacles most responsible for the high poverty levels in Ecuador.

It must be noted that planning has been practised in Ecuador for over three decades. The National Council of Economic Planning and Co-ordination (JUNAPLA, now CONADE), an institution which has made a notable contribution to the re-creation of the social diagnostic, was established in 1954. According to that diagnostic, the most important obstacle to the development of Ecuador is the country's alarmingly high index of absolute poverty, which, since the crisis, has climbed back to where it stood in 1969, i.e., at over 50% of the country's population.

X

Social development plans and programmes

Social development plans and programmes have been incorporated in the general plans and the development strategies applied ever since the 1960s. These global plans and strategies place emphasis on the urgent need to introduce structural changes for purposes, in particular, of replacing outmoded systems of landholding and land use and other systems which contribute to the process of wealth and income concentration. However, a gap may be observed between what should be and what is; although knowledge of the country's social problems has led to the establishment of objectives and goals (of a utopian nature), achievements in the realm of structural change have in fact been few and far between. For example, the Agrarian Reform and Settlement Act of 1964 in conjunction with Decree No. 1001 abolished dubious systems of landholding and land use and main capitalist relations universal throughout the countryside, but the basic problem of the existence of large holdings and, even more so, of small holdings was not overcome and is still present.

In this connection it is important to point out that the unusually high rate of horizontal

mobility of the population in internal migrations in Ecuador, where such mobility is as intensive as it is anywhere in the developing world, has done more than structural change to strengthen social integration and transformation. Thus, it may be said that the dynamic process of settlement along the coast and, more recently, in the eastern part of the country has been the most active contributing factor where social integration and articulation are concerned. The expansion of the agricultural frontier and rapid urban growth, together with the harmony which exists at the rural-urban and inter-urban levels, have been more the result of people moving from place to place than of conscious efforts to bring about structural change. Ecuador, like Colombia, has a rich and well articulated demographic mix but it is not as well articulated as it might be because of the persistence of absolute poverty and the absence of structural change, which represent increasingly urgent problems now that the possibilities for expanding the agricultural frontier and for land settlement within the country are in the process of waning.

XI

The sectoral approach to social problems

In Latin America as in Ecuador, a sectoral approach is often applied in the design of social policy, which is viewed in particular in terms of health, education, food and housing and of problems relating to employment. This approach corresponds to the existential challenge of improving the systems of biological and social reproduction, which has been responsible for the importance attached to the satisfaction of basic needs without ignoring the great achievements made in the sectors mentioned. However, it has still not been possible to identify the basic causes of absolute

poverty, which are not the causes of the malfunctioning of the development model but rather its symptoms. Although it may seem paradoxical, the fact that the negative indicators of absolute poverty have been regarded as elements in and of themselves and have not been looked at within the context of the global functionality of the system has been responsible for the stubborn persistence of the alarming negative indicators of social development. These include a high general mortality rate and a particularly high infant mortality rate; the expansion of the so-called "geography of

hunger", which embraces the indigenous population of the Ecuadorian sierra in particular; the prevalence of high rates of illiteracy and semi-illiteracy; an alarmingly high number of school dropouts and the proliferation of slums in Guayaquil and of shanty towns in Quito which constitute the broadest negation of

all low-income housing solutions. All these negative indicators constitute dramatic proof that a sectoral, assistance-oriented approach is not the solution to the social tragedy and point to the strategic importance of working towards a global approach based on the elimination of the causes of absolute poverty through social change.

XII

The framework of social institutions

It was not until the end of the 1970s and hence rather late in the game that the finishing touches began to be put to the framework of institutions intended to give an overall perspective to the social policy of Ecuador. This initiative was concretized in the establishment of the Ministry of Social Welfare, an institutional and organizational entity in the public sector responsible for systematically formulating, directing and executing social policy in the fields of social security, protection of miners, the co-operative movement, the promotion of popular participation

and social welfare. No mention is made of the struggle to eliminate absolute poverty, and that omission may not be entirely accidental. Moreover, in spite of the efforts made and the results achieved, the institutional framework, in addition to having been slow in coming, still suffers from serious structural defects due to the low level of inter-agency co-operation and to the nearly total failure to co-ordinate relations between the public and the private sectors, although the private sector has played an important role from the point of view of assistance.

XIII

Towards the design of a new social policy

There can be no doubt that in various phases of its history and in particular during the time of the cocoa, rice, banana and petroleum booms, Ecuador has experienced sustained and at times even very high rates of economic growth. This growth is not, however, consonant with the country's heterogeneous social development. The social contradictions, which are shown most forcibly in the extreme poverty which affects over 55% of the population and is particularly prevalent among the peasant population, is indicative of the lack of co-ordination between economic development in terms of growth on the one hand and social development on the other. Social development may be viewed as a process in which equal opportunities for the

whole society of Ecuador are generated in freedom. There can be no doubt that the alarmingly high indexes of absolute poverty reflect incidents of social discrimination which must be vanquished.

It must be noted that at the social level and within the context of underdevelopment, Ecuador is a classic example of structural heterogeneity. Few countries in the world show more signs of social contrast. In this respect it may be recalled that in an article on the marginated population of the Ecuadorian sierra, Emilio Bonifaz told of having asked a natural history professor from the Max Plank Institute in Germany who had visited Bolivia, Peru and Ecuador to say a few words concerning his

impressions of Ecuador. The professor had replied that in Ecuador one can drive out of the city and along a highway for an hour and cover 100 kilometres in space while going back three centuries in time.

"Actually", the professor continued, "People drive along without noticing that they have dropped back from the twentieth to the eighteenth century. We are so used to poverty that we pass through it without seeing it". This state of affairs has produced a sociological setting in Latin America which is full of contradictions, where it seems almost natural for modernity to coexist with absolute poverty in such a way that a country like Ecuador is all but divided into two parallel countries, one of which is replete with opportunities while the other remains virtually immobile.

Referring to Guayasamín, Regis Debray wrote that "no Indians of the Andes had ever ridden behind a Zapata or, even for a week, sat like the euphoric Pancho Villa, boots and all, in the velvet armchair of a President. They have been a defeated nation from first to last, with never a victory to celebrate and no consolations. They have no glorious history to look back on; their language is the language of despair; and when they speak they speak in pain and sorrow. The black-and-white cloth they weave has all the banality of tears; their faces, all the anonymity of babies put to death at birth".

Brought face to face with the tragedy of the Ecuadorian people as reflected in a depressing index of absolute poverty, from which over half the population suffers, one wonders why no revolutionary upheaval occurs to interrupt the traditional pattern of social injustice. An answer was thought to lie in the tremendous rural exodus from the sierra to the coast which stemmed from the industrial revolution and the country's incorporation in the international market as a supplier of raw materials. The country is undergoing a process of continual transformation as the result of a quick succession of internal migrations. At the beginning of the industrial revolution, scarcely 10% of the population lived on the coast; now the population of the coast and that of the sierra are equal, and, as indicated above, more people are settling in the eastern part of the country. Although this extraordinary horizontal mobility

which may be seen in several locations where the external trade sector is highly dynamic is not accompanied by a similar degree of vertical mobility, it constitutes the best reason for the evaporation of social tension before it could result in social rebellion as a means of achieving national integration and development as happened in Mexico with the agrarian revolution and also in Bolivia.

The expansion of the agricultural frontier and the settlement of the hinterland are, however, processes which are gradually nearing their saturation point making it essential to proceed without delay towards a new development strategy, which must be based on a process of social change in which agrarian, urban and fiscal reforms constitute the most important instruments for overcoming the obstacles to development. The agrarian reform must be accompanied by a guarantee of the holding and use of efficiently formed land. How can this apparent contradiction be resolved? By implementing a profound agrarian reform in the land developed by large projects for the regulation and distribution of water, such as the Daule-Peripa project, which especially since its extension to the Santa Elena peninsula, can benefit over 200 000 families provided the areas incorporated are made subject to reform. This huge infrastructure work, which has been financed primarily out of the surplus funds generated by petroleum, would then benefit over one million Ecuadorians. The same approach could be adopted in respect of other irrigation projects embarked upon in the future. Consequently, there is no truth in the argument that agrarian reform is incompatible with agricultural development and with the guaranteed protection of livestock raising and production for export or domestic consumption in predetermined priority zones. Agrarian planning has no other alternative than to pose the key challenge of a strategic agrarian reform project used in the service of agricultural development in order to combat absolute poverty and the permanent exodus of rural migrants to the city, which is swelling the urban informal sector, especially in the slums of Guayaquil and the shanty towns of Quito. No form of assistance can solve the problems of absolute poverty unless the structural changes

implicit in the country's history and character are brought about.

The design of a new social policy also involves another strategical structural change, which consists in progressing towards a new style of industrialization based on the factors of production present in Ecuador. In other words, the type of industry sought is that which gives preference to labour, the factor in which the country is richest, over capital, the factor which is scarcest. This calls for structural changes within the institutional framework of industry, including changes in the laws governing the promotion of industry and in the system providing financial support. Such changes would make industry an important element in the solving of the agonizing problem of open unemployment and underemployment. It is equally important to promote the development of arts and crafts, forming a small handicrafts industry if at all possible. At the same time, impetus should be given to the development of export-oriented industrial development, with priority placed on agro-industry, in order to give greater value added to those raw materials which are exported. To this end, recourse might well be had to the Andean Group's Joint System of Planning and to ALADI's list of items to which concessions are granted. Another challenge for the strategy is the rationalization of the imports substitution process, which is in an intermediate stage of development.

To make it possible to effect these structural changes, an imaginative and audacious effort must be made to spur on a more fluid transfer of technology and the implementation of the basic science and technology project. First, however, it is indispensable to introduce profound changes

at all levels of the educational system and its contents and of course to eliminate illiteracy.

The proposed new social policy is based on the following action:

- *Social consciousness-raising.* In Ecuador full awareness at national level of the problem of poverty still does not exist; what does exist is a poverty culture, which views the problem fatalistically as being one of the idiosyncracies inherent in the country and in the traditional economic and social development models. A new culture must be created with rejection of poverty at the international and the domestic levels at its nerve centre. Absolute poverty results from dependence, centre-periphery relationships and an internal model whose very dynamics depend on concentration of wealth and income.
- *Social mobilization.* The Ecuadorian society is faced with the challenge of mobilizing the population of the country in a veritable crusade against absolute poverty with the political parties playing a strategic role.
- *Social organization.* No national development project will have positive results unless society is organized in such a way that it is enabled to overcome backwardness and underdevelopment and the worst scourge of all — absolute poverty. Democracy will be fully viable in Ecuador only if it is based on a system of social justice set in an atmosphere of freedom, which is a requirement for the creation of democratic socialism.