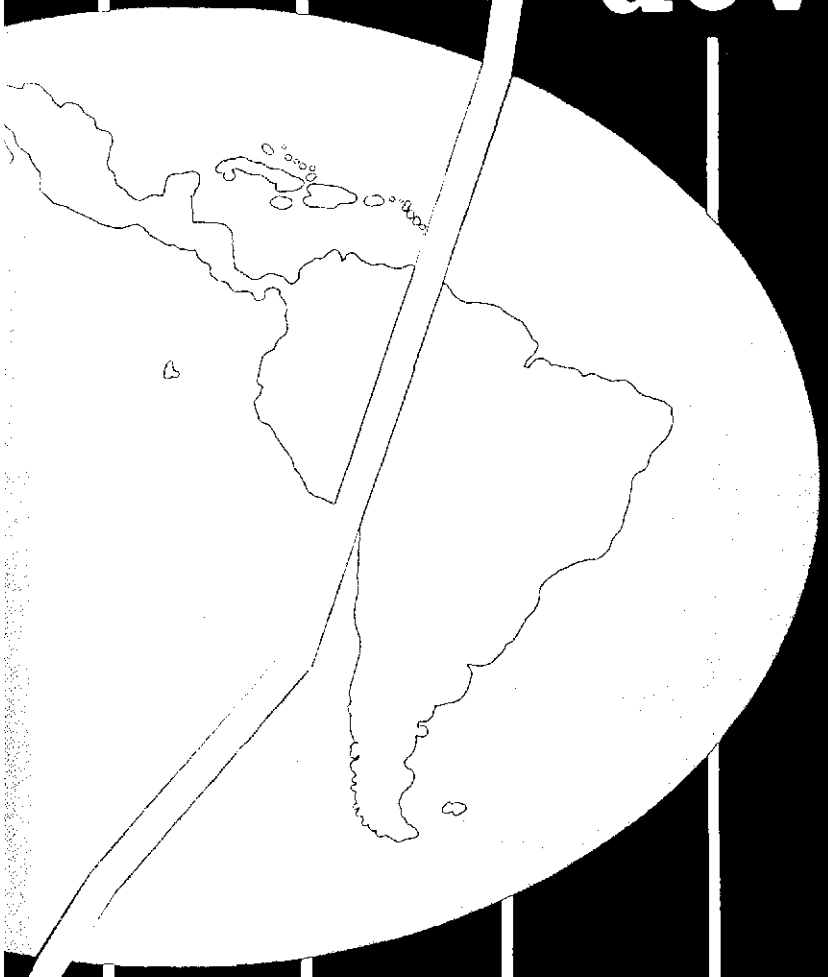
the economic development of latin america in the post-war period



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THE ECONOMIC DEVELOPMENT OF LATIN AMERICA IN THE POST-WAR PERIOD

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Part I

TRENDS IN THE LATIN AMERICAN ECONOMY

Chapter 1

OVER-ALL TRENDS IN THE LATIN AMERICAN ECONOMY DURING THE POST-WAR PERIOD

A. General considerations

Latin America has not achieved a steady rate of economic growth during the post-war period. Only a few years after the end of the Second World War the rate of development began to slow down. This downward trend became more general after 1955 and by the end of the fifties had led to stagnation in many Latin American countries and in some to a reduction of the absolute levels of real per capita income.

Past development trends indicate that in the post-war period the cumulative annual rate of growth of the product and income averaged 4.7 per cent and that, as the population increased at a rate of 2.7 per cent, the product and real per capita income rose by about 2 per cent yearly. But this movement was not uniform throughout the period. In the earlier years — from 1945 to 1950 — the annual growth rate of the domestic product was 5.7 per cent, but during the fifties this figure dropped to 4.7 per cent at first, and later, between 1955 and 1961, to 4.3 per cent.

Concurrently with this slackening of the rate of economic development, that of population growth increased so rapidly that in recent years the per capita product in Latin America as a whole has risen at an annual rate of only 1.4 per cent, while the yearly increment in real income has been smaller still.

The satisfactory development registered in the early years of the post-war period was mainly determined by two factors: (*a*) the relatively high level of exports, as a result of which the terms of trade improved steadily, although at levels lower than those attained by Latin America before the world depression of 1930; and (*b*) the availability of resources which had been accumulated during the war in consequence of the enforced curtailment of supplies from abroad. It thus became possible to expand imports considerably, as well as to speed up the growth rate of the product and — to a still greater extent — that of real income.

By 1949, however, the countries of the temperate zones in the south of the region had already begun to feel the effect of post-war adjustments in the shape of a fall in the relative prices of exports which was not offset by their expansion or diversification, either because external factors prevented it or on account of failure to apply an efficacious policy designed to promote that end. In the other countries — especially the exporters of tropical products, mineral ores and petroleum — the terms of trade remained more stable or continued to pursue an upward trend until about 1954, while, in addition, exports increased. From 1955 onwards, the terms of trade followed an unfavourable trend for all the countries of the region, thus partly counteracting the effect on the product and income that might have have been produced by the rapid expansion of exports registered in Latin America as from 1952 and 1953.

During the first half of the fifties, the quantum of exports of Latin America as a whole was maintained, on an average, at the same levels as in the early years of the post-war period, but their purchasing power increased by 18 per cent, thus making possible a corresponding expansion of imports (see table 1).

During the period 1955-61 the volume of Latin America's exports was 34 per cent greater than in the preceding period, but in consequence of the deterioration in the terms of trade, their purchasing power rose by only 15 per cent; that is, the negative effect of the terms of trade nullified nearly 60 per cent of the increment in the volume of exports.

During this period Latin America made intensive use of external financing, through autonomous capital movements and compensatory loans, and thus succeeded in increasing its imports by 21 per cent, i.e., by a proportion considerably higher than the rise in the purchasing power of its exports. Even so, the annual rate of growth of imports was lower than in the preceding period.

The fact that the domestic product increased during the period 1955-61 at an annual rate of 4.3 per cent was due to an intensive process of import restriction and substitution which reduced the import coefficient from 14.6 per cent in the period immediately following the end of the war to 13.5 and 12.7 per cent in more recent years.

This process was accompanied by changes in the structure of imports, resulting mainly in a decrease in the share of consumer goods, building materials and even capital goods, although the last-mentioned were affected

TABLE 1

Latin America: Rate of growth of product and income and evolution of the external sector

Year or period	Annual rates of growth [a]		Increment in the annual averages (percentages)					Coefficients of imports with respect to product
	Domestic product	Real income	Population	Product	Volume of exports	Purchasing power of exports [b]	Volume of imports of goods and services	
Rates and coefficients by periods								
1945-49	5.7	6.8	2.5					14.5
1950-54	4.7	4.5	2.7	25.3	1.8	17.6	26.3	14.6
1955-61	4.3	3.8	2.8	31.4	34.5	14.9	21.3	13.5
Annual rates and coefficients								
1959	2.8	2.1	2.8	2.8	6.6	2.5	−3.4	12.9
1960	5.0	5.1	2.8	5.0	2.9	3.0	4.9	12.9
1961	5.3	4.9	2.8	5.3	4.9	1.5	4.2	12.7

SOURCE: ECLA, based on national statistics and International Monetary Fund data.

[a] Relating to the periods 1945-50, 1950-55 and 1955-61 respectively.

[b] Including the tourist trade.

to a much lesser extent. On the other hand, there was a relatively greater increase in imports of fuels and intermediate products. Thus, the substitution process affected consumer goods, building materials and, up to a point, capital goods as well; on the other hand, aggregate imports of fuels and intermediate products expanded rapidly in order to satisfy the demand generated by the rise in the domestic product and internal income, and by the same process of import substitution in respect of finished goods.

The changes in the level of income, the import substitution process and the trends followed by external demand were the three essential factors which brought about considerable changes in the structure of production in Latin America. The predominant characteristics of the evolution of this structure are to be seen in the expansion of the manufacturing industries, of petroleum and mining production and, similarly, of agricultural production, whose development was somewhat accelerated during the fifties. Nevertheless, the 6 per cent growth rate registered by industry in Latin America as a whole could not be considered to reflect an intensive industrialization process, if the levels and structure existing in the countries of the region at the end of the war are taken into account, along with the experience of other parts of the world. In turn, the long-term rate of development of agricultural production (3.5 per cent) proved insufficient to meet export requirements and real domestic consumer demand. Broadly speaking, it may safely be asserted that agricultural production constituted a limiting factor in the economic development of Latin America.

The evolution of the external sector, especially in the fifties, owing to the deterioration in the terms of trade, led to acute balance-of-payments disequilibria in Latin America in the last few years of the period under review.

Current foreign exchange earnings in the region as a whole (Cuba being excluded for the sake of comparability of data, as complete figures for the whole period were not available in relation to this country) represented

TABLE 2

Latin America: Current foreign exchange earnings and obligations in respect of financial services

(Annual averages in millions of dollars)

Year or period	Foreign exchange earnings [a]	Profits and other income on foreign capital [b]	Interest on loans [b]	Amortization of autonomous long-term loans and compensatory loans [b]
Total, excluding Cuba				
1946-50	5,827.6	628.5	47.3	...
1951-55	8,003.5	838.1	97.1	338.0
1956-60	9.514.5	1,067.2	193.4	885.1
1959	9,347.8	882.5	238.2	1,010.8
1960	9,843.3	954.6	273.3	1,360.4
1961	10,049.4	1,049.3	303.7	1,456.4
Total, excluding Cuba and Venezuela				
1946-50	4,914.3	322.7	47.2	...
1951-55	6,370.9	356.7	96.6	314.0
1956-60	6,926.0	384.7	188.7	687.6
1959	6,813.0	361.5	231.6	625.1
1960	7,257.9	441.1	263.2	1,116.6
1961	7,467.3	488.6	281.1	933.4

SOURCE: International Monetary Fund; *Balance of Payments Yearbook*, vols. 8, 12, 13 and 14.

[a] Including total income from goods and services of balance of payments on current account.

[b] Relates to gross expenditure.

an annual average of 9,515 million dollars [1] in 1956-60, and the deficit on the balance-of-payments current account amounted to approximately 1,100 million dollars, whereas in 1951-55 the corresponding debit balance had been little more than 600 million and only slightly over 200 million in 1946-50 [2] (see tables 2 and 3).

[1] Figures given in dollars in the balance of payments are expressed in terms of current prices.

[2] This deficit was maintained in 1961 but decreased in 1962 due chiefly to increased exports from Argentina, Mexico and Peru and to import restrictions in Argentina, Brazil, Chile and Venezuela.

TABLE 3

Latin America: Balance of payments in the post-war period

(Annual averages in millions of dollars)

	Total, excluding Cuba			Total, excluding Cuba and Venezuela		
	1946-50	*1951-55*	*1956-60*	*1946-50*	*1951-55*	*1956-60*
I. *Current account*						
(*a*) Current foreign exchange earnings	+5,827.6	+8,003.5	+9,514.5	+4,914.3	+6,370.9	+6,926.0
(*b*) Imports f.o.b.	−4,364.2	−6,067.9	−7,038.7	−3,787.6	−5,212.6	−5,607.6
(*c*) Payments to external production factors [a]	−668.6	−914.8	−1,217.3	−362.9	−438.6	−544.5
(*d*) Other items [b]	−1,007.1	−1,638.2	−2,320.0	−874.9	−1,344.6	−1,729.5
Balance of current transactions	−212.3	−617.4	−1,061.5	−111.1	−624.9	−955.6
II. *Net autonomous capital movements*	+119.7	+511.7	+1,288.9	−73.5	+432.2	+979.3
III. *Net compensatory capital movements*	+132.2	+194.2	+211.0	+159.8	+227.4	+184.9
IV. *Errors and omissions*	−39,6	−88.5	−438.5	+25.2	−34.7	−208.6

SOURCE: See table 2.

[a] Gross figures.

[b] Including expenditure for non-financial services and private donations.

With the exclusion of Venezuela, where the trends registered were relatively more favourable than in the other Latin American countries, current foreign exchange earnings in 1956-60 averaged 6,920 million dollars *per annum*, which implies only a 9 per cent increment in relation to 1951-55, despite the length of the interval and the increase in the volume of exports.

In the Latin American countries as a whole — excluding Cuba and Venezuela for the reasons stated — the deficit rose from an annual average of 110 million dollars to 620 million and to an average of 950 million in the three post-war periods under consideration.

Table 3 presents data on methods of financing the balance-of-payments deficit. Three items are specified, namely, autonomous capital movements, compensatory movements and errors and omissions.[3]

Net autonomous capital movements — which comprise those of public and private capital, including reinvestment of profits on foreign capital — were insufficient to meet the foreign exchange requirements of the Latin American countries, which had to resort to balance-of-payments loans and the use of the monetary authorities' assets and foreign exchange reserves, to such an extent that, according to estimates, net use of such financing in Latin America (excluding Cuba) in the fifties averaged 200 million dollars yearly.

In 1956-60, the net investment represented by autonomous capital movements was 2.5 times higher than during the first half of the fifties and 10 times higher than in the period 1946-50. It is estimated at an annual average of 1,300 million dollars, as compared with little more than 500 million in the earlier period and 120 million in the first period under consideration.

The increase in autonomous capital movements and compensatory loans raised the total of amortization and interest payments in 1956-60 to an annual average of over 1,000 million dollars, whereas in the preceding period the corresponding figure had been 430 million. In other words, commitments under these heads — which in the first half of the decade represented 5 per cent of current foreign exchange earnings — reached the equivalent of over 10 per cent. In 1961 such service payments exceeded 1,700 million dollars, as against a current-income level of 10,000 million.

The recrudescence of balance-of-payments disequilibria in Latin America in recent years has been largely caused by the decline in export prices vis-à-vis the relatively stable prices of imports. From 1952-53 to 1959-61 the quantum of exports was expanding at a relatively high rate, estimated at 5 per cent, and, moreover, net autonomous capital investment increased on a substantial scale (see again table 3). But the terms-of-trade effect (see table 4) cancelled out the additional purchasing power that would otherwise have been acquired through the use of external financing and the expansion of the volume of exports.

The acceleration of the growth rates of the population and the labour force is another of the factors characterizing economic development in the post-war period. This demographic phenomenon raises two fundamental problems: (*a*) the capacity of the economy to absorb the labour force at adequate levels of productivity; and (*b*) the level of per capita income and its subsequent distribution among the various social sectors.

After the end of the war, the population of Latin America increased at an annual rate of 2.4 per cent, but in recent years the fall in the death rate has raised the

[3] Errors and omissions may derive from estimates of current transactions, from data on autonomous capital movements and from the discrepancies between the statistical records of movements of funds and movements of goods and services. Consequently, balance-of-payments deficits may be higher than the statistics suggest, or the level of autonomous capital movements lower; but in any event, errors and omissions should not be attributed entirely to these items. It seems likely that they are to some extent imputable to defective registration of movements of private capital.

TABLE 4

Latin America: Evolution of the external sector in the post-war period

(Annual averages in millions of 1950 dollars)

Year or period	Volume of exports of goods and tourist trade	Terms trade effect with respect to 1950	Payments to external production factors	Net external financing	Volume of imports of goods and services
1945-49	7,020	−1,160	710	240	5,140
1950-54	7,150	−260	780	380	6,490
1955-61	9,620	−1,700	990	940	7,870
1958	9,490	−1,780	940	1,230	8,000
1959	10,120	−2,200	920	750	7,730
1960	10,410	−2,270	950	920	8,110
1961	10,920	−2,660	980	1,170	8,450

SOURCE: See table 1.

rate of demographic growth to 2.8 per cent. Within this total, it is highly significant that the rural population seems to have increased at the rate of 1.5 per cent and the urban population at the rate of 4.3 per cent. The increments in the economically active population engaged in agricultural and non-agricultural activities must have been of similar magnitude.

It is estimated, therefore, that between 1945 and 1960 the economically active population increased by about 22 million persons. A little more than one-fourth of these would seem to have found employment in agricultural activities, slightly over one-third in production of non-agricultural goods and basic services, and a little less than 40 per cent in trade and in governmental and other services.

If the evolution of the domestic product is compared with that of the distribution of the active population among these various economic sectors, it can be deduced that the product per employed person increased in agricultural activities, non-agricultural production and basic services, but tended to remain stationary and even to decline in the other services considered as a whole. In other words, economic development in the transforming industries proved insufficient to provide employment for the huge labour force in the urban areas, and the surplus manpower found its way into the various activities connected with the above-mentioned services, creating a problem of occupational disequilibrium and the corresponding stagnation or decline of average productivity.

In conclusion, Latin America, whose per capita product was 220 dollars [4] at the end of the war, had succeeded in raising this figure to an average of 290 dollars by 1955. Subsequently, the improvement was so much slower that by 1961 the per capita domestic gross product had reached 315 dollars; that is, in sixteen years the per capita product rose by only 40 per cent, and real gross income on a similar scale.

In the preceding paragraphs something has been said in anticipation of certain conclusions to be drawn, from the analysis presented in the present chapter, with respect to the external sector's impact on the acceleration and the weakening of economic development; and in later chapters of this document the structural conditions and factors characterizing the Latin American economy will be discussed. Obviously, the question of the development of Latin America must be envisaged as a whole in relation to limiting factors of both internal and external origin.

With respect to internal factors, among the basic obstacles to development are specific aspects of the economic and social structure, relating particularly to the distribution of property and income, the land tenure system, the existence of restrictive and monopolistic practices in production and the level of education and training of the population in general and of the labour force in particular. To all this must be added, in the more strictly economic sphere, the low level of savings, the insufficiency of the public sector's resources and the inflationary process. These various factors do not operate independently, but are closely interrelated, or in some cases consequent upon one another.

In connexion with external factors, specific mention should be made of the inadequate expansion of exports, as well as their lack of diversification, and the persistent deterioration in the terms of trade.

B. Weakening of the growth rate of product and income

In Latin America as a whole, the domestic gross product increased during the post-war period at an average cumulative annual rate of 4.6 per cent (for the period as a whole).[5] However, if the variations over shorter periods are studied, sharp fluctuations are discernible. Thus, in the early years of the post-war period the product rose at a relatively high annual rate (5.7 per cent), which exceeded that registered since 1935 and during the war years. But in the first half of the fifties this rate had already fallen to 4.7 per cent, and in the second half it declined still further, to 4.3 per cent (see table 5).

[4] Unless otherwise indicated, dollars are expressed in terms of 1950 prices.

[5] The analysis of the rate of growth presented here is based on two comparisons: one for variations in the averages of periods and the other for those which occurred between the beginning and end years of the periods.

TABLE 5

Latin America: Rate of growth of domestic product and real income

Period	Gross domestic product (millions)	Gross domestic real income (millions)	Population (in millions)	Gross domestic product (per capita)	Gross domestic real income (per capita)
		(a) *Annual average*			
1945-1949	35,470	34,310	144.5	245	237
1950-1954	44,440	44,180	164.3	270	269
1955-1961	58,420	56,720	194.1	301	292
Annual cumulative rate of growth between periods					
1945-49/1950-54	4.6	5.2	2.6	2.0	2.6
1950-54/1955-61	4.7	4.2	2.8	1.8	1.4
1945-49/1955-61	4.6	4.7	2.7	1.9	1.9
		(b) *Annual figures*			
1935	21,361	18,651	112,745	189	165
1940	25,083	23,213	124,167	202	187
1945	30,930	29,390	137,780	224	213
1950	40,840	40,835	155,606	262	262
1955	51,450	50,770	178,283	289	285
1961	66,320	63,660	210,643	315	302
Annual cumulative rate of growth					
1935-40	3.3	4.5	1.9	1.3	2.5
1940-45	4.3	4.8	2.1	2.2	2.7
1945-50	5.7	6.8	2.5	3.2	4.2
1950-55	4.7	4.5	2.7	2.0	1.7
1955-61	4.3	3.8	2.8	1.4	1.0

SOURCE: ECLA, based on national statistics.

As the annual rate of growth of the population of Latin America increased at the same time, rising from 2.4 per cent at the end of the war to 2.8 per cent in more recent years, the annual rate of increase of the per capita product dropped from 3.2 per cent at the beginning of the period to only 1.4 per cent in 1955-61. The slackening of the rate of development thus revealed by the total figures for Latin America's domestic product is widespread, although it took place in varying degrees of intensity and at different levels.

For the purposes of the present analysis, the Latin American countries have been classified in four groups, on the basis of their rate of development, economic structure and geographical position (see table 6 and figures I and II). Group A comprises the countries in the south of Latin America — Argentina, Bolivia, Chile, Paraguay and Uruguay — where the long-term rate of development was lowest; in the group as a whole, the weighted average of the total product increased at an annual rate of 2.4 per cent. Group B consists of Colombia, Ecuador and Peru, whose aggregate rate of development was 4.7 per cent, like that of the countries in group C.

The Central American countries, Cuba, the Dominican Republic, Haiti and Panama, for which the corresponding figure was 3.7 per cent, are classified in group C. Group D, which comprises Brazil, Mexico and Venezuela, achieved the highest and relatively steadiest rates of growth. The product of these three countries in the aggregate increased at a rate of 6.3 per cent during the post-war period.

In all four groups of countries the rate of growth pursued a downward trend in the fifties (see again table 6). In group A, where Argentina carries particular weight in the indices because of its relatively high income level, this decline was already marked in the first half of the decade, and persisted thereafter. In group B, on the other hand, the downward movement began after 1955. This is largely attributable to the fact that the unfavourable evolution of the external sector started earlier in the southern countries, whereas in group B the terms of trade deteriorated from 1955 onwards, as was also the case to some extent with the countries in group D. In group C, it was after 1957 that the rate of development weakened, both in the Caribbean and in the Central American countries.

Figure III, which is drawn up on the basis of the three-year movable averages of the annual variations in the per capita product of the various groups of countries, provides a very clear illustration of this gradual debilitation of the economic development of Latin America. Clearly, within each group the influence of each individual country is determined by its income level, so that these indices reflect the situation in the whole area formed by

TABLE 6

Latin America: Rate of growth of product and real income by groups of countries. Annual cumulative rates

(Percentages)

Groups of countries and periods	Total		Population	Per capita	
	Gross product	Real income		Gross product	Real income
Latin America					
1945-50	5.7	6.8	2.5	3.2	4.2
1950-55	4.7	4.5	2.7	2.0	1.7
1955-61 [a]	4.3	3.8	2.8	1.4	1.0
Long-term rates [b]	4.6	4.7	2.7	1.9	1.9
Group A					
Argentina, Bolivia, Chile, Paraguay and Uruguay					
1945-50	4.6	5.6	2.1	2.5	3.5
1950-55	2.4	2.1	2.1	0.3	—
1955-61	2.0	2.0	2.0	—	—
Long-term rates [b]	2.4	2.2	2.1	0.3	0.1
Group B					
Colombia, Ecuador and Peru					
1945-50	5.0	6.7	2.4	2.6	4.2
1950-55	5.2	5.0	2.6	2.5	2.3
1955-60	4.4	3.6	2.8	1.6	0.8
Long-term rates [b]	4.7	4.8	2.6	2.0	2.1
Group C					
Central America and Panama, Cuba, Dominican Republic and Haiti					
1945-50	5.2	6.2	2.2	2.9	3.9
1950-55	2.8	2.5	2.6	0.6	−0.1
1955-57	8.2	10.1	2.7	5.5	7.3
1957-61 [a]	2.1	0.5	2.8	0.6	−2.3
Long-term rates [b]	3.7	3.8	2.6	1.1	1.2
Group D					
Brazil, Mexico and Venezuela					
1945-50	6.9	7.8	2.7	4.0	5.1
1950-55	6.5	6.2	3.1	3.3	3.0
1955-61	5.6	4.9	3.1	2.4	1.8
Long-term rates	6.3	6.5	3.0	3.2	3.4

SOURCE: ECLA, based on national statistics.

[a] Including estimates for Cuba in 1959-61.

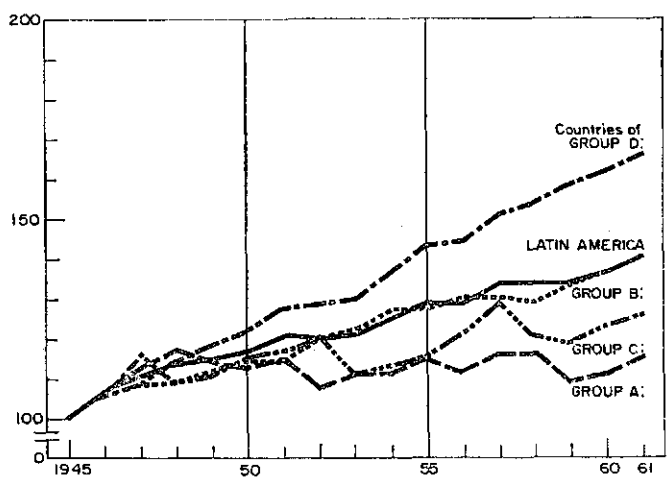
[b] Annual cumulative rate calculated on the basis of averages for the periods 1945-49 and 1955-61

FIGURE I

Latin America: Indices of gross per capita product

(INDICES 1945 = 100)

Natural scale



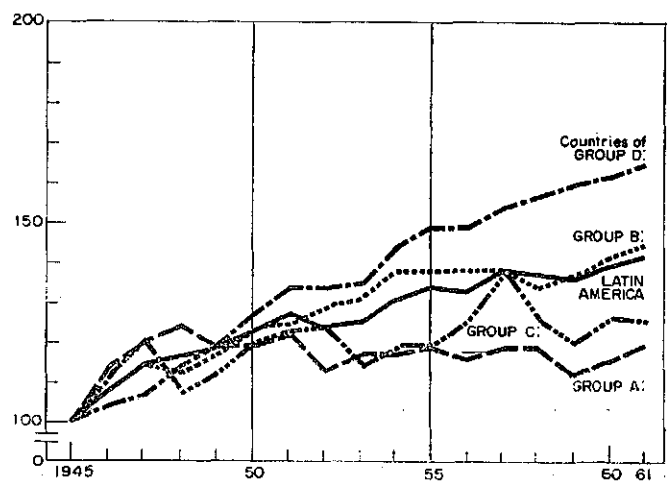
SOURCE: ECLA, based on national statistics.

FIGURE II

Latin America: Indices of gross per capita income

(INDICES 1945 = 100)

Natural scale



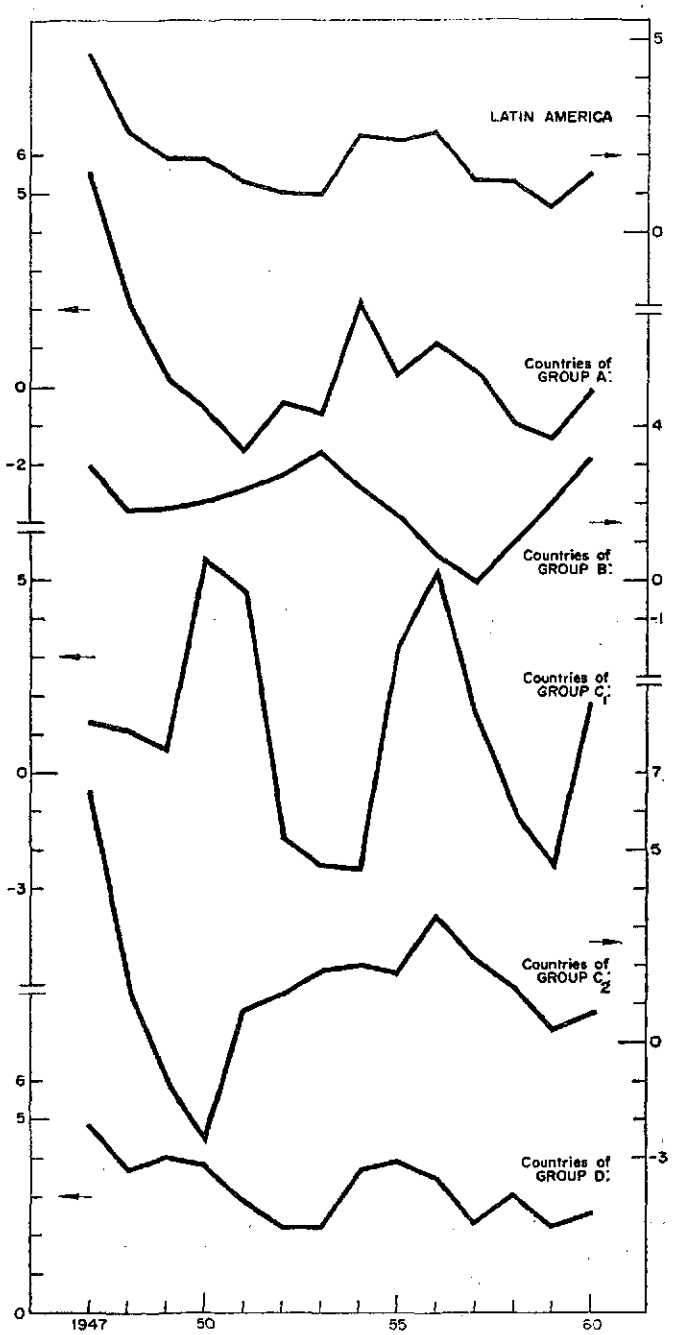
SOURCE: ECLA, based on national statistics.

FIGURE III

Latin America: Evolution of the rate of growth

(THREE-YEAR MOVING AVERAGES OF THE ANNUAL VARIATIONS OF THE GROSS NATIONAL PRODUCT PER CAPITA)

Natural scale



SOURCE: ECLA, based on the national statistics.

the countries in the group concerned. However, the analysis by countries which follows at a later stage [6] shows that, broadly speaking, the process of decline affected virtually all countries.

[6] See part III of the present study.

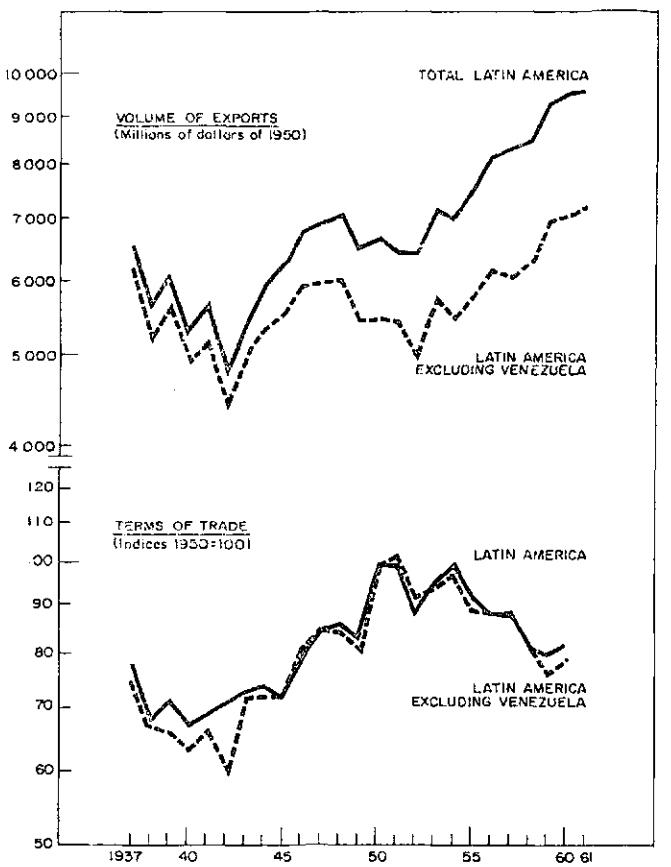
Attention should now be turned to the evolution of real income in the Latin American countries.[7]

In the early years of the post-war period, the terms of trade were relatively unfavourable to Latin America (see figure IV), but they followed an upward trend — especially to begin with — in the countries exporting foodstuffs, and subsequently in the others as well. In Latin America as a whole they had reached their peak by 1951, and began to decline sharply after 1954.

FIGURE IV

Latin America: Volume of exports and indices of the terms of trade

Semi-logarithmic scale



SOURCE: ECLA, based on national foreign trade statistics.

[7] In embarking on this analysis it may be useful to recall that, according to the concepts adopted by ECLA, the domestic product measures the country's net domestic production, and real income measures the complex of goods and services at the country's disposal after part of the product has been traded for imported goods and services, with due regard to the final trade-balance or balance-of-payments position, as the case may be. On these bases, if export prices, for example, increase faster than import prices, a positive effect or a trade gain is said to have been produced, and is added to the product in order to determine real income; while if the reverse is the case, there is said to be a negative effect or a loss which is deducted from the product. These gains or losses are evaluated by ECLA in terms of exports.

To determine the trade effect, the terms of trade existing in 1950 were adopted as a basis of comparison, but very similar results would have been attained had a broader base period been taken, such as 1950-54. In both the periods mentioned, the terms of trade were far below those enjoyed by Latin America before the world depression of 1930.

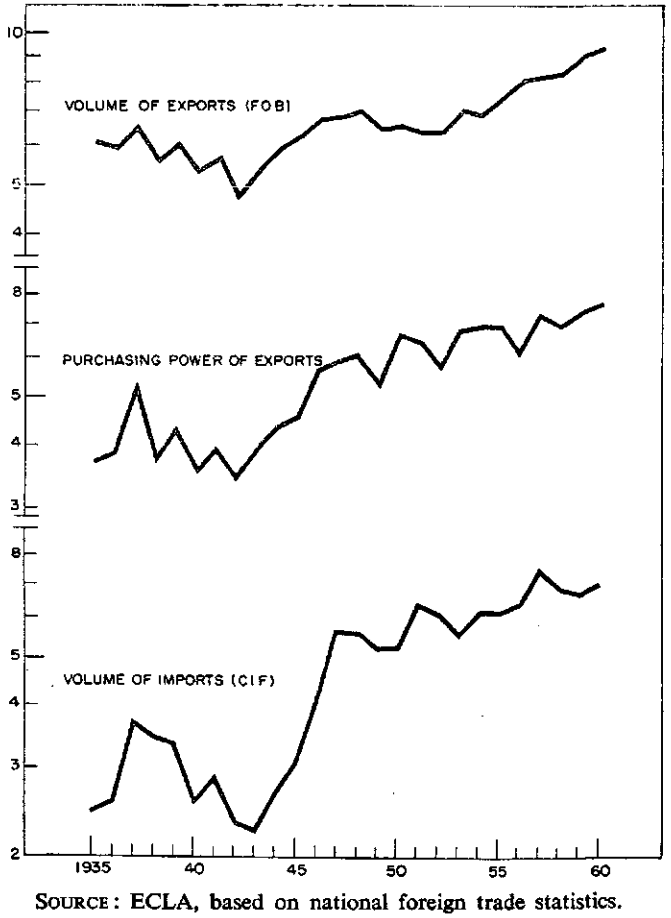
If their long-term development is considered, and the average figure for the terms of trade in 1945-49 is compared with the average for 1955-61, it will be seen that the deterioration in more recent years is reducing them to a level very close to that registered in the years immediately following the end of the war. Consequently, the long-term rate of growth of the product is not very different from that of real income (4.6 per cent and 4.7 per cent, respectively). In the case of short-term movements, on the contrary, the direct terms-of-trade effect strongly influenced the variations in real income, especially, of course, those of real per capita income (see again table 6). In the early years of the post-war period the improvement in the terms of trade — although it started from low levels — raised the purchasing power of Latin America's exports, and the upward trend of real income was so much sharper than that of the product that whereas in 1945-50 the annual rate of growth of the product was 5.7 per cent, that of real income was as high as 6.8 per cent, which meant that Latin America's real per capita income increased at an annual rate of 4.2 per cent. Imports expanded even more than the purchasing power of exports, owing to the use of monetary reserves accumulated during the war (see figure V). This process was common to all the groups of countries (see again table 6).

FIGURE V

Latin America: Volume and purchasing power of exports and volume of imports

(THOUSANDS OF MILLIONS OF 1950 DOLLARS)

Semi-logarithmic scale



SOURCE: ECLA, based on national foreign trade statistics.

The deterioration of the terms of trade in the fifties and in 1961 aggravated, in terms of income, the decline in the rate of development shown by the domestic product, and the annual rates of growth of real income in Latin America fell from 6.8 per cent at the end of the war to 4.5 and 3.8 per cent respectively in the later periods analysed. Consequently, the downward movement in real per capita income was sharper still, since its relatively high growth rate of 4.2 per cent dropped to 2 per cent and to 1 per cent. Group A showed a standstill in real per capita income in relation to 1955 and even to 1950, whereas group D — despite the higher rates of population growth — managed to maintain a rate of 2 per cent in the final years of the decade. In any event, it should be pointed out that in general the more rapid rate of increase of the population in the fifties constituted yet another factor which, in addition to those responsible for the decline in the rates of economic development, slowed down the rate of per capita income.

These disparities between the evolution of the product and of income reveal only the immediate or visible terms-of-trade effect, which at first speeded up the rate of growth of income in relation to that of the product, and retarded it at a later stage. It must also be borne in mind that fluctuations in the terms of trade affect the level of the product, in principle, in so far as they increase or decrease the purchasing power which must become effective through imports and through its dynamic impact on internal demand.

C. The effect of the external sector in the weakening of the rate of development

1. RELATIONSHIP BETWEEN THE PRODUCT, INCOME AND EXTERNAL PURCHASING POWER

In one direction or another, external factors exerted a preponderant influence on Latin America's rate of economic development during the post-war period. A few general remarks may therefore appropriately be made here on the relationship between the product, income and the purchasing power of exports, in the light of the region's experience during the decade just ended.

In principle, a functional relation can be established between the components of external purchasing power, the import coefficient and the levels of product and income. For the purposes of the present analysis, the term " current purchasing power " will be applied to that deriving from the volume and relative prices of exports, after deduction of external factor payments under the head of profits or interest on foreign investments and loans. By adding net external financing to this purchasing power, the amount of imports effected, or, in other words, the purchasing power actually used, can be computed.

If the current purchasing power of an economy increases at a given rate, the product can grow at that same rate if there is no change in the import coefficient, and even faster if this coefficient decreases. On the other hand, if purchasing power increases more slowly, or remains stationary, the maintenance of a specific rate of growth of the product will depend upon the economy's chances or ability to reduce its import coefficient. Such

a falling-off — relative or absolute — in current purchasing power may come about through the volume of exports or in consequence of a deterioration in the terms of trade. Thus, in Latin America's case, in 1950-54 the volume of exports expanded by only 2 per cent in relation to 1945-49, but purchasing power increased by 18 per cent. In 1956-61, on the other hand, the volume was 34 per cent greater than in the preceding five-year period, whereas the increment in purchasing power was only 15 per cent. The variation in purchasing power, not in quantum, determines the variation in imports, and it is this variation that, in principle, may be said to influence the domestic product in accordance with a given functional ratio. The current purchasing power may be modified if there is a change in the relative magnitude of external factor payments, which in Latin America represent a coefficient of about 10 per cent of exports.

By means of external financing through net capital inflows, balance-of-payments loans or the use of credits or foreign exchange holdings, imports can be expanded and given levels of domestic production maintained. But this factor could not continue to operate indefinitely in the absence of a rise in current foreign exchange income or an accelerated expansion of capital inflows on specific terms, since the resultant liabilities under the head of profits, interest and amortization payments would be more than a country can reasonably undertake to meet.

To sum up, if in any of the foregoing sets of circumstances the purchasing power actually converted into imports declines in relative or absolute terms, the maintenance of a given rate of growth of the product will depend upon the possibility or ability of an export policy to reduce the import coefficient.

In this connexion, ECLA has repeatedly shown that if the Latin American countries are to maintain a specific rate of development, an import substitution process is essential, since external demand for exports tends to increase at a slower rate than income, whereas demand for imports grows more rapidly.

Hence the mere fact of maintaining a constant import coefficient in relation to the domestic product implies a certain degree of import restriction or substitution, understood as the difference between potential demand for imports and imports actually effected; and the internal substitution effort will be all the greater if this coefficient has to be reduced still further in view of the evolution of external purchasing power.

Naturally, the import substitution process has its limits, and must be considered in relation to subsequent export trends and, in the last analysis, to the problem of optimum allocation or utilization of resources. Substitution may take place in respect of several lines of production, i.e., consumer goods, fuels, intermediate products and capital goods.

If the import substitution process continues until saturation point is reached in respect of consumer goods, while imports are kept at a relatively low level by the stagnation or inadequate growth of the purchasing power of exports, situations of extreme economic vulnerability may develop, since the economy will be left dependent on external markets for its supplies of fuels and basic commodities, or for capital formation goods that affect its current or future production capacity.

The extension of the process to new lines of production — intermediate products or capital goods — requires the introduction of new and more complex techniques, and may also necessitate additional foreign investment. In these circumstances, if current foreign exchange income is not increased, difficulties may arise in connexion with amortization or the payment of profits and interest.

Lastly, the facts show that given an import substitution process and a specific rate of growth of the domestic product, over-all demand for imports increases in relation to other intermediate or capital goods. The development of the substitution process will therefore depend upon the export levels that can be attained.

In conclusion, when the rate of increase or the absolute levels of a country's external purchasing power decline, the possibility of changing the structure of imports and reducing the import coefficient, and the ability to do so, set the limits to the growth of the domestic product. The determination of how, and up to what point, it will be economically expedient to reduce the import coefficient, and the adoption of basic decisions with respect to the reallocation of resources so that exports may be expanded and diversified, with due consideration of the various alternatives for optimum use of resources, constitute the cornerstone of a development policy.

2. The influence of the external sector and the rate of development in Latin America

During the post-war period, the average long-term rate of increase of Latin America's export volume was 2.9 per cent, and that of its purchasing power a little less — 2.7 per cent. Thanks to external financing, imports expanded at an annual rate of 3.9 per cent. On the other hand, the long-term rate of growth of the domestic product averaged 4.6 per cent, which implied a decline in the average import coefficient in relation to the product; from 14.6 in the early part of the post-war period it fell to an average of 13.5 in the period 1955-61.

These indices only reflect the average trend throughout the period and in Latin America as a whole, since the external sector variables, in relation to the rate of economic development, display marked fluctuations from one period to another and different behaviour patterns in the various countries.

Tables 7 and 8, which assemble the data on the external sector for Latin America as a whole and for each of the groups of countries established, facilitate a more accurate analysis of the economic process under study here.

In the early years of the post-war period, the export index registered in Latin America as a whole was relatively high in comparison with the level of the domestic product, of which exports represented about 20 per cent.

From 1945 to 1950, the volume of exports remained fairly constant but, on the other hand, the capacity to import increased by virtue of the improvement in the terms of trade. High import volume figures were thus attained, although admittedly on the basis of very low levels at the end of the war. During this period, the growth rates of the product and income reached their

TABLE 7

Latin America: Product, real income, consumption, investment and external sector, annual averages

(Millions of 1950 dollars)

Groups of countries and periods	*Gross product*	*Real income*	*Total investment*	*Total consumption*	*Volume of exports* [a]	*External terms of trade effect*	*Net income from payment to external production factors*	*Net external financing*	*Imports of goods and services*
Latin America									
1945-49	35,470	34,310	6,370	27,220	7,020	−1,160	710 [b]	240 [b]	5,140
1950-54	44,440	44,180	7,830	35,950	7,150	−260	780	380	6,490
1955-61 [a]	58,420	56,720	10,050	46,600	9,620	−1,700	990	940	7,870
1958	58,320	56,540	10,090	46,740	9,490	−1,780	940	1,230	8,000
1959	59,950	57,730	10,270	47,290	10,120	−2,220	920	750	7,730
1960	62,960	60,690	10,530	50,070	10,410	−2,270	950	920	8,110
1961	66,330	63,670	11,060	52,620	10,920	−2,660	980	1,170	8,450
Group A									
1945-49	12,170	12,160	2,670	9,260	2,000	−10	160 [b]	−30 [b]	1,720
1950-54	13,750	13,710	2,710	11,010	1,600	−40	40	50	1,570
1955-61	15,750	15,460	3,120	12,630	1,810	−290	100	390	1,810
1958	16,110	15,670	3,150	12,810	1,850	−440	80	370	1,700
1959	15,440	15,130	2,750	12,390	1,880	−310	90	100	1,580
1960	16,050	15,780	3,440	12,670	1,960	−270	120	450	2,020
1961	16,890	16,680	3,620	13,750	1,930	210	170	860	2,410
Group B									
1945-49	3,850	3,670	600	3,130	6700	−180	30 [b]	90 [b]	5500
1950-54	4,870	4,840	830	4,000	7900	−30	50	40	750
1955-61	6,360	6,150	1,050	5,110	1,100	−210	80	90	900
1958	6,160	5,920	930	4,950	1,060	−240	100	60	780
1959	6,530	6,220	890	5,220	1,180	−310	90	−20	760
1960	6,940	6,620	1,070	5,510	1,260	−320	100	60	900
1961	7,310	6,940	1,200	5,770	1,340	−370	110	140	1,000
Group C									
1945-49	3,710	3,590	370	3,000	1,110	−120	110 [b]	−60 [b]	770
1950-54	4,460	4,430	570	3,790	1,210	−30	100	30	1,110
1955-61 [c]	5,550	5,440	840	4,640	1,500	−110	80	140	1,450
1958	5,500	5,400	880	4,700	1,560	−100	90	270	1,640
1959	5,560	5,320	860	4,570	1,530	−240	80	190	1,400
1960 [c]	5,880	5,710	870	4,800	1,520	−170	40	60	1,370
1961 [c]	6,190	5,910	850	4,990	1,620	−280	40	150	1,450
Group D									
1945-49	15,740	14,980	2,770	11,830	3,240	−850	410 [b]	240 [b]	2,100
1950-54	21,360	21,200	3,720	17,150	3,550	−160	590	260	3,060
1955-61	30,760	29,760	5,040	24,220	5,210	−1,090	730	320	3,710
1958	30,550	29,550	5,130	24,280	5,020	−1,000	670	530	3,880
1959	32,420	31,060	5,770	25,110	5,530	−1,360	660	480	3,990
1960	34,090	32,580	5,150	27,090	5,670	−1,510	690	350	3,820
1961	35,940	34,140	5,390	28,110	6,030	−1,800	660	20	3,590

SOURCE: ECLA, based on national statistics.

General note; The total for Latin America does not coincide with the sum of the groups due to *rounding*.

[a] Including the tourist trade.

[b] Based on the average for the period 1946-49.

[c] Including a very rough estimate for the Caribbean countries.

TABLE 8

Latin America: Real income, investment, and external sector as a percentage of gross national product

Groups of countries and periods	Gross income	Total investment	Total consumption	Volume of exports [a]	External terms of trade effect	Net income from payment to external production factors	Net external financing	Imports of goods and services
Latin America								
1945-49	96.7	18.0	76.7	19.8	−3.3	2.0 [b]	0.7 [b]	14.5
1950-54	99.4	17.6	80.9	16.1	−0.6	1.8	0.9	14.6
1955-61	97.1	17.2	79.8	16.5	−2.9	1.7	1.6	13.5
1958	96.9	17.3	80.1	16.3	−3.1	1.6	2.1	13.7
1959	96.3	17.1	78.9	16.9	−3.7	1.5	1.3	12.9
1960	96.4	16.7	79.6	16.5	−3.6	1.5	1.5	12.9
1961	96.0	16.7	79.4	16.5	−4.0	1.5	1.8	12.7
Group A								
Argentina, Bolivia, Chile, Paraguay and Uruguay								
1945-49	99.9	21.6	76.1	16.4	−0.1	1.3 [b]	−0.3 [b]	14.1
1950-54	99.7	19.7	80.0	11.6	−0.3	0.3	0.4	11.4
1955-61	98.1	19.8	80.2	11.5	−1.8	0.6	2.5	11.5
1958	97.3	19.5	79.5	11.5	−2.7	0.5	2.3	10.5
1959	98.0	17.8	80.2	12.2	−2.0	0.6	0.6	10.2
1960	98.3	21.4	78.9	12.2	−1.7	0.7	2.8	12.6
1961	98.8	21.4	81.4	11.4	−1.2	1.0	5.1	14.3
Group B								
Colombia, Ecuador and Peru								
1945-49	95.3	15.6	81.3	17.4	−4.7	0.8 [b]	2.3 [b]	14.3
1950-54	99.4	17.0	82.1	16.2	−0.6	1.0	0.8	15.4
1955-61	96.7	16.5	80.3	17.3	−3.3	1.3	1.4	14.2
1958	96.1	15.1	80.4	17.2	−3.9	1.6	1.0	12.7
1959	95.3	13.6	79.9	18.1	−4.7	1.4	−0.3	11.6
1960	95.4	15.4	79.4	18.2	−4.6	1.4	0.9	13.0
1961	94.9	16.4	78.9	18.3	−5.1	1.5	1.9	13.7
Group C								
Central America, Cuba, Dominican Republic and Haiti								
1945-49	96.8	10.0	80.9	29.9	−3.2	3.0 [b]	−1.6 [b]	20.9
1950-54	99.3	12.8	85.0	27.1	−0.7	2.3	0.7	24.9
1955-61 [c]	98.0	15.1	83.6	27.0	−2.0	1.4	2.5	26.1
1958	98.1	16.0	85.4	28.4	−1.8	1.6	4.9	29.8
1959	95.7	15.5	82.1	27.5	−4.3	1.4	3.4	25.2
1960 [c]	97.1	14.8	81.6	25.9	−2.9	0.7	1.0	23.3
1961 [c]	95.5	13.7	80.6	26.2	−4.5	0.6	2.4	23.4
Group D								
Brazil, Mexico, and Venezuela								
1945-49	94.6	17.6	75.2	20.6	−5.4	2.6 [b]	1.5 [b]	13.3
1950-54	99.3	17.4	80.3	16.6	−0.7	2.8	1.2	14.3
1955-61	96.5	16.4	78.7	16.9	−3.5	2.4	1.0	12.1
1958	96.7	16.8	79.5	16.4	−3.3	2.2	1.7	12.7
1959	95.8	17.8	77.5	17.0	−4.2	2.0	1.5	12.3
1960	95.6	15.1	79.5	16.6	−4.4	2.0	1.0	11.2
1961	95.0	15.0	78.2	16.8	−5.0	1.8	0.1	10.0

SOURCE: ECLA, based on national statistics.

a Including the tourist trade.

b Based on the average for the period 1946-49.

c Including a very rough estimate for the Caribbean countries.

peak for the whole of the post-war period. By the early fifties the volume of exports from Latin America as a whole (see again figures IV and V) had not increased; but if the terms of trade had formerly boosted purchasing power, they then began to show signs of stabilization, and, in consequence, the variations in current purchasing power were determined only by the export volume. This marked the beginning of the period in which the rates of growth of the product and of income were lower than in 1945-49.

During the period 1956-61, exports expanded rapidly. Between 1953-54 and 1959-61 their cumulative annual rate of increase was 5.3 per cent. But the terms of trade began to deteriorate, and the increment in purchasing power was much less than that of the volume of exports. Consequently, despite considerable use of external financing, the upward trend of the import volume showed signs of flattening out. The rate of growth of the product — and to a still greater extent that of income — declined in relation to preceding periods, but kept up to a certain level by virtue of a reduction of the import coefficient, a phenomenon which in the early years of the decade had not yet occurred. The data summarized in tables 7 and 8 give some idea of the scale of this process during the various phases of the post-war period.

In 1950-54, the average annual volume of exports was almost the same as in 1945-49; purchasing power, on the other hand, increased by 18 per cent. With external financing to the amount of only 380 million dollars, which represented 5 per cent of the value of exports, the region as a whole effected imports to a value of 6,500 million dollars, a figure 26 per cent higher than that registered in the preceding period. The product increased by 25 per cent and the import coefficient remained at approximately the same levels.

In 1955-61, the relatively large increment in the volume of exports (34 per cent) was so heavily offset by the deterioration in the terms of trade that 60 per cent of it was cancelled out.

Average net external financing rose from 380 million dollars to 940 million, including the use of assets and reserves belonging to monetary institutions and the reinvestment of returns on foreign capital. At the same time, external factor payments also increased. In the upshot, with a volume of exports averaging 9,600 million dollars, imports amounting to 7,900 million dollars were effected. Thus imports expanded by 21 per cent, i.e., at a lower annual rate than in the preceding period.

However, the product increased by 31 per cent, the income increment a little less — 29 per cent — and the coefficient of imports in relation to the domestic product was forced down from 14.6 to 13.5, which indicated that an intensive import restriction and substitution process had already set in.

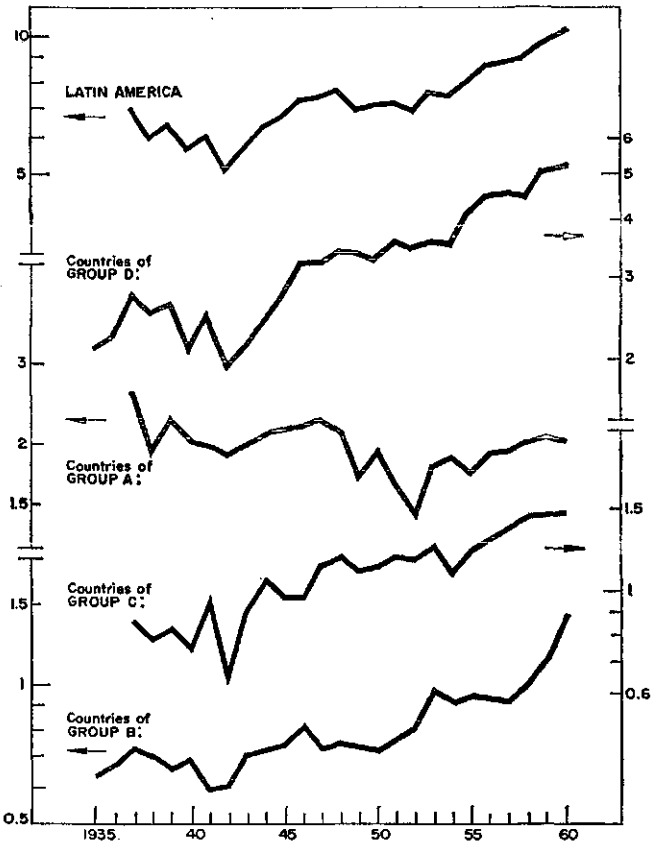
These average figures for relatively long periods are not sufficiently illustrative of the magnitude of the impact of the external sector on the Latin American economy. It is worth while to consider individual data for the last few years. Between 1958 and 1961 exports pursued a definite upward trend, rising from 9,500 to 10,900 million dollars (see figure VI), but the deterioration in the terms of trade continued and even increased, balance-of-payments disequilibria were aggravated and the domestic product maintained its rate of growth only by virtue of the intensification of import restriction or substitution. The coefficient of imports in relation to the domestic product, which had been 13.7 in 1958, had fallen to 12.7 by 1961. The negative effect of the terms of trade came to represent 3 per cent of the domestic product, and external financing rose to 1.8 per cent of the product, whereas in 1950-54 the corresponding average had been 0.9 per cent.

FIGURE VI

Latin America: Volume of exports

(THOUSANDS OF MILLIONS OF 1955 DOLLARS)

Semi-logarithmic scale



SOURCE: ECLA, based on national foreign trade statistics.

Figure VII, too, is illustrative of this evolution of the external sector in Latin America, and also clearly shows that if a broader basis had been adopted for terms-of-trade comparisons — for example, the average for 1950-54 — the scope of their effect would have diminished, but only to a relatively slight extent.

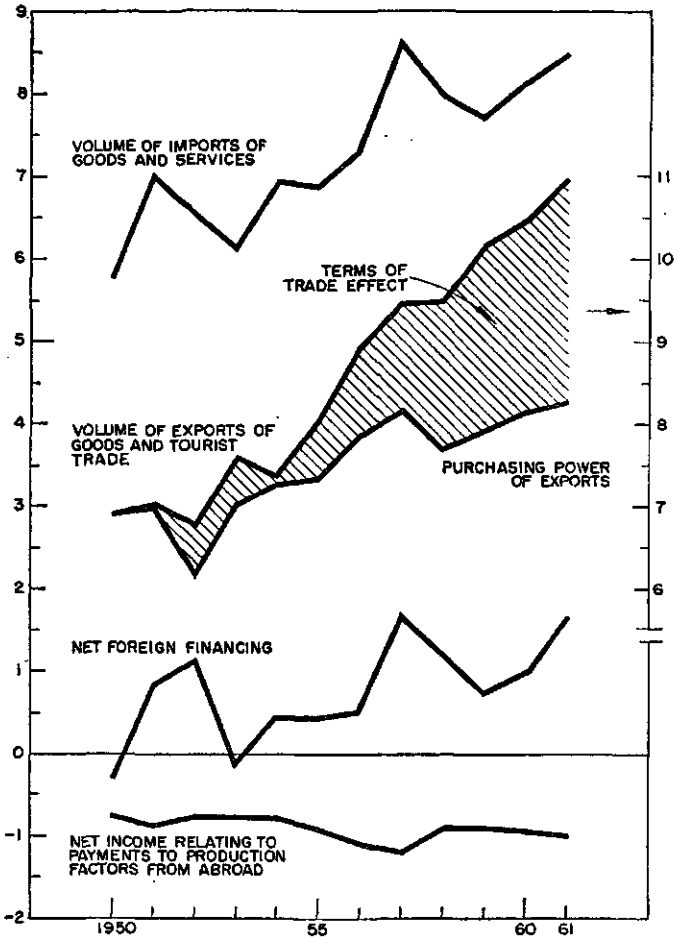
Within the over-all picture just outlined, the different groups of countries display special characteristics as regards the evolution of the external sector and their economic development, which must be described, even if only briefly, for the sake of accuracy.

FIGURE VII

Latin America: Evolution of the external sector in the period 1950-61

(THOUSANDS OF MILLIONS OF 1950 DOLLARS)

Natural scale



SOURCE: ECLA, based on official foreign trade statistics and data from the International Monetary Fund.

Group A as a whole shows a long-term decrease in the volume of exports and a still more marked decline in purchasing power. These variables are particularly affected by the figures for Argentina, Uruguay and Bolivia. The group in question intensively increased its use of external financing during the last five-year period but not until 1960 did it succeed in increasing its import volume. It is this group, moreover, which registers the slowest rates of economic development over the post-war period.

In contrast, the three remaining groups of countries achieved a much more substantial expansion of exports, especially groups B and D (see again figure VI). In all of them, moreover, the long-term growth trend of the purchasing power of exports was sharper than that of the volume during the post-war period. This phenomenon is most noticeable in group D, taken as a whole. In addition, groups B and C tended to display the characteristics proper to relatively more open economies, and, in this respect, showed a higher rate of growth for imports — still over the long term — than for product and income, that is, an elasticity of demand for imports higher than unity (see table 9).

TABLE 9

Latin America: Rate of growth of final demand and available resources, total and by groups of countries. Cumulative annual rates for the period 1945-49 stet to 1955-61

Items	*Latin America*	*Groups of countries*			
		A	*B*	*C*	*D*
Real income	4.7	2.2	4.8	3.8	6.5
Domestic product . . .	4.6	2.4	4.7	3.7	6.3
Imports	3.9	0.5	4.6	5.9	5.3
Consumption	5.0	2.3	4.6	4.0	6.7
Private	5.0	3.0	4.4	3.7	6.7
Public	5.0	2.4	6.8	6.4	6.6
Exports					
Volume of goods and the tourist trade . .	2.3	−0.3	4.6	2.8	4.4
Purchasing power . .	2.7	−2.4	5.7	3.0	5.1
Total gross investment	4.2	1.5	5.4	7.7	5.6
Fixed investment . .	3.6	2.0	4.6	7.6	4.0
Public	5.0	−0.3	7.7	11.3	8.2
Private	3.0	3.0	3.9	6.3	2.2

SOURCE: ECLA, based on official statistics.

A few over-all figures for each group of countries may be studied here, since an accurate analysis would entail consideration of the trends registered in the individual countries forming each group, and will be left for a later stage.[8]

In 1945-49 group A's quantum of exports amounted to 2,000 million dollars. However, external sales dropped abruptly during the first half of the fifties, and although they subsequently recovered, they never regained their former levels. The increase they showed from 1955 onwards was completely wiped out by the negative terms-of-trade effect. In 1955-61 group A used net external financing, on an average, to the extent of 390 million dollars yearly — as compared with 50 million in the preceding period — but owing to the deterioration in the terms of trade, its imports, although 15 per cent higher than in 1950-54, were only slightly higher than in the early years of the post-war period. By 1961, the group had managed to expand its imports, but on the basis of external financing amounting to 860 million dollars; this is a very significant index of the critical balance-of-payments situation in the countries composing the group, especially that of Argentina.

It was in group A that the import coefficient decreased most sharply, dropping from 14.0 in 1945-49 to 11.5 by 1955-61. This contraction is even sharper than that registered in group D, although the attendant circumstances are very different. Two aspects of this difference may be singled out: (*a*) The decline in the import

[8] See part III of this study.

coefficient in group A took place within a very slow economic development process, whereas the reverse was true of group D; (*b*) in group D the fall in the coefficient was concurrent with a considerable expansion of imports.[9]

The long-term rate of growth of exports was highest in group B. In 1950-54 the average annual volume of exports was 790 million dollars (18 per cent more than in the previous period), but its purchasing power increased even faster — by 55 per cent — thanks to the improvement in the terms of trade. In these circumstances, with net external financing averaging the relatively small sum of 40 million dollars a year, this group effected imports to a value of 750 million dollars, exceeding the average for the preceding period by 36 per cent, and the import coefficient rose from 14.3 to 15.4. It is of interest to note that demand for imports is seen to be determined mainly by real income and an income-elasticity higher than unity.

Group B's exports continued to expand during 1955-61, but most of the increase in purchasing power was offset by the deterioration of the terms of trade. External financing reached higher figures, but the rate of growth of imports declined, and so did their coefficient in relation to the product and income, in consequence of the import restriction and substitution process, which was carried particularly far in the case of Colombia.

It was in group C, comprising the Central American and Caribbean countries, that export and import coefficients were highest. In 1950-54 its purchasing power increased, thanks to the volume of its exports and the improvement in the terms of trade. Imports expanded by more than 40 per cent, with an income-elasticity higher than unity. In the following period (1955-61), its exports continued to rise, but the terms of trade deteriorated. External financing, however, came to represent nearly 10 per cent of exports, and the increment this implied enabled the group to increase its imports by a further 30 per cent, while still maintaining an elasticity coefficient higher than unity. Even so, it can be seen that in the final years of the period, on the one hand exports ceased to expand, on the other, the terms-of-trade effect became still more unfavourable, limiting the growth of exports, despite the relatively large amount of external financing resorted to (see again tables 7 and 8).

Group D, formed by Brazil, Mexico and Venezuela, showed the highest aggregate rates of increase for the volume and purchasing power of exports, that of the volume being only slightly lower than in group B. Consequently, the growth of imports also followed the same trend, but the import coefficient steadily declined from 1950 onwards, while the product registered the highest rates of increase in comparison with the other groups of countries. In this group, too, the movement of the terms of trade was similar to that described for Latin America as a whole. The over-all development process, however, displayed special characteristics in each of the countries composing the group, in accordance with their respective economic structures.[10]

[9] In part III, chapter 4, attention will be devoted to the special case of Brazil, which did not follow the trend indicated by the figures for the group.

[10] See part III.

D. Dynamic factors in final demand and the evolution of available resources

1. The internally geared development of the Latin American economy

Earlier in this study an examination was made of the way in which the product and income have evolved and of the part played by the external sector in the weakening of Latin America's rate of economic growth. At this juncture the behaviour of the various components of final demand, both internal and external, should be studied in order to determine the dynamic influence exerted by each one on the domestic product and income, the way in which they have adjusted themselves to the decline in the rate of growth, and, lastly, the respective shares of domestic production and imports in the coverage of final demand.

Table 9 includes rates of growth that measure the average trend pursued by the supply of goods and services during the whole of the post-war period, in terms of the domestic product and imports, as well as the evolution of each of the components of final internal demand, specified under the heading of consumption and investment, and of final external demand in the form of exports. Figure VIII traces the evolution of these concepts, and table 10 provides some additional information on the percentage share of each economic variable in final supply and demand.

Domestic demand for aggregate consumption and investment in Latin America expanded more rapidly than exports after the war. While the volume of exports tended to grow at the rate of 2.9 per cent, the figures for consumption and investment were 5.0 and 4.2 per cent respectively. As a result of this, the share of exports in over-all final demand, which was 17.3 per cent in the years immediately following the war, shrank to 14.5 per cent in the period 1956-61 and internal demand increased its share correspondingly from 82.7 to 85.5 per cent.

The contribution of the domestic product to the supply of goods and services that went to satisfy final demand tended to increase, since it stood at approximately 87 per cent at the end of the war and had expanded to 88 and 89 per cent by the late fifties.

It may be concluded from this that the dynamic influence of internal demand on the product and income was enhanced and that the process of growth tended to be directed towards the internal economy. Nevertheless, it cannot be said that the Latin American economies, at their current level of income, have succeeded in reducing their vulnerability to external factors.

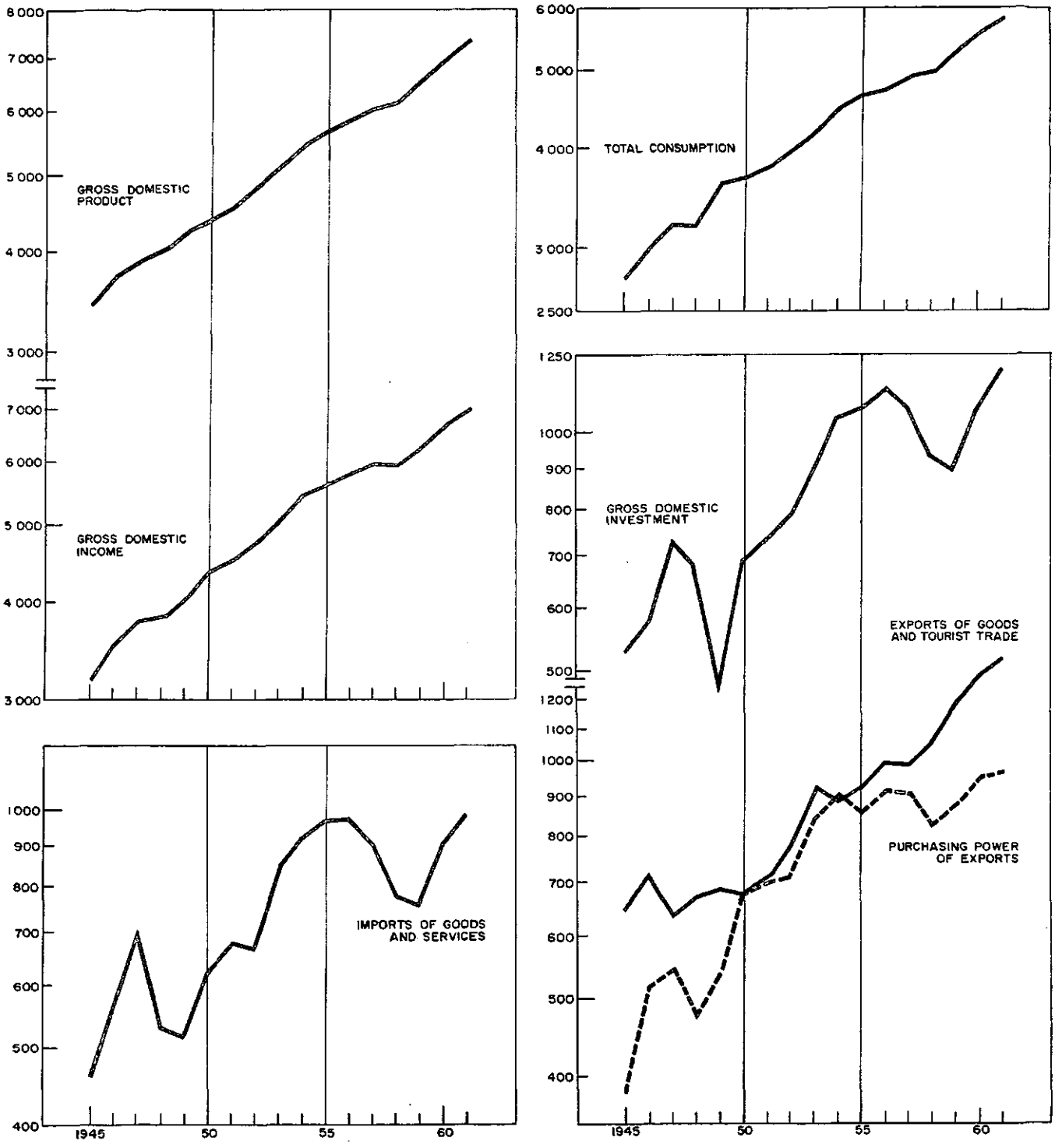
The foregoing analysis of the external sector shows that the decline in the rate of economic growth was largely due to the deterioration in the terms of trade during the fifties, despite the fact that the export coefficient and the relative share of exports in final demand were less than in the first two years after the war. The inadequate volume of export trade is clearly a serious obstacle to development, and is shackling growth rates even in the countries that are forging ahead with import substitution. Moreover, the imports that have been severely restricted in absolute terms change their composition but they

FIGURE VIII

Latin America: Product, income, imports and final demand

(THOUSANDS OF MILLIONS OF 1950 DOLLARS)

Semi-logarithmic scale



SOURCE: ECLA, based on official foreign trade statistics and data from the International Monetary Fund.

TABLE 10

Latin America: Evolution of the structure of supply and final demand

(Percentage of total)

Year	Total supply					Total demand				
			Imports					Gross total investment		
	Total	Gross domestic product	Total	Goods	Net services	Public and private consumption	Exports [a]	Total	Fixed	Changes in inventories
1945	100.0	89.9	10.1	8.9	1.2	69.0	19.0	12.0	12.6	−0.6
1946	100.0	87.9	12.1	10.6	1.5	66.9	18.6	14.5	14.4	0.1
1947	100.0	84.8	15.2	13.2	2.0	64.6	17.3	18.1	17.6	0.5
1948	100.0	86.5	13.5	11.6	1.9	64.4	17.4	18.2	17.2	1.0
1949	100.0	88.0	12.0	10.4	1.6	70.5	14.8	14.7	15.5	−0.8
1950	100.0	87.5	12.5	10.6	1.9	71.1	15.0	13.9	14.2	−0.3
1951	100.0	86.1	13.9	11.9	2.0	70.1	14.0	15.9	14.7	1.2
1952	100.0	87.0	1.30	11.2	1.8	70.0	13.4	16.6	14.7	1.9
1953	100.0	88.2	11.8	10.1	1.7	71.1	14.6	14.0	14.1	−0.1
1954	100.0	87.5	12.5	10.6	1.9	70.4	13.3	16.3	14.7	1.6
1955	100.0	88.2	11.8	9.9	1.9	70.6	13.8	15.6	14.7	0.9
1956	100.0	88.0	12.0	10.1	1.9	70.1	14.8	15.1	14.4	0.7
1957	100.0	86.8	13.2	11.0	2.2	70.1	14.4	15.5	14.2	1.3
1958	100.0	87.9	12.1	10.1	2.0	70.5	14.3	15.2	14.2	1.0
1959	100.0	88.6	11.4	9.4	2.0	69.9	15.0	15.1	13.8	1.3
1960	100.0	88.6	11.4	9.3	2.1	70.6	14.6	14.8	13.7	1.1
1961	100.0	88.7	11.3	9.3	2.0	70.6	14.6	14.8	13.8	1.0
Average by periods										
1945-49	100.0	87.3	12.7	11.0	1.7	67.0	17.3	15.7	15.6	0.1
1950-54	100.0	87.3	12.7	10.9	1.8	70.6	14.0	15.4	14.5	0.9
1955-61	100.0	88.1	11.9	9.9	2.0	70.3	14.5	15.2	14.1	1.1

SOURCE: ECLA, based on official statistics.

[a] Including the tourist trade.

consist mainly of fuels, intermediate goods and capital goods, thereby acquiring a highly rigid structure which means further vulnerability for the current level of activity as well as for future development, which is highly dependent on supplies of capital goods from abroad.

2. PUBLIC AND PRIVATE CONSUMPTION TRENDS

Aggregate private consumption in Latin America tended to increase at the rate of 5 per cent, i.e., slightly more than the product and real income, so that there was an increase in per capita consumption of 2.3 per cent over the long term. In the countries in group A, consumption lagged well behind the product and income, the highest and most sustained rate of growth being recorded in group D (3 per cent per capita). Government expenditure generally tended to grow more than private consumption, except in group A; the gap between them is widest in groups B and C. All in all, the rates for the region as a whole are the same.

Although the rapid expansion of public consumption was mainly attributable to the general and social services provided by the Government, the need to find employment for the surplus manpower produced by the extremely rapid growth of the urban population also had some part in it.

Figure VIII shows how the weakening in the rate of economic growth affected private consumption. In 1945-49 private consumption increased at the rate of 7.2 per cent but from 1950 onwards at only 4.0 per cent.

3. CAPITAL FORMATION

Total gross investment in durable capital goods and in inventory variations increased over the long term at the annual rate of 4.2 per cent, their coefficient dropping slightly in relation to the domestic product.

If fixed investment alone is considered — to the exclusion of inventory variations which increased appreciably during the fifties, mainly because of the stockpiling of export products — a significant fact becomes clear; namely, the slowing down of the growth rate to 3.6 per cent, less than that of the product.

This pattern of behaviour was influenced by groups A and D, since fixed investment in the countries in groups B and C tended to expand as rapidly as, or more rapidly than, the product over the long term. In the case of group A, the phenomenon may have been partly due to the heavy investment made in Argentina at the end of the war. The acceleration of investment in groups B and C, on the other hand, seems to have derived from the low levels that prevailed at the beginning of the period.

Public investment increased more than private investment in all the groups of countries except group A. The rate of growth for long-term private investment in Latin

America as a whole was 3 per cent, while that of public investment was 5.0 per cent.

Public investment was thus one of the most dynamic factors in final demand. Its rate of growth was higher than that of final demand in groups B, C and D, but remained more or less at a standstill in group A.

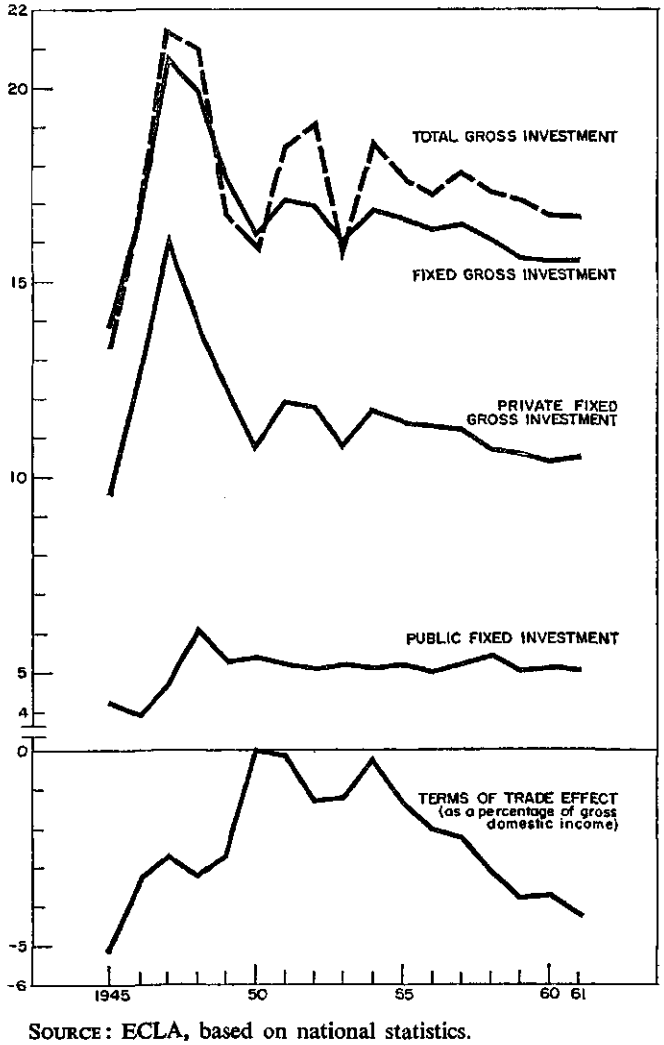
Three factors may be singled out as responsible for this process: (*a*) the very low level of public investment in many of the Latin American countries at the end of the war, particularly those in groups B and C; (*b*) more financial aid from abroad for public works and investment in the infrastructure; and (*c*) the course of real income and private investment. The fall in prices on the world market affects investment in export activities; in turn, the deterioration in the terms of trade modifies the rate or level of income, lowering the savings coefficient, and this was especially true of Latin America, where consumption tended to evolve on a par with the domestic product.

FIGURE IX

Latin America: Public and private domestic investment and foreign terms of trade effect

(COEFFICIENTS, AS A PERCENTAGE OF GROSS NATIONAL PRODUCT)

Natural scale



SOURCE: ECLA, based on national statistics.

Figure IX indicates that towards the end of the fifties the coefficient of private investment tended to decline when the negative effect of the terms of trade brought about a marked deterioration in real income; public investment, on the other hand, tended to expand more than the product. The relatively high level of private investment in 1948-50 was partly due to investment in Argentina, which was then enjoying more favourable terms of trade than at present and was exporting more in terms of volume.

E. The evolution and structure of imports and import substitution

1. IMPORTS AND THEIR RELATION TO THE PRODUCT AND INCOME

Latin America's aggregate volume of imports showed an average rate of growth in the post-war period that was inferior to that of product and income over the long term. These increased at an annual rate of about 4.6 per cent, and imports of goods [11] at 3.5 per cent. Consequently, the import coefficient in relation to the product dropped from an average of 12.6 per cent in 1945-49 to 10.5 per cent in 1961.

Given that the income-elasticity of imports in Latin America is higher than unity on the average, these behaviour indices point to a fairly intensive process of import substitution and control during the post-war period.

The behaviour patterns of imports and of the domestic product and income have two very well-defined characteristics in Latin America. One relates to the period in which the process began to gather momentum and the other to the particular evolution of the different groups of countries in keeping with their respective economic structures.

The figures in table 11 indicate, in general terms, that the process of import substitution and restriction was intensified in the second half of the fifties, that is, when the terms of trade underwent a marked deterioration and the balance-of-payments situation was critical. The drop in the coefficient for group A, which anticipated the above trend, also took place in the same conditions, particularly in the case of Argentina, which carries special weight in the group totals.

In the countries whose economies are relatively more open — those in groups B and C — the import coefficient tended to increase or to remain relatively constant. The imports actually effected had an income-elasticity that was close to or higher than unity. In group C, the per capita income-elasticity coefficient is slightly above 2, and in group B somewhat below 1, if long-term trends are taken into consideration.

Group D, in which Brazil and Mexico carry most weight, saw the coefficient decline from 11.5 to 9.4 during the post-war period in a context of relatively intensive economic growth. Conversely, the sharp fall of the coefficient in group A was accompanied by slow growth

[11] Unlike the other sections in which imports include both goods and services, here they relate to goods only.

TABLE 11

Latin America: Rate of growth of imports of goods and their coefficient with respect to domestic product

	Latin America	Groups of countries			
		A	B	C	D
Annual rates of long-term variation [a]					
Real income	4.7	2.2	4.8	3.8	6.5
Domestic product	4.6	2.4	4.7	3.7	6.3
Imports	3.5	0.3	4.4	6.0	4.4
Import coefficients with respect to gross domestic product					
1945-1949	12.6	12.4	12.6	18.3	11.5
1950-1954	12.5	9.9	13.3	22.4	11.9
1955-1961	11.2	9.9	12.3	23.2	9.4
1959	10.6	8.8	10.1	22.4	9.6
1960	10.5	10.7	11.3	19.9	8.7
1961	10.5	12.0	11.9	20.8	7.7

SOURCE: ECLA, based on national statistics.

[a] Rates obtained by comparing annual averages of the period 1945-49 with 1955-61.

in the product and income. This was due to the fact that, while in group D the import substitution process is vigorous in the extreme and influences the rate of economic growth, in group A — at least in so far as Argentina is concerned — the inadequate external purchasing power limits both imports and the growth of the product.

The import coefficient began to decline in groups B and C as well in the late fifties, although maintaining the same level and even rising in group A, thanks to greater external financing, which indicates that any attempt to intensify the process of restriction or substitution would meet with a certain amount of resistance. To determine the chances of modifying the coefficient in future a more searching analysis of the factors that keep the product and income relatively stagnant in the group A countries would have to be made.

Table 12 shows the evolution of imports in relation to the trends of the product and of income in each country during the fifties.

An examination of the relations between these variables shows that all the Central American countries, considered separately, stepped up their imports considerably more than their domestic product or income, despite the import

TABLE 12

Latin America: Rate of growth of real income, domestic product and imports: indices between 1948-49 and 1959-60

(1948-49 = 100)

	Indices			Annual rates of growth		
	Real income	Gross domestic product	Imports of goods	Real income	Gross domestic product	Imports of goods
Latin America [a]	*158.4*	*159.7*	*128.2*	*4.3*	*4.4*	*2.3*
Group A	*117.1*	*120.0*	*88.5*	*1.5*	*1.7*	*−1.2*
Argentina	112.0	115.5	76.0	1.1	1.3	−2.4
Bolivia	107.6	106.0	103.4	0.7	0.6	0.3
Chile	158.8	140.6	121.1	3.0	3.2	1.8
Paraguay	115.1	117.7	153.3	1.3	1.6	4.0
Uruguay	131.3	130.2	101.0	2.5	2.7	0.1
Group B	*162.8*	*163.7*	*157.5*	*4.5*	*4.6*	*4.2*
Colombia	163.5	160.7	139.2	4.6	4.4	3.1
Peru	156.9	166.0	200.6	4.2	4.7	6.5
Ecuador	175.0	180.7	154.0	5.2	5.5	4.0
Group C [a]	*148.0*	*147.5*	*160.8*	*3.6*	*3.6*	*4.4*
Central America	*160.3*	*154.7*	*209.3*	*4.4*	*4.1*	*6.9*
Costa Rica	176.7	164.5	244.1	5.3	4.6	8.5
El Salvador	148.7	142.2	232.0	3.7	3.3	8.0
Guatemala	154.3	149.0	184.9	4.1	3.7	5.7
Honduras	147.4	146.4	158.6	3.6	3.5	4.3
Nicaragua	188.1	190.9	211.8	6.0	6.0	7.0
Panama	170.6	162.5	229.7	4.9	4.5	7.9
Caribbean countries [b]	*136.3*	*138.1*	*137.6*	*3.0*	*3.1*	*2.9*
Cuba	140.3	140.9	137.6	3.2	3.2	3.0
Dominican Republic	131.2	140.4	158.2	2.6	3.3	4.3
Haiti	116.1	115.6	100.0	1.4	1.3	0.0
Group D	*192.1*	*191.5*	*147.2*	*6.1*	*6.1*	*3.6*
Brazil	193.4	182.9	155.9	6.2	5.6	4.1
Mexico	180.2	191.6	138.4	5.5	6.1	3.0
Venezuela	206.4	216.1	144.3	6.8	7.3	3.4

SOURCE: ECLA, based on official statistics.

[a] Including an estimate for the Caribbean countries in 1960.

[b] Indices between 1948-49 and 1959.

restrictions imposed towards the end of the decade and a certain amount of import substitution. During the period 1949-60 in the group as a whole, the average annual rate of growth for imports was 6.9 per cent and of real income 4.4 per cent. In the Caribbean countries, on the other hand, and more particularly in Cuba, the rate tended to be lower.

Colombia is the only country in group B to be conducting a relatively vigorous process of import substitution. In group A, Argentina shows a decline in imports, mainly because of the very high level they reached in 1948-49 and the substitution process, but also to some extent because of their curtailment as a result of the adverse evolution of Argentina's balance of payments. Although the trends are less marked, the same situation obtains in Chile and in Uruguay.

Lastly, in group D, Brazil and Mexico show a steady process of import substitution, in common with Venezuela, although in the latter case, the reduction in the growth rate of imports was a product of the cut made in 1960.

2. Change in the composition of imports

The extent and nature of import substitution, the strong measures to curtail imports that had to be taken by most of the Latin American countries in the last few years of the decade, and the variations in the income levels of these countries during the post-war period brought about marked changes in the composition of imports. The necessary statistical information for analysing this aspect in relation to the period 1948 to 1960 has been assembled in tables 13, 14 and 15, and in figure X.

The proportion of imports that consists of consumer goods and building materials will be seen to have diminished in Latin America as a whole, together with the share of durable capital goods. Conversely, the joint share of fuels and intermediate goods in the total volume of imports expanded considerably.

The proportion of consumer goods shrank in groups B, C and D but not in group A at that time. In group C, which recorded the highest import index for consumer goods, the proportion decreased from 47 to 39 per cent, in group B, from 23 to 20 per cent and in group D from 20 to 17 per cent. In group A, where Argentina plays an important part in the figures, the proportion remained constant at 15 per cent. It is interesting to note that the reduction mainly involved non-durable consumer goods, except in the case of group D, in which the proportion of durable consumer goods shrank from 7.1 to 5.5 per cent.

The decrease in the share of building materials was common to all groups alike, and the same applies to capital goods, except in the case of group C in which the proportion of imports of durable capital goods increased from 14 to 21 per cent.

The relative increase in imports of intermediate goods was particularly marked in groups B, C and D, although it involved different items. The composition of imports in this category was naturally influenced by the trend of industrialization in the various countries. Group A shows

Table 13

Latin America: Evolution of imports by categories between 1948-49 and 1959-60

(Index, 1948-49 = 100)

Category	Latin America	Groups of countries			
		A	B	C [a]	D [a]
Consumer goods	116.2	96.4	132.3	138.2	123.8
Non-durable	114.9	88.4	124.5	124.8	129.6
Durable	119.0	109.5	157.5	183.6	113.5
Fuels	174.5	146.7	144.3	170.5	200.9
Raw materials and intermediate products	144.4	98.1	210.7	190.4	182.3
Metallic	141.2	116.0	241.3	207.9	148.4
Non-metallic	145.4	92.9	205.9	186.5	194.2
Capital goods	105.9	79.0	129.3	206.1	122.6
Building materials	77.3	46.1	119.1	90.3	99.2
Machinery and equipment for agriculture	94.8	90.2	141.1	177.4	95.8
Machinery and equipment for industry	108.8	98.3	121.4	300.0	104.5
Machinery and equipment for transport	125.7	69.3	152.3	160.4	196.7
Total	*126.1*	*95.6*	*154.9*	*166.3*	*145.7*

Source: ECLA, on the basis of publications on foreign trade of the countries concerned. The figures on imports of this table are based on data derived from customs registries, and differ slightly from those in the other tables of this chapter whose sources are the statistics of the balance of payments of these same countries.

[a] Index between 1948-49 and 1959.

TABLE 14

Latin America: Composition of imports (annual averages)

(Millions of 1955 dollars)

Category	Latin America		Group A		Group B		Group C		Group D	
	1948-59	1959	1948-1949	1959-1960	1948-1949	1959-1960	1948-1949	1959	1948-1949	1959
Consumer goods	1,431.9	1,663.5	343.3	330.9	136.0	179.9	422.0	583.4	530.6	656.9
Non-durable	982.9	1,129.2	213.8	189.1	104.0	129.5	325.3	405.9	339.8	440.4
Durable	449.0	534.3	129.5	141.8	32.0	50.4	96.7	177.5	190.8	216.5
Fuels	480.1	837.6	233.3	342.3	18.3	26.4	63.3	107.9	165.2	331.9
Raw materials and intermediate products	1,957.8	2,827.9	854.9	838.9	172.1	362.7	221.5	421.8	709.3	1,293.0
Metallic	443.4	625.9	194.9	226.1	23.5	56.7	40.7	84.6	184.3	273.5
Non-metallic	1,514.4	2,202.0	660.0	612.9	148.6	306.0	180.8	337.2	525.0	1,019.5
Capital goods	2,517.6	2,666.4	870.4	687.4	266.6	344.8	173.9	358.4	1,206.7	1,479.3
Building materials	443.8	343.2	178.8	82.4	36.7	43.7	47.4	42.8	180.9	179.4
Machinery and equipment for agriculture	218.9	207.5	66.5	60.0	29.2	41.2	20.8	36.9	102.4	98.1
Machinery and equipment for industry	1,279.3	1,392.4	386.3	379.6	148.3	180.1	78.2	234.6	666.5	696.5
Machinery and equipment for transport	575.6	723.3	238.8	165.4	52.4	79.8	27.5	44.1	256.9	505.3
Miscellaneous	119.4	210.2	12.0	13.1	2.6	8.6	13.4	15.3	91.4	176.8
TOTAL	*6,506.8*	*8,205.6*	*2,313.9*	*2,212.7*	*595.6*	*922.4*	*894.1*	*1,486.8*	*2,703.2*	*3,937.9*

SOURCE: See table 13.

TABLE 15

Group D countries: Composition of imports as a percentage of total

Categories of imports	Latin America		Group A		Group B		Group C		Group D	
	1948-1949	1959	1948-1949	1959-1960	1948-1949	1959-1960	1948-1949	1959	1948-1949	1959
Consumer goods	22.0	20.3	14.8	15.0	22.8	19.5	47.2	39.2	19.7	16.7
Non-durables	15.1	13.8	9.2	8.6	17.5	14.0	36.4	27.3	12.6	11.2
Durables	6.9	6.5	5.6	6.4	5.3	5.5	10.8	11.9	7.1	5.5
Fuels	7.4	10.2	10.1	15.5	3.1	2.9	7.1	7.3	6.1	8.4
Raw materials and intermediate products	30.1	34.4	37.0	37.9	28.9	39.3	24.8	28.4	26.2	32.8
Metallic	6.8	7.6	8.5	10.2	3.9	6.1	4.6	5.7	6.8	6.9
Non-metallic	23.3	26.8	28.5	27.7	25.0	33.2	20.2	22.7	19.4	25.9
Capital goods	38.7	32.5	37.6	31.1	44.8	37.4	19.4	24.1	44.6	37.6
Building materials	6.8	4.2	7.7	3.7	6.2	4.7	5.3	2.9	6.7	4.6
Machinery and equipment for agriculture	3.4	2.5	2.9	2.7	4.9	4.5	2.3	2.5	3.8	2.5
Machinery and equipment for industry	19.7	17.0	16.7	17.2	24.9	19.5	8.7	15.8	24.7	17.7
Machinery and equipment for transport	8.8	8.8	10.3	7.5	8.8	8.7	3.1	2.9	9.4	12.8
Others	1.8	2.6	0.5	0.5	0.4	0.9	1.5	1.0	3.4	4.5
TOTAL	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*

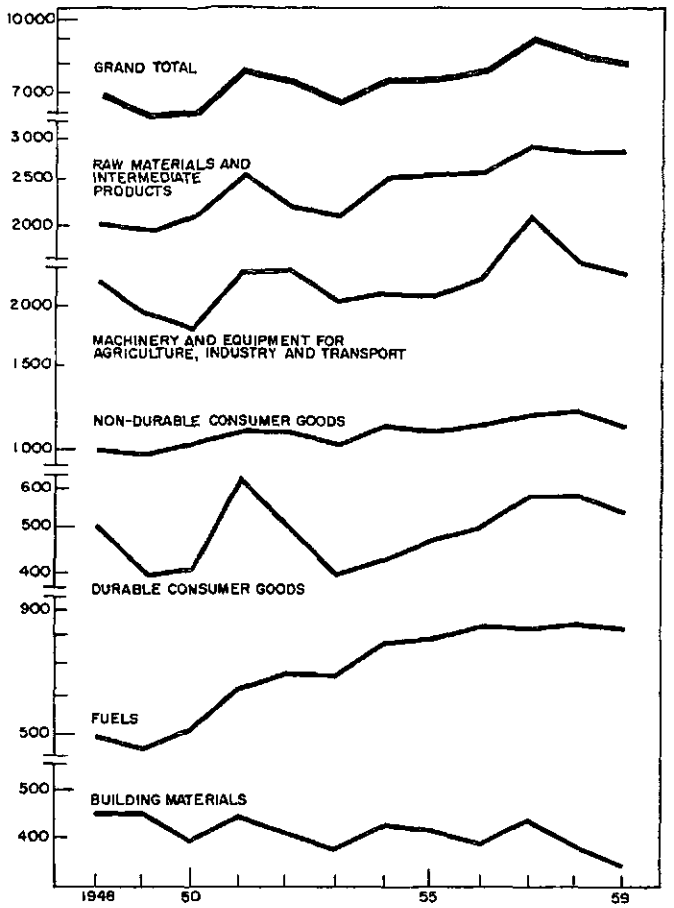
SOURCE: See table 13.

FIGURE X

Latin America: Changes in the structure of imports

(MILLIONS OF 1950 DOLLARS)

Semi-logarithmic scale



SOURCE: United Nations, *Economic Bulletin for Latin America*, vol. VII, No. 2, Statistical Supplement, December 1962.

a certain amount of stability as regards the proportion of intermediate goods, although the share of metal products underwent an increase.

To sum up, it appears from this analysis that imports evolved during the fifties towards a new kind of structure in which fuels, intermediate goods and durable capital goods accounted for a larger proportion of the total at the expense of consumer goods.

Although durable capital goods — particularly industrial machinery and equipment — undoubtedly accounted for a smaller proportion in 1959 and 1960, the reduction being partly caused by the development of the relevant industrial activities in some Latin American countries, as, for example, those in group D, it is equally true that the drop reflects to some extent the effect of import controls or a decline in the rate of growth. Thus, in group A, where economic growth is slow, imports of industrial machinery and equipment remained at about 17 per cent, while in group C, which includes countries with a higher rate of growth, they increased substantially.

The structure of Latin America's imports is thus apt to become extremely rigid, since any sizable adjustment made at a later stage is bound to have a damaging effect on the current level of economic activity if fuels or intermediate goods diminish, or on the economy's development capacity if restrictions are placed on the imports of capital goods to be used for purposes of capital formation.

In actual fact, 80 per cent of Latin America's imports consist of fuels, intermediate goods and capital goods. Only 20 per cent is constituted by consumer goods, 14 per cent being accounted for by non-durables — which are mainly traded among the countries of the region themselves — and 6 per cent by durables. Group C is the only one to maintain its proportion of imported consumer goods at more than 20 per cent.

3. NATURE OF IMPORT SUBSTITUTION

Some idea of the direction in which the process of import substitution is moving has been given by the comparison of the evolution of imports with the trends of the domestic product and income, and the examination of the changes in the structure of imports. It would now be useful to take this analysis a step further. Accordingly, indices for 1948-60 have been included in table 16 and figure X with a view to assessing the share of imports of consumer goods in total consumption, of capital goods and building materials in fixed investment and of imports of fuels, raw materials and intermediate goods in the domestic product, in each group of countries. These indices roughly correspond to what are usually called import content coefficients.

In principle, it might be thought that when development is taking place these coefficients would tend to go up or remain constant, unless development is accompanied by a process of import substitution by means of domestic production. For instance, in the case of consumer goods, the elasticity of import demand is usually higher than that of domestically produced goods as a whole. Consequently, unless decisions are taken on the basis of a carefully weighed plan, the share of imported consumer goods in total consumption will probably increase with the growth of income. The same applies to demand for imported intermediate goods when they constitute inputs in activities that have a higher elasticity of growth than income. Latin America is a case in point.

It is clear that several factors are liable to bring about changes in the import coefficient irrespective of import substitution. It may be modified, for instance, by changes in the composition of domestic investment, in exports or in public expenditure, or again by changes in the structure of production. The import coefficient may also be reduced by direct measures of curtailment or control, without any substitution actually taking place, an eventuality that often occurs in the case of non-complementary imports and, more particularly, durable consumer goods.

Even if these reservations are borne in mind, there are grounds for considering, in principle, that a decline in the import coefficient signifies the existence of import substitution. The evolution of the relevant indices may be traced in table 16 and figure XI.

TABLE 16

Latin America: Import coefficients of consumer goods, capital goods and intermediate goods

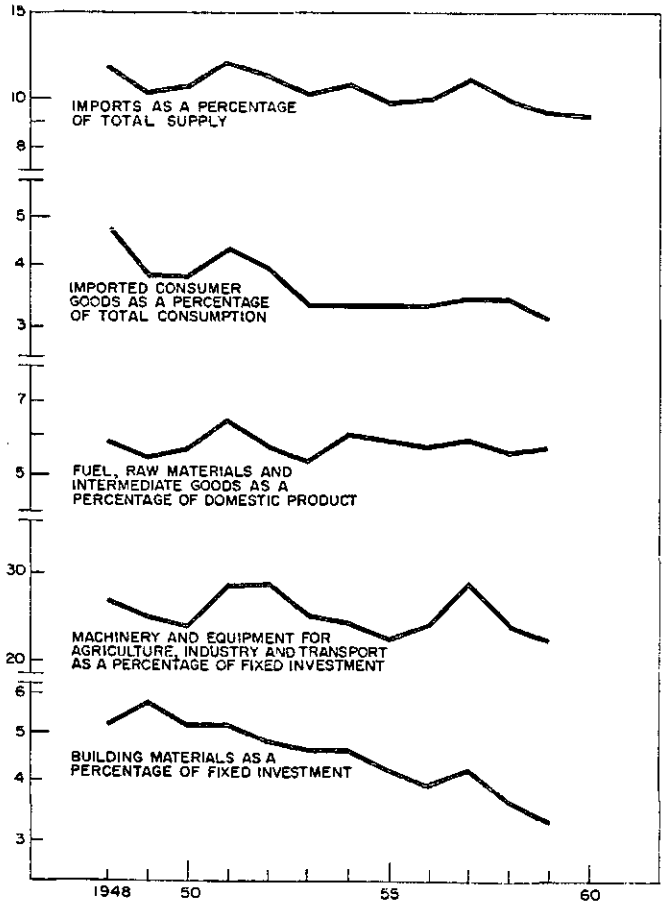
Averages of periods	*Imports of consumer goods (as a percentage of total consumption)*					*Imports of capital goods (as a percentage of fixed investment)*					*Raw materials, fuels and intermediate goods (as a percentage of gross domestic product)*				
	Latin America	*Groups of countries*				*Latin America*	*Groups of countries*				*Latin America*	*Groups of countries*			
		A	*B*	*C*	*D*		*A*	*B*	*C*	*D*		*A*	*B*	*C*	*D*
	Durable consumption					*Building materials*					*Fuels*				
1948-49	1.4	1.2	0.9	2.8	1.4	5.4	5.4	5.4	10.2	5.4	1.1	1.5	0.3	1.4	0.8
1950-54	1.2	0.7	1.3	2.9	1.2	4.9	3.3	6.4	9.3	4.9	1.3	1.7	0.5	1.7	1.1
1955-59	1.0	0.7	1.0	3.4	1.0	1.8	1.8	5.8	8.2	3.8	1.3	1.9	0.4	1.8	1.1
1959	1.0	0.7	0.7	3.4	0.8	3.3	2.6	4.5	4.5	3.3	1.2	2.1	0.3	1.7	0.9
1960	...	1.3	0.9	...	...	...	2.1	4.3	...	...	...	1.4	0.4	...	...
	Non-durable consumption					*Machinery and equipment*					*Raw materials and intermediate goods*				
1948-49	2.9	1.9	2.8	9.2	2.3	25.4	20.7	34.1	27.3	27.6	4.5	5.7	3.7	5.0	3.6
1950-54	2.6	1.3	2.8	9.3	1.9	25.6	15.6	35.7	24.3	31.3	4.5	4.8	4.5	5.5	4.2
1955-59	2.4	1.2	2.5	8.4	1.6	23.8	14.1	30.5	31.9	28.0	4.3	4.7	4.8	6.6	3.6
1959	2.1	1.2	2.0	7.9	1.6	22.0	14.5	28.0	33.1	25.0	4.2	4.5	4.5	6.6	3.6
1960	...	1.4	2.1	...	...	...	18.7	32.1	...	...	...	4.6	5.0	...	...

SOURCE: ECLA, based on national statistics.

FIGURE XI

Latin America: Evolution of the import coefficient, total and by type of product

Semi-logarithmic scale



SOURCE: ECLA, based on national statistics.

Imports of durable consumer goods tended to increase less than total consumption in the region as a whole and in the individual countries, except those in group C. Some idea of the effect that direct controls have had on these indices — quite apart from that of substitution — can be obtained from the import coefficient for group A, which in 1960 was much greater than the average coefficient during the whole of the fifties, probably as a result of a weaker application of restrictive measures.

The substitution process was more regular and sustained in the case of non-durable consumer goods, to judge by the evolution of the indices for the proportion of total consumption supplied by imports. In the region as a whole it went down from 2.9 to 2.1 per cent, but the relative contraction was much more marked in the case of group A and group D.[12]

The direct share of imported building materials in fixed investment tended to shrink in every group of countries, which undoubtedly means that an intensive substitution process was taking place. The most striking aspect is the falling-off in the import coefficient for group A, which was 5.4 per cent in 1948-49 and 2.3 per cent in 1959-60.

The coefficients measuring the ratio of imported machinery and equipment to total fixed domestic investment in Latin America as a whole took a more decided downward trend during the second half of the fifties in every country except those of group C. None the less, their behaviour is not particularly clear-cut or uniform. The fluctuations in the coefficients may have been the

[12] The indices in table 16 have been estimated on the basis of the c.i.f. value of imports and the value, at market prices, of the components of domestic demand and the product. Consequently, the absolute levels of these indices would have been much higher if the c.i.f. value of imports had included duties plus distribution and marketing costs.

result of a certain amount of substitution but were also influenced by changes in the structure of domestic investment.

The high import coefficients for group A in 1948-49 were partly due to Argentina's relatively heavy imports, which also raised the coefficient in 1960 to almost the same high level as at the beginning of the period under consideration. The other groups may have been affected by a change in the structure of domestic investment which would have brought with it a relatively greater increase in public investment and, to a certain extent, the changes that take place in the sectoral allocation of investment when the domestic product expands.

Inputs of imported fuels have shown considerable stability in relation to the aggregate domestic product for Latin America, although in groups A and C they tended to increase more than the product. The coefficient for group A probably declined in 1961 and 1962 as a result of the substitution that took place in Argentina.

Imports of raw materials and intermediate goods — considered together — followed much the same trend as fuels in the region as a whole. In groups A and D the coefficient is thought to have diminished, while in groups B and C there are signs that the reverse occurred.

In short, this survey tends to confirm that in the fifties the process of import substitution covered consumer goods, building materials and, to some extent, durable capital goods as well. As far as fuels and intermediate goods are concerned, however, the process was undoubtedly less intensive in relative terms, or else the replacement of some goods was offset by heavier imports of others.

F. Evolution of the structure of production

1. Factors that influence the production structure

When development is taking place, the structure of production changes. Four main factors determine these changes: (*a*) income level, distribution and variations; (*b*) public expenditure: (*c*) external demand; and (*d*) the import substitution process.

The growth of income and the changes in its distribution modify the structure of final demand and cause fluctuations of varying intensity in each of the sectors producing goods and services, depending on the particular coefficient of income-elasticity of demand. In countries or social groups with a high income level, the elasticity of demand for foodstuffs, for instance, is less than in those where the level is lower.

In Latin America the distribution of income is manifestly unequal, and a policy of relative improvement for the sectors with a low-income level would have a marked effect on the evolution of production.

The trend of public expenditure, as regards the kind of services provided by the Government and the structure of its investments, also influences the composition of production. It should be borne in mind that consumption of goods and services and goverment investments constituted about 13 per cent of final demand in the last few years.

The influence of external demand on the structure of production in Latin America may be appreciated from such pointers as the following: approximately 90 per cent of mining production in Bolivia, Chile, Mexico and Peru is exported. The agricultural commodities sold abroad represent about a third of the sector's total output in Brazil and Colombia and more than 75 per cent in Costa Rica, Ecuador and El Salvador. In Argentina the share of exports in final demand is relatively low — it was only 9 per cent in 1960; moreover, export and domestic consumer demand compete for the same products. Nevertheless, a statistical survey of the effect of Argentina's exports on the different economic sectors shows that, in 1950, 24 per cent of the agricultural product was absorbed either directly or indirectly by exports, the equivalent coefficient for manufacturing production being 7 and the same number again services for as a whole.

The process of import substitution adds to the effect of these factors on the structure of production. Substitution industries have a highly dynamic influence on other activities, although at first their product may be relatively small in comparison with that of established activities. Thus, in Latin America, the production of manufactured consumer goods increased in the last few years at the rate of 3 to 4 per cent, while that of intermediate or durable goods in activities in which substitution predominated increased at an annual rate of 10 per cent or more, particularly when the starting point was very low in absolute terms.[13]

Some hint of the influence that import substitution may have had during the post-war period in Latin America is given by the fact that the growth rate of imports was only 75 per cent that of the domestic product and internal income, and 60 per cent that of manufacturing output.

Lastly, the changes in the structure of investment brought about by the foregoing factors and by development policy also tend to transform the structure of production. The most influential factors in this respect are changes in the structure of public investment, their rate of growth and the trend of private building.

[13] See table 22.

Table 17

Latin America: Trends in sectoral growth [a]

(Rates of annual growth)

Sectors	Period 1936-40/1955-60		Period 1945-49/1955-60	
	Total	*Excluding Argentina*	*Total*	*Excluding Argentina*
Crops, livestock, hunting and fishing	2.8	3.2	3.5	4.0
Mining and quarrying	6.6	6.5	6.9	7.1
Manufacturing industry	6.2	7.1	5.9	7.5
Building	5.8	8.1	4.8	6.5
Transport and communications	5.8	6.6	5.7	7.0
Trade and finance	4.8	5.6	4.9	5.8
Government	4.4	4.3	4.0	4.3
Other services	3.9	4.1	4.3	4.5
TOTAL	*4.5*	*5.0*	*4.8*	*5.5*

Source: ECLA, based on national statistics. The figures used are expressed in 1950 dollars.

[a] Gross domestic product at factor cost.

2. The production structure: trends and changes

If the period 1936-40 is taken as a basis of comparison in order to present a broader picture of the evolution of production in the different economic sectors, it will be seen that the over-all domestic product for Latin America increased at an annual rate of 4.5 per cent (see table 17).[14]

Crop and stock farming expanded at no more than 2.8 per cent, whereas mining, the manufacturing industries and building had an average growth rate of more than 6 per cent. Transport and communications also developed more rapidly than the total product. Conversely, trade, and government and other services tended to keep on a level with the product, or slightly below it.

The disparities in sectoral growth brought about decided changes in the structure of the Latin American economy with respect to its pre-war trends. Primary activities, which accounted for 35 per cent of the total domestic product in 1936-40, represented 28 per cent during the period under consideration. Manufacturing industry and building activities raised their share from 18 to 24 per cent. If the comparison is made between agricultural and manufacturing production — including construction — the latter's share will be seen to have outstripped the former's, since before the war agricultural production constituted 31 per cent and manufacturing together with construction 18 per cent, whereas their current proportions were 22 and 24 per cent respectively.[15]

This set of growth trends, in which some sectors exceed the average, while others, such as the agricultural sector, fail to attain it, whereas some services evolve on a par with the average, is typical of a development process. Nevertheless, the structure of growth in Latin America warrants more detailed treatment. To take the post-war period, when the domestic product expanded over the long term at the rate of 4.8 per cent, it will be seen that agricultural production speeded up its annual rate of growth to 3.5 per cent and that mining production, which recorded a rate of 7 per cent, did likewise. Manufacturing industry, on the other hand, continued to expand at approximately 6 per cent annually as in 1936-40.

Table 18 gives the percentage figures for the annual per capita rate of growth in each of the economic sectors on the basis of the long-term trends registered over the whole of the post-war period.

The per capita agricultural product tended to expand at an annual rate of only 0.8 per cent, despite the acceleration that took place during that period. If this rate is compared with that of national income, which was 2.1 per cent, a coefficient of 0.38 is obtained for the income-elasticity of growth in the agricultural sector.

However, the average elasticity of demand for agricultural commodities for intermediate and final consumption in Latin America is definitely higher than 0.30. The coefficient is usually taken to be about 0.5.

Table 18

Latin America: Ratio of sectoral growth to national real income per capita in the post-war period (1945-49 to 1955-60)

Sectors	*Growth of per capita sectoral product*		*Ratio between growth of sectoral product and national real income*	
	Total Latin America	*Excluding Argentina*	*Total Latin America*	*Excluding Argentina*
Crops, livestock, hunting and fishing	0.8	1.2	0.38	0.40
Mining and quarrying	4.2	4.3	2.00	1.43
Manufacturing industry	3.2	4.7	1.52	1.57
Building	2.1	3.7	1.00	1.23
Transport and communications	3.0	4.2	1.43	1.40
Trade and finance	2.2	3.0	1.05	1.00
Government	1.3	1.5	0.62	0.50
Other services	1.6	1.7	0.76	0.57
Total	2.1	2.7	1.00	0.90
Imports	1.3	2.5	0.62	0.83
Gross national real income, per capita	2.1	3.0	1.00	1.00

Source: ECLA, based on national statistics.

This indicates that agricultural production failed to develop sufficiently to satisfy real demand deriving from the actual growth of Latin American income, not considering the food requirements of people who live in extreme poverty in view of the low average level of income, aggravated by the marked inequality of income distribution among the different social groups. This explains why the proportion of agricultural production for the home market had to be increased at the expense of substantial export surpluses as, for instance, in Argentina. In other cases, the pressure of food demand fell on imports because of this inadequacy of agricultural production.

The trend of developments described above was partly due to the slow growth of agricultural production in Argentina. If this country is excluded, it will be seen from tables 17 and 18 that in the other Latin American countries taken as a whole, the agricultural product tended to increase over the long term at an annual rate of 4 per cent, which points to a per capita growth of 1.2 per cent.

As national per capita income in Latin America — excluding Argentina — rose 3.0 per cent annually, the ensuing average elasticity coefficient was 0.40.

The improvement in these indices does not affect the general conclusions just reached, since the income-elasticity of sectoral growth did not undergo major changes. Moreover, two factors must be taken into consideration: (*a*) the elasticity of demand coefficient for agricultural products in Latin America tended to be more than 0.5 if Argentina is excluded, and (*b*) in a number of countries the increase in agricultural output was attributable to a greater or lesser extent to the production of staple export items. However, it should be noted that these are general considerations which apply

[14] The figures in this section relate to gross product at factor cost. This explains the slight discrepancies in total growth rates when compared with earlier sections in which the product was calculated at market prices.

[15] See table 21.

to the region as a whole, but there are some countries, such as Mexico, where the process took place in more satisfactory circumstances.

In all, it may be said that structural conditions limiting agricultural production also had a restrictive effect on economic growth, and constitute one of the reasons why evolution of the Latin American economy has been characterized by general sectoral disequilibrium.

During the post-war period manufacturing production had a growth rate of 5.9 per cent, or 3.2 per cent per capita. If this rate is compared with that of national income, the elasticity of industrial growth in the region as a whole must have been 1.52. It cannot be asserted therefore that these indices point to an exceptional rate of industrial development, particularly if the strong incentives derived from the compulsory restriction of imports and the resolute development policy adopted by a number of countries are taken into account.

Although concentrated in activities that eventually have a strongly dynamic effect, the substitution industries do not yet carry sufficient weight to cause very significant variations in the total industrial product in countries that have already developed consumer goods industries,

TABLE 19

Latin America: Rate of growth of different manufacturing industries, 1950-59

(Rates of growth of regional manufacturing based on consolidated national information) [a]

Industrial branch		*Annual cumulative rate of growth of gross value added of industrial branch*
ISIC group number [b]	*Group of products*	
20, 21, 22	Food, beverages and tobacco	4.0
23	Textiles	2.8
24, 29	Clothing, footwear, leather and fur products	3.0
25, 26	Wood and furniture	2.7
27	Pulp, paper and paper products	10.1
20	Rubber products	10.2
31, 32	Chemicals and chemicals products, products of petroleum and coal	9.9
33	Cement, glass and pottery	7.1
34	Basic metal industries	12.2
35	Metal products	7.0
36, 37, 38	Machinery, electrical machinery, transport equipment	13.9
28, 39	Others	6.5
	Total manufacturing industries	6.5

SOURCE: Industrial census and official surveys with ample coverage; research by ECLA (for Colombia and Peru); national research (Costa Rica and Ecuador); industrial production indices and other indicators of manufacturing production.

[a] Data has been consolidated for the nine countries whose industrial production represented in 1950 nearly 90 per cent of manufacturing product (value added) of Latin America; therefore the rates given represent growth as if they were weighted averages of the corresponding national rates. The Argentine data relate to 1949-58 and the Costa Rica data to 1949-57.

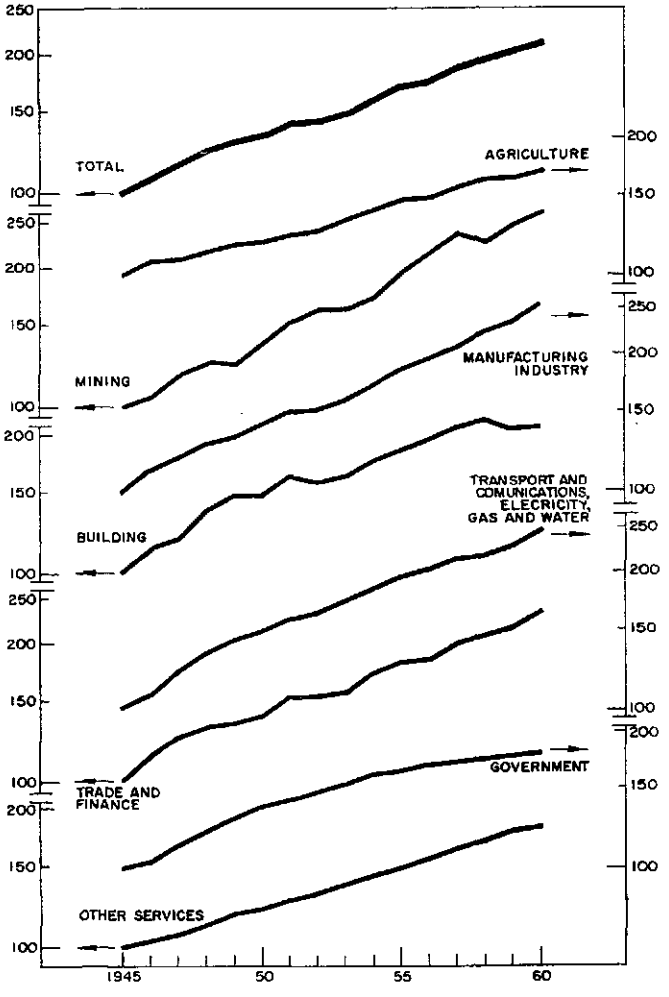
[b] United Nations: International Standard Industrial Classification of All Economic Activities.

FIGURE XII

Latin America: Indices of gross domestic product by sectors of economic activity

(INDICES 1945 = 100)

Semi-logarithmic scale



SOURCE: ECLA, based on official statistics and unpublished country data.

since these, together with the traditional manufacturing industries, constitute the bulk of industry in relation to the volume of new activities initiated.

It may be observed that during the last decade industrial production of consumer goods in the region as a whole increased at the rate of 4 per cent in respect of foodstuffs and nearly 3 per cent in respect of clothing and footwear, i.e., approximately 1 per cent per capita, whereas the production of intermediate goods — pulp, paper, rubber and chemical products, pharmaceuticals and petroleum derivatives — tended to increase much more rapidly at the rate of about 10 per cent. In the case of certain capital goods the upward movement was particularly swift but it should be remembered that they started from very low absolute levels (see table 19).

The industrialization process in Latin America after the war naturally developed at different speeds according to the country concerned. Its tempo was mainly condi-

tioned by the stage of industrialization attained by the different countries at the end of the war, the absolute levels prevailing in that time, and the obstacles that were subsequently encountered, particularly during the fifties. In this latter period the rate of industrial growth was slower in the countries of group A. Without Argentina it averaged 7.5 per cent in the region as a whole, which means that real income-elasticity of growth was 1.57.

Industrial production in Brazil increased at a rate of over 9 per cent and in some of the Central American countries and Venezuela the rate was more than 8.7 per cent, while at the other end of the scale are Argentina and Chile with the slow rates of 1.8 and 4.3 per cent respectively (see table 20).

In short, the structure of production in Latin America has changed remarkably — if in varying degrees — as a result of the economic development of the different countries, but has been affected by factors conducing to disequilibrium, particularly as regards agricultural production and the rate of productivity for services.

Tables 21 and 22 and figure XII give indices expressing the volume of the product by economic sectors and indicate the contribution made by each sector to the formation of the product in the post-war period. It is evident that in most countries industry and building accounted for a larger and larger proportion while the share of agricultural production declined. Ecuador and Mexico are not included in this set of trends since their agricultural production for the home or foreign markets developed with relative vigour.

TABLE 20

Latin America: Sectoral growth of the product. Annual cumulative rates between the periods 1945-49 and 1955-60 [a]

Groups of countries	*Crops, livestock, hunting and fishing*	*Mining and quarrying*	*Manufacturing industry*	*Building*	*Transport and communications*	*Trade and finance*	*Government*	*Other services*	*Total*
Latin America	3.5	6.9	5.9	4.8	5.7	4.9	4.0	4.3	4.8
Some group A countries									
Argentina	1.0	5.4	1.9	2.1	3.2	1.7	3.0	2.8	2.1
Chile [b]	1.8	0.5	4.3	2.5	3.6	3.6	6.4	2.2	3.3
Group B countries									
Colombia	2.1	6.2	7.2	4.5	8.1 [c]	5.1	5.1	4.5	4.3
Ecuador	6.7	3.6	4.0	7.2	5.9	7.6	3.7	4.1	5.6
Peru	3.0	8.1	6.6	6.2	7.8 [c]	5.5	2.3	3.5	4.8
Some group C countries									
El Salvaodr [b] . . .	2.5	2.4	7.3	12.0	9.1	5.7	6.3	4.9	5.0
Honduras	1.7	0.2	8.5	3.2	5.0	5.1	8.6	4.0	3.4
Nicaragua [b] . . .	5.5	0.7	7.8	10.1	6.3	7.6	12.3	6.2	6.6
Panama	3.9	—	4.9	7.1	5.9	4.3	2.8	1.6	3.5
Group D countries									
Brazil	4.0	7.4	9.4	7.5	7.4	6.8	2.4	3.1	5.7
Mexico	6.9	4.4	6.5	5.8	6.5	5.7	5.8	5.9	6.1
Venezuela	4.7	8.5	8.5	7.3	9.6	8.2	5.5	7.8	7.7

SOURCE: ECLA, based on national statistics.

[a] The average for Colombia, Honduras and Nicaragua relates to the period 1955-60.

[b] Original values at market prices.

[c] Excluding electricity, gas and water, which are included under "other services".

TABLE 21

Indices of the evolution of production by economic sector: annual averages by periods

(1945-49 = 100)

Country	*Periods*	*Crops, livestock, hunting and fishing*	*Mining and quarrying*	*Manufacturing industry*	*Building*	*Transport and communications*	*Trade and finance*	*Government*	*Other services*	*Total*
Latin America	1936-40	84.3	60.8	58.3	53.9	60.1	65.7	64.5	73.1	69.1
	1941-44	93.1	69.5	73.9	62.1	73.7	74.1	76.5	83.9	79.9
	1945-49	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	1950-54	117.0	138.1	130.6	130.2	136.8	127.9	129.7	122.1	126.0
	1955-60	144.2	201.8	182.9	163.3	179.7	164.5	150.5	154.9	162.8
Group A										
Argentina	1950-54	99.0	114.9	106.8	118.9	107.5	105.1	127.4	130.6	110.6
	1956-61	111.9	182.8	123.7	126.8	142.9	121.7	140.0	139.2	127.2
Chile	1950-54	114.8	107.9	122.1	100.0	111.2	124.4	155.4	114.8	119.9
	1955-61	122.6	106.4	162.4	132.6	151.0	149.8	203.6	128.1	144.7

TABLE 21 *(continued)*

Indices of the evolution of production by economic sector: annual averages by periods

Country	Periods	Crops, livestock, hunting and fishing	Mining and quarrying	Manufacturing industry	Building	Transport and communications	Trade and finance	Government	Other services	Total
Group B										
Colombia	1950-54	105.0	144.5	148.9	105.3	168.8	130.2	139.7	122.9	122.9
	1955-60	118.4	187.6	207.8	158.8	226.9	160.8	169.0	158.1	155.8
Ecuador	1950-54	171.7	100.0	118.9	122.2	143.8	145.5	109.5	122.2	139.5
	1956-61	212.0	150.0	156.6	222.2	193.8	233.3	152.4	159.3	187.4
Peru	1950-54	121.2	147.0	139.2	169.1	160.3	135.9	112.6	116.3	129.4
	1956-61	140.1	246.3	207.7	200.3	237.3	184.5	129.4	149.1	170.3
Group C										
El Salvador	1950-54	107.1	135.9	151.4	170.6	168.2	130.5	172.0	125.5	125.5
	1956-61	132.6	130.8	226.0	368.0	273.8	189.5	203.9	173.1	174.1
Honduras	1950-54	106.4	155.8	158.7	143.0	131.5	133.6	153.4	122.8	120.1
	1955-60	119.3	98.3	223.4	140.0	167.5	168.6	237.0	150.2	142.0
Nicaragua	1950-54	141.3	114.6	145.0	169.5	165.5	165.4	190.8	138.7	147.9
	1955-60	175.2	107.9	219.3	274.0	216.3	216.3	338.8	188.2	196.4
Panama	1950-54	116.5	—	127.4	92.1	124.8	115.0	102.6	91.4	105.8
	1956-61	155.1	—	173.1	221.1	193.6	161.8	136.8	120.3	147.8
Group D										
Brazil	1950-54	117.1	126.7	155.0	139.7	146.6	143.3	112.9	116.4	129.8
	1956-61	149.5	226.7	280.8	229.1	227.0	212.4	131.8	142.6	188.6
Mexico	1950-54	145.1	118.4	139.0	140.2	138.2	134.7	136.9	134.8	137.2
	1956-61	215.5	163.6	207.4	190.5	207.4	189.9	191.2	194.1	198.2
Venezuela	1950-54	123.5	152.9	136.3	167.1	179.2	141.1	166.0	139.1	147.4
	1956-61	169.2	255.4	256.9	225.2	286.9	247.8	184.0	238.0	235.9

SOURCE: ECLA, based on national statistics.

TABLE 22

Changes in the structure of the domestic product in different sectors of the economy as a percentage of total gross product

Country	Periods	Crops, livestock, hunting and fishing	Mining and quarrying	Manufacturing industry	Building	Transport and communications	Trade and finance	Government	Other services	Total
Latin America	1936-40	31.1	3.8	15.2	2.7	6.5	18.0	6.6	16.1	100.0
	1941-44	29.7	3.7	16.7	2.7	6.9	17.6	6.8	16.0	100.0
	1945-49	25.5	4.3	18.0	3.5	7.4	18.9	7.1	15.2	100.0
	1950-54	23.7	4.7	18.7	3.6	8.1	19.2	7.3	14.7	100.0
	1955-60	22.6	5.3	20.2	3.5	8.2	19.1	6.6	14.5	100.0
Group A										
Argentina	1945-49	18.5	1.0	23.5	6.1	10.4	19.7	8.4	12.4	100.0
	1950-54	16.6	1.1	22.7	6.5	10.1	18.7	9.6	14.6	100.0
	1955-61	16.3	1.5	22.9	6.1	11.7	18.8	9.2	13.5	100.0
Chile	1945-49	13.8	5.9	21.3	2.7	7.6	21.6	6.5	20.5	100.0
	1950-54	13.2	5.3	21.7	2.3	7.0	22.4	8.4	19.7	100.0
	1955-61	11.7	4.3	23.9	2.5	7.9	22.4	9.1	18.2	100.0
Bolivia	1950-54	30.4	25.7	11.9	0.4	6.3	11.1	4.7	9.5	100.0
	1955-60	30.8	24.0	13.2	0.8	8.0	11.6	2.8	8.8	100.0
Group B										
Colombia	1945-49	43.0	1.8	13.7	3.4	5.9	12.9	4.2	15.1	100.0
	1950-54	36.8	2.2	16.6	2.9	8.1	13.6	4.7	15.1	100.0
	1955-60	34.3	2.2	18.3	3.5	8.5	13.3	4.5	15.4	100.0
Ecuador	1945-49	32.2	2.8	18.5	3.1	5.6	11.5	7.3	18.9	100.0
	1950-54	39.5	2.0	15.8	2.8	5.7	12.0	5.7	16.5	100.0
	1955-61	36.4	2.2	15.5	3.7	5.8	14.4	6.0	16.0	100.0
Peru	1945-49	26.4	5.1	15.1	3.2	4.0	19.1	10.6	16.5	100.0
	1950-54	24.7	5.8	16.2	4.2	4.9	20.1	9.2	14.8	100.0
	1955-61	21.7	7.4	18.4	3.8	5.5	20.7	8.1	14.4	100.0

TABLE 22 *(continued)*

Changes in the structure of the domestic product in different sectors of the economy as a percentage of total gross product

Country	Periods	Crops, livestock, hunting and fishing	Mining and quarrying	Manufacturing industry	Building	Transport and communications	Trade and finance	Government	Other services	Total
Group C										
El Salvador	1945-49	46.8	0.5	10.8	4.2	1.5	20.1	4.8	11.2	100.0
	1950-54	40.0	0.6	13.0	5.7	2.0	20.9	6.5	11.2	100.0
	1955-61	35.7	0.4	14.0	8.9	2.4	21.9	5.6	11.2	100.0
Honduras	1945-49	55.9	1.5	7.4	4.4	5.9	10.8	2.2	11.9	100.0
	1950-54	49.5	2.0	9.8	5.2	6.5	12.0	2.8	12.2	100.0
	1955-60	46.9	1.1	11.7	4.3	7.0	12.8	3.6	12.6	100.0
Nicaragua	1945-49	44.0	2.8	10.6	2.5	4.4	20.7	3.1	11.9	100.0
	1950-54	42.0	2.2	10.4	2.9	4.1	23.2	4.1	11.2	100.0
	1955-60	39.3	1.5	11.9	3.5	4.2	22.8	5.4	11.4	100.0
Panama	1945-49	24.3	—	9.1	4.7	5.1	13.1	1.6	42.2	100.0
	1950-54	26.8	—	11.0	4.1	6.0	14.3	1.5	36.4	100.0
	1955-61	25.5	—	10.7	7.0	6.7	14.4	1.4	34.3	100.0
Group D										
Brazil	1945-49	30.9	0.4	17.3	1.8	8.5	13.4	7.8	19.8	100.0
	1950-54	28.0	0.4	20.7	2.0	9.6	14.8	6.8	17.8	100.0
	1955-61	25.7	0.5	25.8	2.2	10.2	15.1	5.5	15.0	100.0
Mexico	1945-49	20.1	5.2	18.5	2.3	5.2	34.5	6.0	8.1	100.0
	1950-54	21.2	4.5	18.8	2.3	5.2	33.9	6.0	8.0	100.0
	1955-61	21.9	4.3	19.4	2.2	5.4	33.1	5.8	8.0	100,0
Venezuela	1945-49	10.1	31.3	9.3	6.9	3.6	11.1	8.0	19.7	100.0
	1950-54	8.5	32.4	8.6	7.8	4.4	10.7	9.0	18.6	100.0
	1955-61	7.3	33.8	10.1	6.6	4.4	11.7	6.2	19.9	100.0

SOURCE: ECLA, based on national statistics.

G. The economically active population: employment and productivity

1. FACTORS BRINGING ABOUT CHANGES IN THE EMPLOYMENT STRUCTURE

Three factors acted in conjunction to bring about radical changes in the distribution of the economically active population during the post-war period. The first, which is of a general nature, is the structure of the economic development that has just been reviewed; the other two are the accelerated growth of the population in general and that of the urban population in particular.

As the development process takes place the structure of employment changes. The uneven sectoral growth that a process of this kind brings in its train tends to increase employment in industrial processing and in services, in accordance with the tempo of the movement and the development of production techniques.

The supply of labour in Latin America increased more rapidly owing to the decline in the death rate. The effect of the above-mentioned factors is enhanced by the flow of immigrants from outside the region which assumed fairly sizable proportions in some countries. It is estimated that the economically active population increased at the rate of 1.8 per cent during the period 1936-40, but from 1945 onwards the rate rose to 2.4 per cent and quickened still more during the fifties when it reached approxi-

TABLE 23

Latin America: Urban and rural population and economically active population

(Thousands of persons)

Sector of population	1936	1940	1945	1950	1955	1960
A. *Total population*	*114,904*	*124,167*	*137,778*	*155,606*	*178,283*	*204,911*
1. Rural population	...	81,824	87,713	94,872	102,557	110,322
2. Urban population [a]	...	42,343	50,065	60,734	75,706	94,588
B. *Economically active population*	*39,490*	*42,810*	*47,210*	*52,950*	*60,200*	*68,630*
1. Agricultural [b]	23,370	24,830	26,410	28,160	30,030	32,260
2. Non-agricultural	16,120	17,980	20,800	24,790	30,170	36,370

SOURCE: ECLA, *Study on Manpower in Latin America, 1957*, ECLA estimates and national data based on demographic census, economic census and other sources.

[a] Urban population refers to localities of more than 2,000 inhabitants.

[b] Includes agricultural, forestry and fishing activities.

mately 2.8 per cent.[16] The drift of the population towards the towns was at the same time on such a large scale that, according to statistical estimates, the urban population increased at the rate of 4.5 per cent annually in the post-war period, while the rate for the rural population was only 1.5 per cent (see tables 23, 24 and 25).

This population boom is not as intensive in other areas, whether developed or developing, and in Latin America it has had an impact on a distribution structure of the economically active population and on a productivity trend indicative of a disequilibrium problem that will have to be studied if an integrated diagnosis is to be made of the Latin American economies.

[16] The figures given in this section are preliminary figures and must await the results of a special survey on the subject now being conducted by the secretariat. However, the results of the survey are not likely to modify the general conclusions indicated here.

TABLE 24

Latin America: Changes in the structure of population and in the occupation of economically active population

(Percentage of total population)

Sector of population	*1936*	*1940*	*1945*	*1950*	*1955*	*1960*
A. *Total population*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*
1. Rural population	...	65.9	63.7	61.0	57.5	53.8
2. Urban population [a]	...	34.1	36.3	39.0	42.5	46.2
B. *Economically active population*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*
1. Agricultural [b]	59.2	58.0	55.9	53.2	49.9	47.0
2. Non-agricultural	40.8	42.0	44.1	46.8	50.1	53.0

SOURCE: See table 23.

[a] Urban population refers to localities of more than 2,000 inhabitants.

[b] Includes agricultural, forestry and fishing activities.

TABLE 25

Latin America: Growth of urban and rural population and economically active population

(Cumulative rates of annual growth)

Sector of population	*1936-60*	*1935-45*	*1945-60*	*1945-50*	*1950-55*	*1955-60*
A. *Total population*	*2.4*	*2.2*	*2.7*	*2.5*	*2.7*	*2.8*
1. Rural population	1.5 [a]	1.4 [b]	1.5	1.6	1.6	1.5
2. Urban population [c]	4.1 [a]	3.4 [b]	4.3	3.9	4.5	4.6
B. *Economically active population*	*2.4*	*2.0*	*2.6*	*2.4*	*2.6*	*2.7*
1. Agricultural [d]	1.4	1.4	1.3	1.3	1.3	1.4
2. Non-agricultural	3.5	3.0	3.9	3.7	4.0	3.9

SOURCE: See table 23.

[a] Period 1940-60.

[b] Period 1940-45.

[c] Urban population refers to localities of more than 2,000 inhabitants.

[d] Includes agricultural, forestry and fishing activities.

2. EMPLOYMENT TRENDS AND STRUCTURAL CHANGES

It has been thought best to simplify the analysis by confining it to the major sectors of activity on the basis of available statistical information. To begin with, the economically active population is divided into two broad categories, namely, agricultural and non-agricultural; the distribution of the non-agricultural active population is examined according to whether employment is in the production of basic goods and services or in trade and governmental and other services.

At the present time the economically active population in Latin America constitutes 34 per cent of the total population. The age structure of the region's population, which derives from its high rate of growth, is responsible for the fact that the number of persons of working age is less than in other countries, particularly the countries that have a high income level. Thus, in Latin America, the active age groups from 15 to 64 years represent 55 per cent of the total population, whereas in the United States they constitute 60 per cent and in France and the United Kingdom 62 and 65 per cent respectively. Looked

TABLE 26

Latin America: Estimate of the active population by economic sectors, 1945 and 1960

Sector of activity	Active population (in thousands)		Percentage of total	
	1945	1960	1945	1960
Total	*47,210*	*68,630*	*100.0*	*100.0*
A. *Agricultural production*	*26,410*	*32,260*	*55.9*	*47.0*
B. *Non-agricultural production and services*	*20,800*	*36,370*	*44.1*	*53.0*
1. Basic goods and services	10,300	17,640	21.9	25.7
(*a*) Mining	570	680	1.2	1.0
(*b*) Manufacturing	6.620	10,020	14.1	14.6
(*c*) Building	1,360	3,340	2.9	4.9
(*d*) Basic services [a]	1,760	3,600	3.7	5.2
2. Trade, government, other services	10,490	18,730	22.2	27.3
(*a*) Trade and finance	3,580	6,410	7.6	9.3
(*b*) Government	1,410	2,570	3.0	3.8
(*c*) Various services	4,350	8,330	9.2	12.1
(*d*) Non-specified activities	1,150	1,420	2.4	2.1

SOURCE: See table 23.

[a] The basic services represent power, water supply, sewage, transport, communications and other similar services.

at from another point of view this means that the number of persons dependent on the proportion of working age is greater in Latin America than in the other countries mentioned.

The population economically active in agriculture expanded at a rate varying between 1.3 and 1.4 per cent annually. These are rough estimates, since complete statistical coverage was unobtainable. Employment in non-agricultural activities as a whole increased at the rate of about 4 per cent. Consequently the distribution of the economically active population in these two main sectors of activity changed radically in the post-war period (see tables 23, 24 and 25), thus reflecting the trend which has characterized the process of economic and social development.

In 1945 the economically active agricultural population was 56 per cent of the total and is estimated to have been 47 per cent in 1960. It should be borne in mind, however, that of a total labour force of 69 million, 32 million are employed in agriculture and 37 in other activities. This testifies to the predominance in Latin America as a whole of agricultural activities in the present structure of the region. Of course, if the incidence of these activities is to be properly evaluated, this analysis should be supplemented by the study of other factors as, for instance, the productivity of the different economic centres, which will be discussed later.[17]

Employment in the non-agricultural sectors (see tables 26, 27 and 28) increased during the period under consideration at the rate of 3.9 per cent annually, but within this total two clearly defined trends can be distinguished: in the production of basic goods and services — transport, communications and energy — labour absorption was 3.6 per cent annually whereas in trade and in governmental and other services it was appreciably higher, i.e., 4.7 per cent.

In short, during the post-war period (see table 26), the distribution of the active population among the different economic sectors changed not only between agricultural activities on the one hand and non-agricultural activities and services on the other, but also within these latter, and to a marked extent, especially in services as a whole.

The population employed in basic goods and services, which represented 22 per cent of the total in 1945, has risen to 26 per cent, but the proportion of the labour

TABLE 27

Latin America: Estimate of the distribution of the increment of active population by economic sectors in the period 1945-60

Sector of activity	Thousands of persons	Percentage of total
Total	*21,420*	*100.0*
A. *Agricultural production*	*5,850*	*27.3*
B. *Non-agricultural production and services*	*15,570*	*72.7*
1. Basic goods and services	7,330	34.2
(*a*) Mining	110	0.5
(*b*) Manufacturing	3,400	15.9
(*c*) Construction	1,980	9.2
(*d*) Basic services [a]	1,840	8.6
2. Trade, government, other services	8,240	38.5
(*a*) Trade and finance	2,830	13.2
(*b*) Government	1,160	5.4
(*c*) Various services	3,980	18.6
(*d*) Non-specified activities	270	1.3

SOURCE: See table 23.

[a] The basic services represent power, water supply, sewage, transport, communications and other similar services.

TABLE 28

Growth of active population by economic sectors in the period 1945-60

(Annual cumulative percentage rates)

Sector of activities	Rate
Total	*2.6*
A. *Agricultural production*	*1.3*
B. *Non-agricultural production and services*	*3.9*
1. Basic goods and services	3.6
(*a*) Mining	1.2
(*b*) Manufacturing	2.8
(*c*) Building	6.2
(*d*) Basic services [a]	4.8
2. Trade, government and other services	4.0

SOURCE: See table 23.

[a] The basic services represent power, water supply, sewage, transport, communications and other similar services.

[17] See sub-section 3 of this section.

force in trade and in governmental and other services, then 22 per cent of the total, is currently 27 per cent.

In order to see how this composition came about, an analysis should be made of the sectoral distribution of the increase recorded in the economically active population during the post-war period. It is estimated that between 1945 and 1960 the population increased by approximately 21.5 million in the region as a whole. As 27 per cent of this increment represents the persons employed in the agricultural sector (see table 27), and about 34 per cent employment in the production of non-agricultural goods and services, the remaining 39 per cent must have been employed in services in general. If trade is discounted, 25 per cent of the increment must have found employment in other services not directly connected with the production of goods.

Although these trends may be considered as normal or inherent in a development process, at least two fundamentally important observations should be made with respect to the employment structure in Latin America. One concerns the relative volume of employment in services and the other the level of sectoral productivity.

3. The inability of economic growth to absorb the labour force, disequilibria in employment and immediate repercussions

The population actively employed in services in Latin America is estimated to be 67 per cent higher than the proportion in transforming activities. In 1950 this index was 40 per cent. In other countries — the United States, Canada, New Zealand and Australia — the indices fluctuated from 33 per cent (in Australia) to 48 per cent (in the United States) in that same year. The percentage proportion of the active population employed in services in western European countries was lower. This means that in Latin America's employment structure the proportion of the persons employed in services is similar to or even larger than in countries with a higher income level.

This structure is partly explained by the fact that production of non-agricultural goods has not attained a sufficiently rapid rate of growth to absorb the exceptional expansion in the labour force deriving from the growth of an urban population at a rate of about 4 per cent or more, and shifting towards services or other activities with a low productivity level. This trend of events is evident from the evolution of the product per economically active person in services (see tables 29 and 30).

During the post-war period, the product per economically active person in the agricultural sector expanded by 2 per cent annually. In activities connected with the production of non-agricultural goods and basic services, the increment was 2.8 per cent, and within the same group, productivity in the manufacturing sector increased 3.3 per cent yearly. In trade, finance and governmental and other services as a whole, however, productivity was at a standstill.

This stagnation was the result of the employment of a large mass of the population in low-productivity activities for lack of demand, and also, to some extent, because of their lack of training for work in the production of basic goods and services.

Admittedly, the new industrial activities — particularly those concerned with import substitution and using modern techniques — need relatively little labour in comparison with the total manpower available, especially in those countries that are just beginning to industrialize, such as the majority of the Latin American countries. But this factor should not be blamed for the whole problem of employment disequilibrium that is to be found in Latin America. Rates of 4 or 5 per cent for economic growth in countries whose population is multiplying at the rate of 3 per cent are obviously inadequate to absorb the labour force. Thus, the key to Latin American development in this respect is to frame the basic principles of a policy for the proper utilization or combination of the capital-labour factors in relation to specific economic activities so that maximum economic growth can be achieved conjointly with maximum labour absorption.

Table 29

Latin America: Changes on product per employed worker

(Averages by periods in 1950 dollars)

Sector	*1936-40*	*1945-49*	*1950-54*	*1955-60*
Total	*590*	*710*	*790*	*880*
A. *Agricultural production*	*290*	*310*	*340*	*390*
B. *Non-agricultural production and services*	*1,040*	*1,190*	*1,270*	*1,340*
1. Basic goods and services [a]	770	980	1,130	1,310
(Manufacturing industry)	660	850	980	1,200
2. Trade, finance, government and other services	1,330	1,410	1,400	1,360

Source: See table 23.

[a] The basic services represent power, water supply, sewage, transport, communications and other similar services.

Table 30

Latin America: Rate of growth of product per employed worker

(Annual cumulative rates in percentage between the averaged periods as indicated)

Sector	*1936-40 to 1945-49*	*1945-49 to 1955-60*	*1936-40 to 1955-60*
Total	*2.0*	*2.1*	*2.1*
A. *Agricultural production*	*0.8*	*2.0*	*1.5*
B. *Non-agricultural production and services*	1.5	1.1	1.3
1. Basic goods and services [a]	2.6	2.8	2.7
(Manufacturing industry)	(2.8)	(3.3)	(3.1)
2. Trade, finance, government and other services	0.7	—0.3	0.1

Source: See table 23.

[a] The basic services represent power, water supply, sewage, transport, communications and other similar services.

H. Ratio between the product and capital formation

There are no complete statistics on the value of the inventories of capital goods and other investments that make up the production capacity of each of the Latin American countries. In earlier studies ECLA prepared estimates on the annual ratio between the gross product and fixed capital for Latin America as a whole and in particular countries. These estimates show that during the period 1945-50 the product-capital ratio for Latin America as a whole fluctuated in the neighbourhood of 0.45, and subsequently declined to 0.40 in 1958.

Despite relative stability shown by this average coefficient for Latin America, the country studies show considerable variation from one country to another. At one extreme is Argentina, with a product-capital ratio of 0.30, and at the other are Brazil, Chile, Mexico and certain Central American countries, with ratios that fluctuated around 0.5 (see table 31). In addition the chronological series estimated for particular countries show that this ratio has often varied significantly for short periods, or in other words marginal product-capital ratios were different from those of the annual averages.

In any case, a fact that is of particular importance to the growth process is that the product-capital ratio for Latin America as a whole tended to decline during the fifties. The changes in the production structure of the Latin American countries and the distribution of new investments in the provision of services and in the formation of basic social capital may explain some of the factors that appear to have contributed to this declining trend in the coefficients. Similarly, the slowing down of the growth rate resulting largely from the unfavourable turn taken by the terms of trade may have led to the decline in the marginal ratio and consequently in the average, as a result of the accumulation of a production capacity that is not being fully used.

The importance of this subject, not only as regards the interpretation of the growth process, but also in planning analyses, justifies an attempt to examine the evolution of this product-capital ratio during the fifties. A comparison of the cumulative gross investment for the period 1950-59 with the changes in the domestic product during 1950-60 gives a coefficient that may be termed the marginal gross capital-output ratio (see table 32).

TABLE 31

Latin America: Product-capital ratio

Country	*Year*	*Index*
Latin America	*1954*	*0.43*
Argentina	1955	0.30
Bolivia	1958	0.39
Brazil	1953	0.53
Chile	1953	0.53
Colombia	1959	0.41
El Salvador	1957	0.48
Honduras	1959	0.46
Mexico	1955	0.51
Peru	1955	0.40
Venezuela	1959	0.47

SOURCES AND METHODS: In all cases the product-capital ratio has been obtained by dividing the gross domestic product by stock of capital after depreciation.

For Argentina, Brazil, El Salvador and Honduras, the series were obtained from the studies of analysis and projections of economic development done by ECLA for those countries.

For Chile and Latin America, ECLA, *Economic Survey for Latin America, 1954.* The *Plan Decenal de Desarrollo Económico de Chile* prepared by CORFO estimates a product-capital ratio of 0.34 for 1961.

For Mexico: ECLA, *El Desequilibrio Externo en el Desarrollo Económico Latinoamericano, El Caso de México.*

For Peru: ECLA, *Desarrollo Industrial del Perú.*

For Bolivia: Junta Nacional de Planeamiento. *Plan de Desarrollo Económico y Social 1962-71.*

For Colombia: Consejo Nacional de Política Económica y Planeación, *Plan General de Desarrollo Económico y Social, Bogotá, 1962.*

For Venezuela: *Memoria del Banco Central, 1962.* Separata sobre cuentas nacionales.

TABLE 32

Latin America: Gross marginal capital-output ratio

(Period 1950-60)

	Magnitude of the coefficient	*Reciprocal ratio of the coefficient*
Argentina, Costa Rica, Cuba, Paraguay, Peru	From 5 to 13	From 0.20 to 0.08
Chile, Colombia, Dominican Republic, Ecuador, El Salvador, Haiti, Honduras, Nicaragua and Venezuela	From 3 to 5	From 0.30 to 0.20
Brazil, Guatemala, Mexico and Panama	Less than 3	Less than 0.30
Average for Latin America	*3.70*	*0.27*

SOURCE: ELA, based on national statistics.

Note: The gross marginal capital-output ratio was obtained by relating the gross investment accumulated in 1950-59 with the increment of the gross domestic product in the period 1950-60.

This comparison shows that in the fifties the marginal gross capital-output ratio was 3.7, and its reciprocal 0.27 would be the marginal gross product-capital ratio. From this a marginal net product-capital ratio can be derived, by substracting from the cumulative gross investment that portion devoted to replacing the stock of capital. The statistics on depreciation can be used in this calculation. In this connexion, it is shown that depreciation usually represents between 33 and 40 per cent of gross capital formation. On this basis, the marginal net product-capital ratio for the decade appears to have fluctuated between 0.40 and 0.44.

This is an approximate estimate, since in addition to other factors it is affected by the fact that the depreciation applied by enterprises or calculated in the national accounts probably does not accurately reflect the replacement of capital goods. In any case, the estimate indicates an order of magnitude that leads to the interesting conclusion that in this post-war period Latin America as a

whole had a relatively high product-capital coefficient, although it may have been slightly below that for earlier periods.

The analysis by countries again shows that the magnitude of this marginal coefficient varied significantly from one country to another (see table 32). Countries that in the past had a higher average product-capital ratio also appear with a higher marginal gross capital-output ratio. This can be seen by comparing the place held by Argentina, Colombia, Brazil and Mexico in table 31 with the place held in table 32. Furthermore, the marginal gross capital-output ratios are higher in those countries with a faster growth rate, and are lower in the countries where the product growth rate is slower.

One explanation of these differences, as regards the magnitude of the product-capital ratio and its behaviour in the fifties, requires a specific examination of such questions as the economic structure, the distribution of new investment in the various fields of the production of goods and services and basic social capital, and the level of utilization of production capacity; and this has been done by ECLA in the country studies.

Chapter 2

SAVINGS AND EXTERNAL FINANCING

A. Savings coefficient and effect of the deterioration in the terms of trade

The falling-off in the rate of economic growth during the fifties, after a period of rapid development, was so great that in some countries per capita income tended to stagnate and in others to decline. This falling-off was bound to influence the aggregate savings coefficient for the Latin American countries.

From the first few years after the war to the first half of the fifties, total consumption in Latin America tended to increase more rapidly than the product and, naturally enough, was accompanied by an improvement in the rate of income growth. During the period 1956-61, however, when economic growth slackened, the rate of domestic consumption — particularly private consumption — also declined, although not as markedly as income, thereby bringing about a contraction in the net savings coefficient.

The rigidity of both private and public consumption, which prevents them from adjusting themselves quickly to a reduction in the growth rate of income and consequently to the stagnation or decline of real per capita income, is a well-known and easily explicable fact. The magnitude of the process can be appreciated from the following figures. Domestic investment, which rose to nearly 19 per cent of the gross product in the first few post-war years, dropped to about 17 per cent in 1950-61 while external financing increased from 0.6 to 1.6 per cent of the domestic product between the first and last years of the period considered; accordingly, gross domestic savings as a proportion of the product declined from 18.3 to 15.6 per cent (see table 33).

These data bring out a highly significant factor in Latin America's recent economic development. The substantial expansion in external investment and the increased use made of other sources of financing failed to push up the investment coefficient, as would have been desirable to accelerate the rate of economic growth. Their failure to do so was due to the fact that the relative proportion of domestic savings tended to shrink as a result of the deterioration in the terms of trade. This deterioration weakened the growth rate of the product and lowered that of internal income even more.

TABLE 33

Latin America: Product, consumption, investment, domestic savings and external financing

(AS PERCENTAGE OF GROSS DOMESTIC PRODUCT)

(Annual averages for each period)

	1946-49	*1950-54*	*1955-61*
Gross product	100.0	100.0	100.0
Terms of trade effect	−2.9	−0.6	−2.9
Net income from payments to external production factors	1.9	1.8	1.7
Gross national income	95.2	97.6	95.4
Total consumption	76.9	80.9	79.8
Private	67.1	70.5	69.6
Public	9.8	10.4	10.2
Gross capital formation	18.9	17.6	17.2
Private	13.6	11.4	10.8
Public	5.4	5.2	5.2
Changes in inventories	−0.1	1.0	1.2
Gross national savings	18.3	16.7	15.6
Net external financing	0.6	0.9	1.6

SOURCE: ECLA, based on national statistics and data from *Balance of Payments Yearbook*, International Monetary Fund, vols. 8, 12, 13 and 14.

The effect of the deterioration in the terms of trade was so great in the last period considered that a loss of 2.9 per cent was recorded in relation to the domestic product as against only 0.6 per cent in the first half of the fifties. Thus, by exceeding external financing, the effect of the deterioration nullified the incidence that such contributions might have had on the investment coefficient.

The repercussions of the deterioration may be illustrated in another way by measuring it in terms of domestic investment. For instance, it can be held responsible for the drop of a point in the rate of growth of the product, i.e., it tended to push the rate down by about 20 per cent.

This was the state of affairs in the region as a whole, but a glance should be cast at the aggregate figures for

TABLE 34

Groups A and B: Product, consumption, investment, domestic savings and external financing

(AS PERCENTAGE OF GROSS DOMESTIC PRODUCT)

(Annual averages for each period)

	Group A			*Group B*		
	1946-49	*1950-54*	*1955-61*	*1946-49*	*1960-54*	*1955-61*
Gross product	100.0	100.0	100.0	100.0	100.0	100.0
Terms of trade effect	0.9	−0.3	−1.8	4.0	0.6	−3.3
Payment to external production factors	1.2	0.3	0.6	0.7	1.1	1.3
Gross national income	99.7	99.4	97.6	95.3	98.3	95.4
Total consumption	76.0	80.2	80.2	82.0	82.0	80.1
Private	64.6	68.5	68.9	75.6	74.6	72.2
Public	11.4	11.7	11.3	6.4	7.4	7.9
Gross capital formation	23.4	19.7	19.8	15.5	16.9	16.6
Private	14.5	12.6	14.5	13.1	13.0	11.9
Public	7.4	6.6	5.3	2.3	2.7	3.1
Changes in inventories	1.5	0.5	0.0	0.1	1.2	1.6
Gross national savings	23.6	19.2	17.4	13.3	16.3	15.3
Net external financing	−0.2	0.5	2.4	2.2	0.6	1.3

SOURCE: See table 33.

the groups of countries at least in order to distinguish the different trends of the process in each one. In group A, a slow rate of economic growth tending towards stagnation was clearly combined with an aggravated deterioration in the terms of trade and a decline in the domestic savings coefficient. During the period 1950-61 the respective shares of consumption and investment in the domestic product remained extremely stable. The incidence of the deterioration in the terms of trade increased from 0.3 to 1.8 per cent and net external financing rose from 0.5 to 2.4 per cent, again in relation to the domestic product. Accordingly, the share of gross domestic savings contracted from 23.6 to 18.2 and 17.4 in the three periods considered (see table 34). The sharp contraction of the domestic savings coefficient shown by the aggregate figures for the group was common to all the countries in it, but more marked in some than in others.

The deterioration in the terms of trade in the period 1950-61 had less effect on the savings coefficient in group B as a whole, since in that case it was domestic consumption that lagged behind the product. Net external financing expanded much more slowly than in group A. However, the pattern of behaviour varied from one country to another. Thus, Colombia suffered from the general phenomenon of a weakened savings coefficient while Ecuador was untouched.

Group C, considered in the aggregate, displayed its own particular pattern of behaviour. This was characterized by two factors, namely: (*a*) the flagging of the rate of economic growth was delayed in this group and thus did not become apparent until after 1957; and (*b*) the coefficient of gross investment increased in the post-war period. Its participation rose from 10.5 to 15.1 per cent, and at the same time consumption began to expand slightly less rapidly in relation to the domestic product in the last decade. Hence, the increase in external financing from a negative figure of -1.6 to 2.6 per cent led to an increment in the investment coefficient. Gross domestic savings continued to represent a little more than 12 per cent of the product, with a tendency to climb in the second half of the period. In the Central American countries, too, the trend seems to have been towards an adjustment in the savings coefficient, to judge by the relation between net national savings and income, which dropped from 13 to 11 per cent in each of the two last periods considered.

Finally, in the countries of group D, the reduction in the savings coefficient, as demonstrated by the figures in table 35, was mainly due to Venezuela. In 1955-61, net external financing in Venezuela represented 1.5 per cent of gross capital formation, whereas it was virtually nil in 1950-54.

B. Financing of domestic investment

In order to simplify the analysis, and on the basis of the information available, the sources of domestic investment financing may be divided into depreciation, net national savings and net external financing.

In the preceding section the evolution of the gross savings coefficient was examined in relation to the domestic product. From this, some idea can be obtained of the trend followed by depreciation and net savings in relation to the product and national income. In the post-war period, depreciation represented, or was estimated to be, a fairly stable proportion of the domestic product in the national accounts of the Latin American countries, fluctuating between 7.5 and 8 per cent.

TABLE 35

Groups C and D: Product, consumption, investment, domestic savings and external financing

(AS PERCENTAGE OF GROSS DOMESTIC PRODUCT)

(Annual averages for each period)

	Group C			Group D		
	1946-49	*1950-54*	*1955-60*	*1946-49*	*1960-54*	*1955-60*
Gross product	100.0	100.0	100.0	100.0	100.0	100.0
Terms of trade effect	−2.4	−0.7	−2.0	−5.6	−0.7	−3.5
Payment to external production factors	2.8	2.3	1.4	2.5	2.8	2.4
Gross national income	94.8	97.0	96.5	91.9	96.5	94.1
Total consumption	82.7	85.0	84.0	75.0	80.9	81.0
Private	74.5	75.0	73.1	66.2	70.7	71.0
Public	8.2	10.0	10.9	9.8	10.2	10.0
Gross capital formation	10.5	12.9	15.1	18.3	17.4	16.4
Private	7.9	8.4	9.8	14.3	10.8	8.9
Public	2.6	3.8	5.3	4.7	5.2	5.5
Changes in inventories	0.0	0.7	—	−0.7	1.4	2.0
Gross national savings	12.1	12.0	12.6	16.9	15.6	13.1
Net external financing	−1.6	0.9	2.5	1.4	1.8	3.3

SOURCE: See table 33.

Although there are no standard concepts and methods of estimating depreciation in every country and it has not been defined precisely enough for the purposes of this analysis, these shortcomings do not go as far as to invalidate the general conclusions reached, particularly if the share of external financing is considered, on the one hand, and, on the other, gross domestic savings consisting of the sum of depreciation and net savings. In the previous section an explanation was given of the decline in the gross savings coefficient, with due reference to its general trend and its particular characteristics by groups of countries. Table 36 shows the evolution of net savings as a function of national income, which declined from 11.8 to 8.8 per cent in Latin America as a whole. The decline took place in the aggregate figures for all the groups of countries, but in some of them it may well have been motivated by an increase in the depreciation coefficient.

TABLE 36

Latin America and groups of countries: Financing of gross domestic investment, averages for each period

	Depreciation	*Net national savings*	*Net external financing*	*Gross domestic investment*	*Depreciation (as percentage of product)*	*Net national savings (as percentage of net real income)*	*Net external financing as percentage of total imports plus payment to external production factors*
	(as percentage of gross domestic investment)						
Latin America							
1946-49	42.3	54.4	3.3	100.0	8.0	11.8	3.8
1950-54	43.5	51.6	4.9	100.0	7.6	10.1	5.3
1955-61	45.8	44.9	9.3	100.0	7.9	8.8	11.3
Group A							
1946-49	41.1	60.0	−0.1	100.0	9.6	15.6	−1.6
1950-54	50.9	46.5	2.6	100.0	9.2	10.2	4.4
1955-61	54.3	33.5	12.2	100.0	10.7	7.6	19.9
Group B							
1946-49	45.4	40.4	14.2	100.0	7.0	7.1	14.7
1950-54	50.8	45.7	3.5	100.0	8.6	8.6	3.6
1955-61	53.9	38.3	7.8	100.0	9.0	7.3	8.3
Group C							
1946-49	57.5	58.0	−15.5	100.0	6.0	6.8	−7.8
1950-54	60.5	32.3	7.2	100.0	7.8	4.7	3.4
1955-61	60.5	21.9	17.6	100.0	9.1	3.8	9.2
Group D							
1946-49	40.7	51.5	7.8	100.0	7.5	11.2	9.2
1950-54	33.8	59.6	6.6	100.0	5.9	11.5	6.7
1955-61	36.3	57.2	6.5	100.0	5.9	10.6	7.3

SOURCE: See table 33.

If the external financing used by Latin America is compared with external income received under the head of imports and payments on the factors of production, it will be seen that during the early part of the period external financing amounted to about 4 per cent and in the latter part to more than 11 per cent. During the period 1950-61 this coefficient rose in nearly every country, although to a more marked extent in group A and least of all in group D. In group D, the main factor was the increase in external financing in Brazil and Venezuela, the funds received by Mexico representing approximately 8 per cent over the whole period with a tendency to decline in the last few years.

Thus, external financing which, at the end of the war, constituted 3 per cent of gross capital formation, climbed to 5 per cent in the first half of the fifties and to 11 per cent in the latest period. The share of domestic savings, on the other hand, shrank from 97 to 90 per cent. In the countries of groups A and C, external financing represented a larger proportion, amounting to 17 per cent of gross capital formation. Its relative importance was less in groups B and D, except for Peru and Brazil, where its share was 18 and 10 per cent, respectively.

The importance of external financing can be grasped more clearly by measuring its contribution to net domestic investment, i.e., comparing it with net domestic savings. For Latin America as a whole, the ratio between net external financing and net national savings in 1955-61 was 20 per cent, i.e., twice as much as in the preceding five years.

C. Evolution of Latin America's balance of payments on current account

In chapter I and part III of this study, the evolution of the external sector in relation to the product and income is being reviewed for Latin America as a whole and for different groups of countries. Economic magnitudes at constant values were used to analyse the effect of real and financial transactions with external sources on the evolution of the product and income.[1] The present section will be mainly devoted to the trends followed by the balances of payments and their significance in terms of income and expenditure in foreign exchange, the balance on current account and sources of financing. All the figures given hereafter are therefore expressed in dollars at current prices.

Current transactions in relation to the Latin American balances of payments showed deficits in 1946-61 and the gap between current income and expenditure had been sharply widening (see tables 37 and 38). In 1946-50 the annual average deficit was 210 million dollars and rose to nearly 620 million in 1951-55 and to 1,060 million in 1956-60, not counting Cuba, on which there are no data obtainable for the two-year period 1960 and 1961.

[1] See *The Role of External Financing in the Economic Development of Latin America* (E/CN.12/649), in which a detailed examination is made of the evolution of the balance of payments, movements of capital and sources of external financing of the Latin American countries. This section attempts to summarize some of the aspects and conclusions of the analysis made in that document.

TABLE 37

Latin America: Balance of payments on current account

(Millions of dollars)

Year or period	Exports			Imports			Net payments to productive goods			Balance on current account
	Goods (f.o.b.) [b]	Services	Total	Goods (f.o.b.)	Services [c]	Total	Direct investments	Interest on loans and others	Total	
					(A) *Latin America*					
1946-50	29,757.7	2,819.7	32.577.4	−24,181.9	−5,437.2	−29,619.1	−3,361.1	−243.9	−3,605.0	−646.7
1951-55	38,784.6	4,586.1	43.370.7	−33,404.5	−8,497.0	−41,901.5	−4,379.3	−416.7	−4,796.0	−3,326.8
1956-60 [a]	43,005.9	7,404.0	50,409.9	−38,136.5	−11,612.2	−49,748.7	−5,430.2	−885.8	−6,316.0	−5,654.8
					(B) *Latin America, excluding Cuba*					
1946-50	26,467.0	2,588.5	29,055.5	−21,821.1	−4,953.3	−26.774.4	−3,131.1	−211.7	−3,342.8	−1,061.7
1951-55	35,456.9	4,351.0	39,807.9	−30,339.6	−7,982.5	−38,322.1	−4,151.0	−422.7	−4,573.7	−3,087.9
1956-60	40,028.2	7,061.5	47,089.7	−35.193.6	−11,116.7	−46.310.3	−5,201.4	−885.0	−6,086.4	−5,307.0
1961	8,236.5	1,640.4	9,876.9	−7,364.5	−2,275.5	9,640.0	−970.5	−290.7	−1,261.2	−1,024.3
					(C) *Latin America, excluding Cuba and Venezuela*					
1946-50	22,032.2	2,457.6	24,489.8	−18,938.2	− 4,293.0	−23,231.2	−1,602.5	−211.9	−1,814.4	−555.8
1951-55	27,574.2	4,106.5	31,680.7	−26,062.9	−6,549.8	−32.612.7	−1,773.1	−420.5	−2,193.6	−3,125.6
1956-60	27,694.9	6,541.4	34,236.3	−28,037.8	−8,253.7	−36,291.5	−1,845.1	−877.2	−2,722.3	−4,777.5
1961	5,798.7	1,526.1	7,324.8	−6,270.9	−1,831.8	−8,102.7	−424.3	−269.4	−693.7	−1,471.6

SOURCE: International Monetary Fund, *Balance of Payments Yearbook*, vol. 8, 12, 13 and 14.

[a] Does not include Cuba for 1960.

[b] Includes net movement of non-monetary gold.

[c] Includes net private donations.

TABLE 38

Latin America: Balance of payments on current account

(Yearly average in millions of dollars)

Year or period	Exports			Imports			Net payments to productive factors			Balance on current account
	Goods (f.o.b.) [b]	Services	Total	Goods (f.o.b.)	Services [c]	Total	Investments	Interest on loans and others	Total	
				(A) *Latin America*						
1946-50	5,951.5	564.0	6,515.5	−4,836.4	−1,087.4	−5,923.8	−672.2	−48.8	−721.0	−129.3
1951-55	7,756.9	917.2	8,674.1	−6,680.9	−1,699.4	−8,380.3	−875.9	−83.3	−959.2	−665.4
1956-60 [a]	8,750.0	1,497.9	10,247.9	−7,774.4	−2,347.2	−10,121.6	−1,097.5	−177.2	−1,274.7	−1,148.4
				(B) *Latin America, excluding Cuba*						
1946-50	5,293.4	517.7	5,811.1	−4,364.2	−990.7	−5,354.9	−626.3	−42.3	−668.6	−212.4
1951-55	7,091.4	870.2	7,961.6	−6,067.9	−1,596.5	−7,664.4	−830.2	−84.5	−914.7	−617.5
1956-60	8,005.6	1,412.3	9,417.9	−7,038.7	−2,223.3	−9,262.0	−1,040.3	−177.0	−1,217.3	−1,061.4
1961	8,236.5	1,640.4	9,876.9	−7,364.5	−2,275.5	−9,640.0	−970.5	−290.7	−1,261.2	−1,024.3
				(C) *Latin America, excluding Cuba and Venezuela*						
1946-50	4,406.5	491.5	4,898.0	−3,787.6	−858.6	−4,646.2	−320.5	− 42.4	−362.9	−111.1
1951-55	5,514.8	821.3	6,336.1	−5,212.6	−1,309.9	−6,522.5	−354.6	−84.1	−433.7	−625.1
1956-60	5,539.0	1,308.3	6,847.3	−5,607.6	−1,650.7	−7,258.3	−369.1	−175.4	−544.5	−955.5
1961	5,798.7	1,526.1	7,324.8	−6,270.9	−1,831.8	−8,102.7	−424.3	−269.4	−693.7	−1,471.6

SOURCE: See table 37.

[a] Does not include Cuba for 1960.

[b] Includes net movement of non-monetary gold.

[c] Includes net private donations.

In 1961 the negative balance for current foreign exchange expenditure was 1,020 million dollars. Except for Cuba and Venezuela — the latter had a credit balance of 445 million dollars — the eighteen remaining Latin American countries recorded a deficit of nearly 1,500 million dollars on current account for that same year. This shows that the deficit on current account of these countries was more than ten times the average during the early post-war years (110 million dollars a year).

As the way in which these balances were financed will be examined later, it should be pointed out at this juncture that in all the Latin American countries, except the Dominican Republic and El Salvador, current foreign exchange income was outstripped by expenditure in the post-war years, except for unusual periods. The credit balance recorded for Venezuela in 1960 and 1961 was due to the curtailment of imports and the reduction in income from external factor payments. These deficits had been increasing since 1946 and more sharply from 1950 onwards, reflecting the trend towards a structural imbalance between the growth of external demand for Latin American export goods and Latin America's rate of imports (see tables 39 and 40).

The relatively small improvement in foreign exchange earnings from exports of goods and services after 1955 was a striking factor in the Latin American balances of payments. The fact that receipts were so small was largely due to the fall in export prices, as already explained in chapter I.

In fact, taking Latin America as a whole, if foreign exchange income from exports of goods and the tourist trade in 1946-50 is compared with the period 1951-55 an increase of 37 per cent will be noted, whereas a comparison between 1951-55 and 1956-60 shows an increase of only 18 per cent,[2] although the volume of exports expanded by 33 per cent during the latter two periods. This is the amount by which foreign exchange income would have increased if the 1950 price levels had been maintained.

As may be seen from table 38, the absolute increments in annual averages give the following results for movement of foreign exchange on current account in the post-war period:

	Increment between 1946-50 and 1951-55 (millions of dollars)	Increment between 1951-55 and 1956-60
Exports	2,151	1,456
(*a*) Goods f.o.b.	1,798	914
(*b*) Services	353	542
Commitments under the head of profits and interest on foreign investments and loans	−246	−304
Imports	−2,310	−1,598
(*a*) Goods f.o.b.	−1,704	−971
(*b*) Services	−606	−627
Excess current expenditure	−405	−444

It will be noted that commitments under the head of profits and interest took an increasing share of the annual increase in foreign exchange derived from exports of goods and services, rising from 11 per cent in the

[2] Unless expressly indicated to the contrary, the figures for Cuba's balance of payments will not be given in future. This is the only way to ensure that a valid comparison is made since there are no data obtainable for Cuba for the years 1960-61.

TABLE 39

Latin America: Balance of payments on current account by country

(Millions of dollars)

	1946-50	1951-55	1956-60	1961
Group A				
Argentina	+424.4	−702.1	−887.6	−584.4
Bolivia	−46.3	−69.7	−136.8	−31.5
Chile	−184.7	−70.0	−421.6	−279.6
Paraguay	−9.3	−11.2	−50.9	−10.5
Uruguay	+15.4	−136.3	−266.6	−16.5
Total Group A	*+199.5*	*−989.3*	*−1,763.5*	*−922.9*
Group B				
Colombia	−226.7	−122.3	+105.1	−141.8
Ecuador	−25.4	−21.3	−61.6	−23.4
Peru	−52.1	−208.9	−361.9	+18.2
Total Group B	*−304.2*	*−352.5*	*−318.4*	*−147.0*
Group C-1 (Caribbean countries)				
Cuba	+415.0	−238.9	−347.8 [b]	[a]
Dominican Republic	+39.2	+13.9	+42.1	+40.8
Haiti	+4.1	−25.8	+4.3	−4.9
Total Group C-1	*+458.3*	*−250.8*	*−301.4*	*+35.9*
Group C-2 (Central America)				
Costa Rica	−37.4	−14.3	−90.5	−17.7
El Salvador	+36.2	+33.7	−21.3	−1.8
Guatemala	− 0.3	+13.7	−179.6	−25.5
Honduras	−24.8	−26.5	−32.1	0.0
Nicaragua	−15.5	−8.2	−38.2	−7.0
Panama	−85.0	−93.6	−180.9	−39.2
Total Group C-2	*−126.8*	*−95.2*	*−542.6*	*−94.2*
Group D				
Brazil	+46.8	−1,444.0	−1,488.0	−252.0
Mexico	−414.4	−232.7	−711.4	−91.4
Venezuela	−505.9	+37.7	−529.5	+447.3
Total Group D	*−873.5*	*−1,639.0*	*−2,728.9*	*+103.9*
Latin America, excluding Cuba and Venezuela	*−555.8*	*−3,125.6*	*−4,777.5*	*−1,471.6*
Latin America, excluding Cuba	*−1,061.7*	*−3,087.9*	*−5,307.0*	*−1,024.3*
Total Latin America	−646.7	−3,326.8	−5,654.8 [c]	...

SOURCE: See table 37.

[a] Data not available.

[b] Period 1956-59.

[c] Does not include Cube for 1960.

TABLE 40

Latin America: Balance of payments on current account, by country

(Yearly average in millions of dollars)

	1946-50	1951-55	1956-60	1961
Group A				
Argentina	+84.9	−140.4	−177.5	−584.4
Bolivia	−9.2	−13.9	−27.4	−31.5
Chile	−36.9	−14.0	−84.3	−279.6
Paraguay	−1.8	−2.2	−10.2	−10.9
Uruguay	+3.1	−27.3	−53.3	−16.5
Total group A	*+40.1*	*−197.8*	*−352.7*	*−922.9*

TABLE 40 *(continued)*

Latin America: Balance of payments on current account by country

	1946-50	*1951-55*	*1956-60*	*1961*
Group B				
Colombia	−45.3	−24.5	−21.0	−141.8
Ecuador	−5.1	−4.3	−12.3	−23.4
Peru	−10.4	−41.8	−72.4	+18.2
Total group B	*−60.8*	*−70.6*	*−63.7*	*−147.0*
Group C_1 (Caribbean countries)				
Cuba	+83.0	−47.8	−86.9 [b]	[a]
Dominican Republic	+7.8	+2.8	+8.4	+40.8
Haiti	+0.8	−5.2	+0.9	−4.9
Total group C_1	*+91.6*	*−50.2*	*−77.6*	*+35.9*
Group C_2 (Central America)				
Costa Rica	−7.5	−2.9	−18.1	−17.7
El Salvador	+7.2	+6.7	−4.3	−1.8
Guatemala	−0.1	+2.7	−35.9	−28.5
Honduras	−5.0	−5.3	−6.4	0.0
Nicaragua	−3.1	−1.6	−7.6	−7.0
Panama	−17.0	−18.7	−36.2	−39.2
Total group C_2	*−25.5*	*−19.1*	*−108.5*	*−94.2*
Group D				
Brazil	+9.4	−288.8	−297.6	−252.0
Mexico	−82.9	−46.5	−142.3	−91.4
Venezuela	−101.2	+7.5	−105.9	+447.3
Total group D	*−174.7*	*−327.8*	*−545.8*	*+103.9*
Latin America, excluding Cuba and Venezuela	*−111.1*	*−625.2*	*−955.5*	*−1,471.6*
Latin America excluding Cuba	*−212.3*	*−617.7*	*−1,061.4*	*−1,024.3*
Total Latin America	*−129.3*	*−665.5*	*−1,148.3* [c]	...

SOURCE: See table 37.

a Data not available.

b Period 1956-59.

c Does not include Cuba for 1960.

first period to 21 per cent in the second. The respective amounts were 246 and 304 million, of which interest on loans (both long-term and compensatory) represented 42 and 93 million dollars respectively.

Venezuela carries particular weight in the foregoing figures. If the relevant data are excluded and the balance of payments of the remaining eighteen Latin American countries only are considered, the absolute in the annual averages for movements of foreign exchange on current account are as follows:

	Increment between 1946-50 and 1951-55	*Increment between 1951-55 and 1956-60*
	(millions of dollars)	
Exports	1,438	511
(*a*) Goods f.o.b.	1,108	24
(*b*) Services	330	487
Commitments under the head of profits and interest on foreign investment and loans	−76	−105
Import	−1,876	−736
(*a*) Goods f.o.b.	−1,425	−395
(*b*) Services	−451	−341
Excess current expenditure	−514	−330

The above table clearly shows that the value of exports of goods remained virtually at a standstill since the annual average increased by not more than 24 million dollars between the first and second half of the fifties. As pointed out earlier, the increase in the volume of exports was virtually offset by the drop in prices during the period 1956-60. On the other hand, the rate of increase of imports dropped sharply by reason of the import restrictions imposed in some countries in an attempt to reduce their balance-of-payments deficit, as well as the import substitution process which is being applied.

Moreover, commitments under the head of profits and interest, which during the first period absorbed only 5 per cent of the increase in foreign exchange deriving from exports of goods and services, rose to 21 per cent in the second period. The bulk of the increase was represented by interest on external loans, which rose from 42 to 91 million dollars, respectively, in each of the two periods compared (see again table 38).

The increase in the deficit on current account shown in the above table would be considerably greater if the income did not include the increment in foreign exchange

deriving from the tourist trade, of which Mexico is virtually the sole beneficiary.

It is thus apparent that for the eighteen Latin American countries together interest payments on loans constituted a heavy burden on foreign exchange export earnings, which were, after all, very far from keeping up with the increase recorded for profits and interest on foreign investment and loans.

The foregoing figures demonstrate that the evolution of the Latin American balances of payments was so unfavourable that it would be useful to see how the tiny annual increment of 24 million dollars averaged by the group of eighteen countries in 1951-60 was made up. Four countries saw their average annual export receipts in foreign exchange shrink during that period: Bolivia (−20 million), Brazil (−205 million), Haiti (−6 million) and Uruguay (−100 million); the figures for Argentina, Colombia and Paraguay remained the same; a slight improvement was recorded for Chile, Costa Rica and Honduras, and a marked improvement for the Dominican Republic (27 million), Ecuador (36 million), El Salvador (20 million), Guatemala (20 million), Mexico (105 million), Nicaragua (10 million) and Peru (90 million).

D. Capital movements and their share in the financing of current transactions on the balance of payments

1. Autonomous and compensatory capital movements

Deficits on current account in the balances of payments are financed by autonomous and compensatory capital movements.[3] Autonomous movements comprise private investment — consisting of new direct investment and reinvestment of profits — long-term loans from international financial organizations, and from United States Government agencies and private banks, official donations — mainly from the United States — and, lastly, a variety of short-term operations. Compensatory movements cover trade arrears, balance-of-payments loans and gold and foreign exchange reserves used by the Latin American monetary authorities.

Tables 41 and 42 give aggregate figures for autonomous and compensatory movements and for the errors and omissions taken into account in assessing the situation of the current account in relation to the balance of payment.

In 1946-60 net autonomous capital movements amounted to 9,600 million dollars and those of a compensatory nature to 2,680 million dollars, which means that a negative figure of 2,830 million dollars was recorded under the head of errors and omissions in order to make up the 8,400 million dollars that constituted the cumulative balance-of-payments deficit.

Allusion has been made earlier to the factors that may have been responsible for the accumulation of so large a sum under the head of errors and omissions,[4] and it was pointed out that it might include private movements of capital not recorded in the books. If the figure for

[3] The method and concepts employed by the International Monetary Fund to prepare the balances of payment for the Latin American countries have been followed in this analysis.

[4] See chapter 1, footnote 3.

TABLE 41

Latin America: Financing of balance on capital account

(Millions of dollars)

	Net autonomous capital movements	Net compensatory movements: Deferred import payments and balance-of-payments loans	Net compensatory movements: Net official monetary reserves (increase −)	Errors and omissions	Total
		(A) *Latin America*			
1946-50	+422.2	+78.8	+382.2	−236.5	+646.7
1951-55	+2,892.2	+656.0	+226.4	−447.8	+3,326.8
1956-60[a]	+6,700.0	+793.8	+571.8	−2,410.8	+5,654.8
		(B) *Latin America, excluding Cuba*			
1946-50	+598.4	+78.8	+582.0	−197.5	+1,061.7
1951-55	+2,558.7	+656.0	+315.0	−441.8	+3,087.9
1956-60	+6,444.5	+793.8	+261.2	−2,192.5	+5,307.0
1961	+1,075.2	−48.4	+486.6	−489.1	+1,024.3
		(C) *Latin America, excluding Cuba and Venezuela*			
1946-50	−367.6	+78.8	+720.3	+124.3	+555.8
1951-55	+2,161.1	+656.0	+481.1	−172.6	+3,125.6
1956-60	+4,896.4	+593.8	+330.8	−1,043.5	+4,777.5
1961	+1,431.7	−15.1	+459.9	−404.9	+1,471.6

SOURCE: See table 37.

[a] Does not include Cuba for 1960.

TABLE 42

Latin America: Balance of payments on capital account

(Yearly average in millions of dollars)

	Net autonomous capital movements	Net compensatory movements: Deferred import payments and balance-of-payments loans	Net compensatory movements: Net official monetary reserves (increase —)	Errors and omissions	Total
		(A) *Latin America*			
1946-50	+84.4	+15.8	+76.4	−47.3	+129.3
1951-55	+578.4	+131.2	+45.4	−89.6	+655.4
1956-60	+1,352.8	+158.8	+129.9	−493.1	+1,148.4
		(B) *Latin America, excluding Cuba*			
1946-50	+119.7	+15.8	+116.4	−39.5	+212.4
1951-55	+511.7	+131.2	+63.0	−88.4	+617.5
1956-60	+1,288.9	+158.8	+52.5	−438.5	+1,061.4
1961	+1,075.2	−48.4	+486.6	−489.1	+1,024.3
		(C) *Latin America, excluding Cuba and Venezuela*			
1946-50	−73.5	+15.8	+144.0	+24.8	+111.1
1951-55	+432.2	+131.2	+96.2	−34.5	+625.1
1956-60	+979.3	+118.8	+66.2	−208.7	+955.5
1961	+1,431.7	−15.1	+459.9	−404.9	+1,471.6

SOURCE AND FOOTNOTE: See table 41.

errors and omissions is subtracted from autonomous capital movements, these are reduced to a net cumulative figure of 6,760 million dollars. With this adjustment, 71 per cent of the balance-of-payments deficit would have been financed in 1946-60 by autonomous capital movements and the remaining 29 per cent by compensatory capital movements.

This very high index for compensatory financing testifies to the critical situation of external accounts in the Latin American countries, which were compelled to resort to balance-of-payments loans, to draw on their own reserves and even to incur trade arrears, just at a time when the prevailing characteristic was a sharp cut in imports. In actual fact, there was reason to hope that these financial movements would tend to balance out over the long term, but this did not happen because of the structural disequilibria in the Latin American balances of payments in the post-war period.

Net income from autonomous movements increased throughout the period and during the second half of the decade it accounted for a larger share of financing and helped to wipe out the whole of the increment in the debit balances.

The following variations took place in the annual averages:

	Increment between 1946-50 and 1951-55 (millions of dollars)	Increment between 1951-55 and 1956-60 (millions of dollars)
Net autonomous capital movements	392	777
Errors and omissions	−49	−350
Trade debts and balance-of-payments loans	115	28
Monetary reserves	−53	−11
Increase in the deficit on current account	405	444

It will be noted that in both periods the increase in the use of suppliers' credit and balance-of-payments loans exceeded the increment in the drawings on monetary reserves, these drawings having decreased. In any case, the increase in the deficit was virtually financed by the greater net use of autonomous capital, the variation in which doubled in the most recent period.

This phenomenon is more marked if Cuba and Venezuela are discounted and the figures for the other eighteen Latin American countries only are taken into consideration. In this group the variations are as follows:

	Increment between 1946-50 and 1951-55 (millions of dollars)	Increment between 1951-55 and 1956-60 (millions of dollars)
Net autonomous capital movements	506	547
Errors and omissions	−59	−174
Trade debts and balance-of-payments loans	115	−12
Monetary reserves	−48	−30
Increase in the deficit on current account	514	331

Accordingly, it may be concluded that if current foreign exchange income and autonomous capital movements are considered together, Latin America's aggregate external accounts tended to become more stable. It should be borne in mind, however, that monetary reserves sank to floor level, that imports were heavily curtailed and the financial service commitments, as will be seen later, represented very high proportions of current foreign exchange income.

2. NET AUTONOMOUS MOVEMENTS OF CAPITAL

If no deduction is made for errors and omissions, these movements added up to the cumulative figure of 9,600

million dollars in 1946-60 (see tables 43 and 44). Of this total, 78 per cent represented direct private investment, 10 per cent long-term loans, 8 per cent official donations and the remaining 4 per cent other movements. These percentages change considerably if the fifties alone are considered in view of the drop in the relative amount of direct private investment compared with the early post-war period. Thus, the share of such investment would fall to 65 per cent of total autonomous capital movements, while the share represented by long-term loans would rise to 24 per cent.

The annual average figure for direct private investment, including reinvestment of profits on foreign capital, was 325 million dollars in 1946-55 and 850 million dollars

TABLE 43

Latin America: Net non-autonomous capital movements

(Millions of dollars)

	Net direct investment [a]	Long-term loans [b]			Net official donations	Other movements	Total
		To private sector	To public sector	Total			
			(A) *Latin America*				
1946-50	+1,655.3	−28.0	−1,119.8	−1,147.8	+100.2	−185.5	422.2
1951-55	+1,715.5	+279.5	+317.8	+597.3	+146.4	+433.0	2,892.2
1956-60 [b]	+4,529.4	+955.2	+705.1	+1,660.3	+496.1	+14.2	6,700.0
			(B) *Latin America, excluding Cuba*				
1946-50	+1,645.9	−28.0	−1,090.8	−1,118.8	+105.1	−33.8	+598.4
1951-55	+1,626.5	+241.2	+225.5	+466.7	+146.0	+319.5	+2,558.7
1956-60	+4,266.4	+917.2	+741.6	+1,658.8	+494.0	+25.3	+6,444.5
1961	+298.7	+373.9	+581.3	+955.2	108.6	−287.3	+1,075.2
			(C) *Latin America, excluding Cuba and Venezuela*				
1946-50	+619.5	−28.0	−1,090.0	−1,118.0	+104.7	+26.2	+367.6
1951-55	+1,259.8	+244.9	+227.6	+472.5	+145.2	+283.6	+2,161.1
1956-60	+2,715.6	+908.5	+696.3	+1,604.8	+493.4	+82.6	+4,896.4
1961	+352.3	+370.8	+627.5	+998.2	+108.4	−27.2	1,431.7

SOURCE: See table 37.

[a] Including reinvestments.

[b] Excluding Cuba for 1960.

TABLE 44

Latin America: Net autonomous capital movements

(Yearly average in millions of dollars)

	Net direct investment [a]	Net long-term loans [b]			Net official donations	Other movements	Total
		To private sector	To public sector	Total			
			(A) *Latin America*				
1946-50	+331.1	−5.6	−224.0	−229.6	+20.0	−37.1	84.4
1951-55	+343.1	+55.9	+63.5	+119.4	+29.3	+86.6	578.4
1956-60	+919.0	+192.9	+139.2	+332.1	+99.3	−2.4	1,352.8
			(B) *Latin America, excluding Cuba*				
1946-50	+329.2	−5.6	−218.1	−223.7	+21.0	−6.8	119.7
1951-55	+325.3	+48.2	+45.1	+93.3	+29.2	+63.9	511.7
1956-60	+853.3	+183.4	+148.3	+331.7	+98.8	+5.1	1,288.9
1961	+298.7	+373.9	+581.3	+955.2	+108.6	−287.3	1,075.2
			(C) *Latin America, excluding Cuba and Venezuela*				
1946-50	+123.9	−5.6	−218.0	−223.6	+20.9	+5.3	−73.5
1951-55	+252.0	+49.0	+45.5	+94.5	+29.0	+56.7	+432.2
1956-60	+543.1	+181.7	+139.3	+321.0	+98.7	+16.5	+979.3
1961	+352.3	+370.8	+627.5	+998.2	+108.4	−27.2	+1,431.7

SOURCE AND FOOTNOTES: See table 43.

in 1956-60. The increase was mainly attributable to investment effected in Argentina, Brazil, Chile, Guatemala, Peru and Venezuela. However, the drop from an average of 850 million dollars to 300 million in 1961 was apparently due to a contraction in investment in those same countries, except for Mexico and Chile.

Of the total investment made in Latin America during 1951 to 1960, 75 per cent went to four countries alone: Argentina, Brazil, Mexico and Venezuela; of the remaining countries Chile and Peru also obtained a fairly substantial share.

It is estimated that 78 per cent of the private capital invested came from the United States and most of the remaining 22 per cent from western Europe and Japan. Up to 1955 direct European investment stood at very low levels and was even non-existent in certain years; but subsequently it increased and is estimated to have totalled possibly 1,500 million dollars in 1956-60.

The long-term loans, which formed the other major component of the autonomous capital movement, were those received by the public and private sectors from the Export-Import Bank, the International Bank for Reconstruction and Development and United States Government agencies. Medium-term trade credits should also be considered as part of the same item. During the fifties these long-term loans increased more than direct private investment. In fact, the figures for the two periods under comparison show that direct investment increased 162 per cent whereas long-term loans increased 255 per cent. Thus, while 21 per cent of total autonomous movements in the first half of the decade were accounted for by long-term loans, the porportion subsequently increased to 26 per cent; as a result direct investment diminished from 73 to 67 per cent.[5]

For Latin America in the aggregate (including Cuba up to 1959), these loans amounted to a net total of 2,300 million dollars in 1951-60, more than 1,600 million being provided by international financial organizations and United States Government agencies in the form of development loans. Some 600 million derived from portfolio investment and medium-term trade credits, mainly of European origin.

In short, 25 per cent of the long-term loan funds was supplied by international financial organizations, 44 per cent by the various United States Government agencies and the balance of 31 per cent from other sources. These include private banks in Japan and the European countries operating on the basis of medium-term trade credits.

In 1951-55 net long-term loans averaged 90 million dollars annually and 330 million in the second half of the decade. In 1961 they reached the high figure of 955 million dollars-i.e., three times more than in the immediately preceding years. Their expansion was due to an increase in the development loans granted through United States Government agencies, which rose from 200 million in 1960 to 550 million in 1961. The medium-term operations of European banks, which amounted to 400 million dollars in 1961, after being only 70 million the year before, also helped to bring about this expansion. The additional long-term loans made in 1961 were mainly divided up as follows: Brazil (42 per cent), Argentina (22 per cent), Chile (14 per cent) and Mexico (8 per cent).

From 1951 onwards, the contributions of the different sources supplying the total autonomous capital movement, including official donations, were as follows: United States, 72 per cent; international financial organizations, 6 per cent; and other sources — mainly western Europe and Japan — 22 per cent.

3. Net compensatory movements

Compensatory financing in Latin America, excluding Cuba, recorded a net cumulative total of 2,690 million dollars for the post-war period. Its annual movements indicate that it increased from 132 million dollars in 1946-50 to 200 million in the following five years and that it tended to increase still further (210 million) in 1956-60 (see tables 41 and 42).

Trade arrears, or outstanding debts, were of no relative importance for the region as a whole but loomed large for certain countries. In any case, they led, as is well known, to the signing of consolidation agreements or to refinancing by means of balance-of-payments loans. The latter, which are also described as extraordinary compensatory financing, may be defined as credits for more than a year granted to Governments or monetary authorities to tide them over foreign payments crises.

These loans and trade debts together amounted to the net sum of about 1,500 million dollars in 1951-60. During the first half of the decade their annual average was 130 million dollars and in the second half 160 million, which signifies an increment of 21 per cent. Eleven countries made use of this kind of financing, namely, Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Nicaragua, Paraguay, Peru and Venezuela. More than half went to two of them — Argentina and Brazil.

The other source of compensatory financing was the net gold and foreign exchange reserves of the Latin American monetary authorities. These dropped by about 1,450 million dollars between 1946 and 1960. The losses were even greater (about 1,530 million) if Venezuela is excluded. In 1961 the same trend persisted, provoking a further contraction estimated at 440 million dollars for Latin America, excluding Cuba.

As was only to be expected, the downward trend of the monetary reserves tended to level out, since they dropped to very low levels in some countries or even showed a negative balance. The relatively high losses sustained in 1961 were due to the fact that in the two preceding years some countries had contracted balance-of-payments loans that went to swell their assets and were drawn upon in 1961.

In 1951-61, in short, the monetary reserves declined in every country but five (Guatemala, Mexico, Nicaragua, Peru and Venezuela). The increments were, however, relatively small in Guatemala and Nicaragua, particularly in the first half of the period, when the terms of trade were more favourable or more stable.

[5] During the period 1946-50 there was an average annual net outflow of long-term capital amounting to 220 million dollars; in this a decisive role was played by the nationalization of a few public services, chiefly in Argentina.

E. Purchasing power

The amount of income available for importing and for payments on services can be determined by adding current income from the export of goods and services to net autonomous capital inflows and subtracting commitments under the head of payments for factors of production, the amortization of trade debts and balance-of-payments loans. In default of accurate information, the errors and omissions given in the balances of payments can be deducted from net capital receipts. This is simply a formal solution based on the fact that these errors and omissions undoubtedly include non-registered outflows of capital, although the specific amount is unknown.

The credit items in this purchasing power, which consist of the foreign exchange obtained from exports of goods and services and net autonomous capital movements, averaged 5,930 million dollars a year in 1946-50 for the whole of Latin America excluding Cuba, and rose to 8,470 million in 1951-55 and to 10,700 million in 1956-60, for an increment of 43 per cent for the first period and 26 per cent for the second (see tables 45 and 46). While export receipts from goods and services increased by 37 per cent and 18 per cent respectively, capital inflows (after errors and omissions were deducted) quadrupled between 1946-50 and 1951-55 and doubled between the latter period and 1956-60. Accordingly, the share of net autnomous capital movements on the positive side of purchasing power expanded from 2 to 6 to 12 per cent in each stage, which reveals the increasing importance of foreign exchange income deriving from the movements of autonomous capital. The annual average for payments on factors of production comprising profits and interest on foreign investment and loans was 915 million dollars in 1951-55, rose to 1,217 million after 1956 and climbed even higher in 1961 (to 1,260 million dollars).

If foreign exchange commitments are compared with net inflows of autonomous capital — without excluding errors and omissions — it will be seen that in the first half of the decade payments on the factors of production (915 million dollars) were considerably more than capital inflows (510 million dollars). From 1955 onwards, on the other hand, the intensification in the inflow of capital brought both up to much the same level. In 1961 the profits and interest on foreign investment and loans again outstripped capital receipts. The margin would have been even greater if the amortization of trade debts and the balance-of-payments loans had been taken into account as well.

Thus the average annual income available for effecting imports of goods and services amounted to 5,180 million dollars in 1946-50, rose to 7,350 million dollars a year in the first half of 1951-60 and to an average of 8,800 million from 1956 onwards. The difference between the income in question and the imports actually effected (175, 320 and 380 million dollars respectively) represents the extent to which autonomous capital was used to meet the foreign

TABLE 45

Latin America: Total capacity to purchase and imports of goods and services

(Millions of dollars)

Year or period	Total capacity to purchase: Exports: Goods (f.o.b.)	Exports: Services	Exports: Total	Net autonomous capital movements	Net payments to external production factors	Amortization of deferred import payments and balance-of-paymegts loans	Sub-total	Errors and omissions	Total (5+6)	Imports of goods and services	Balance [a]
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
(A) *Latin America*											
1946-50	29,757.7	2,819.7	32,577.4	+422.2	−3,605.0	−221.0	29,173.6	−236.5	28,937.1	29,619.1	−682.0
1951-55	38,784.6	4,586.1	43,370.7	+2,892.2	−4,796.0	−635.6	40,831.3	−447.8	40,383.5	41,901.5	−1,518.0
1956-60 [b]	43,005.9	7,404.0	50,409.9	+6,700.0	−6,316.0	−861.6	49,932.3	−2,410.8	47,521.5	49,748.7	−2,227.2
(B) *Latin America, excluding Cuba*											
1946-50	26,467.0	2,588.5	29,055.5	+598.4	−3,342.8	−221.0	26,090.1	−197.5	25,892.6	26,774.4	881.8
1951-55	35,456.9	4,351.0	39.807.9	+2,558.7	−4,573.7	−635.6	37,157.3	−441.8	36,715.5	38,322.1	−1,606.6
1956-60	40,028.2	7,061.5	47,089.7	+6,444.5	−6,086.4	−861.6	46,586.2	−2,192.5	44,393.7	46,310.3	−1,916.6
1961	8,236.5	1,640.4	9,876.9	+1,075.2	−1,261.2	−191.1	9,499.8	−489.1	9,010.7	9,640.0	−629.3
(C) *Latin America, excluding Cuba and Venezuela*											
1946-50	22,032.2	2,457.6	24,489.8	−367.6	−1,814.4	−221.0	22,086.8	+124.3	22,211.1	23,231.2	−1,020.1
1951-55	27,574.2	4,106.5	31,680.7	+2,161.1	+2,193.6	−635.6	31,012.6	−172.6	30,840.0	32,612.7	−1,772.7
1956-60	27,694.9	6,541.4	34,236.3	+4,896.4	−2,722.3	−861.6	35,548.8	−1,043.5	34,505.3	36,291.5	−1,786.2
1961	5,798.7	1,526.1	7,324.8	+1,431.7	−693.7	−157.8	7,905.0	−404.9	7,500.1	8,102.7	−602.6

SOURCE: See table 37.

[a] This balance is equal and opposite to the gross disbursements of deferred import payments and balance-of-payments loans plus the changes in the gross official monetary reserves (increase —).

[b] Excluding Cuba for 1960.

TABLE 46

Latin America: Total capacity to purchase and imports of goods and services

(Yearly average in millions of dollars)

Year or period	Total capacity to purchase: Exports: Goods	Exports: Services	Exports: Total	Net autonomous capital movements	Net payments to external production factors	Amortization of deferred import payments and balance-of-payments loans	Sub-total	Errors and omissions	Total (5+6)	Imports of goods and services	Balance a
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
					(A) *Latin America*						
1946-50	5,951.5	564.0	6,515.5	+84.4	−721.0	−44.2	5,834.7	−47.3	5,787.4	5,923.8	−136.4
1951-55	7,756.9	917.2	8,674.1	+578.4	−959.2	−127.1	8,166.2	−89.5	8,076.7	8,380.3	−303.6
1956-60	8,750.0	1,497.9	10,247.9	+1,352.8	−1,274.7	−172.3	10,153.7	−493.1	9,660.6	10,121.6	−461.0
					(B) *Latin America, excluding Cuba*						
1946-50	5,293.4	517.7	5,811.1	+119.7	−668.6	−44.2	5,218.0	−39.5	5,178.5	5,354.9	−176.4
1951-55	7,091.4	870.2	7,961.6	+511.7	−914.7	−127.1	7,431.5	−88.4	7,343.1	7,664.4	−321.3
1956-60	8,005.6	1,412.3	9,417.9	+1,288.9	−1,217.3	−172.3	9,317.2	−428.5	8,878.7	9,262.0	−383.3
1961	8,236.5	1,640.4	9,876.9	+1,075.2	−1,261.2	−191.1	9,499.8	−489.1	9,010.7	9,640.0	−629.3
					(C) *Latin America, excluding Cuba and Venezuela*						
1946-50	4,406.5	491.5	4,898.0	−73.5	−362.9	−44.2	4,417.4	+24.8	4,442.2	4,646.2	−204.0
1951-55	5,514.8	821.3	6,336.1	+432.2	−438.7	−127.1	6,202.5	−34.5	6,168.0	6,522.5	−354.5
1956-60	5,539.0	1,308.3	6,847.3	+979.3	−544.5	−172.3	7,109.8	−208.7	6,901.1	7,258.3	−357.2
1961	5,798.7	1,526.1	7,324.8	+1,431.7	−693.7	−157.8	7,905.0	−404.9	7,500.1	8,102.7	−602.6

SOURCE AND FOOTNOTES: See table 45.

exchange commitments that resulted from imports of goods and services.

The evolution of the various credit and debit items determining the course of Latin America's foreign exchange supply during the period in question can be demonstrated by calculating the amounts by which these assets and liabilities increased between the annual averages for the five-year periods 1946-50, 1951-55 and 1956-60. The relevant figures are given below:

	Increment between 1946-50 and 1951-55	*Increment between 1951-55 and 1956-60*
	(millions of dollars)	
Exports	2,150	1,456
(*a*) Goods f.o.b.	1,798	914
(*b*) Services	352	542
Net autonomous capital	392	777
Errors and omissions	−49	−350
Profits and interest on foreign investment and loans	−246	−303
Amortization of compensatory loans and trade debts	−83	−45
Income available for imports of goods and services	2,164	1,535

In the last analysis, the amount of foreign exchange available for imports may be said to have depended on export earnings. In fact, the inflows of autonomous capital were counterbalanced by financial commitments, provided these are computed together with errors and omissions. Moreover, it should be noted that the increments of 2,150 and 1,456 million dollars, respectively, in earnings from the export of goods and services was offset by increments of 246 and 303 million in commitments under the head of profits and interest on foreign investment and loans. Indeed, these last figures would have been 83 and 45 million more if amortization of compensatory loans and trade debts had been taken into account.

Venezuela's balance of payments plays an all-important part in the aggregate figures for Latin America. Hence, this country should be excluded if a clear picture is to be obtained of the situation of the other Latin American countries. The items on the credit side (exports, services and net autonomous capital movements excluding errors and omissions) of the over-all purchasing power of the eighteen Latin American countries (without Cuba and Venezuela) increased from an annual average of 4,820 million dollars in 1946-50 to 6,770 million in 1951-55 and 7,825 at the end of the decade. Export income increased until the middle of the fifties and subsequently remained virtually at a standstill, while net autonomous capital movements, after a negative showing in 1946-50, increased by 120 per cent between the second and first half of the fifties, which means that their share on the credit side of purchasing power reached 12 per cent.

In these eighteen countries, profits and interest on foreign investment and loans increased more than export income. However, from 1956 onwards, their absolute levels were lower than those of net autonomous capital inflows despite the fact that amortization of trade debts and compensatory loans was included. In the first and

second half of the decade, however, net capital receipts were considerably less than servicing of debts, whether or not amortization was included.

The absolute increments in assets and liabilities which derived from the supply of foreign exchange for imports of goods and services were as follows:

	Increment between 1946-50 and 1951-55	*Increment between 1951-55 and 1956-60*
	(millions of dollars)	
Exports	1,438	511
(*a*) Goods f.o.b.	1,108	24
(*b*) Services	330	487
Net autonomous capital	505	547
Errors and omissions	−59	−174
Profits and interest on foreign investment and loans	−76	−106
Amortization of compensatory loans and trade debts	−83	−46
Income available for imports	1,725	733

This shows that the increase in the supply of foreign exchange available for imports of goods and services in the eighteen Latin American countries as a whole was largely attributable to the inflow of net autonomous capital. It also indicates the straits in which external accounts are placed as a result of the very small increase (24 million) in foreign exchange earnings from exports of goods, that was discussed earlier.

The situation is greatly improved if tourist income is taken into account, but the benefits affect only a small number of these eighteen countries. In actual fact it is only in Mexico that tourist income plays an important part in raising purchasing power. There, the annual average net balance, which was 180 million dollars in 1951-55, rose to 320 million in 1956-60.

F. The critical state of the external financial situation

The analysis made earlier shows that, despite a sharp curtailment of imports, the balances of payments recorded an ever-increasing deficit on current account. As these deficits could not be wholly covered by autonomous capital movements, Latin American countries had to make intensive use of compensatory financing.

One of the main factors behind the growth of these deficits was the fall in export prices, especially after 1954. As has been pointed out, the foreign exchange earned by exports of goods and the tourist trade increased by 18 per cent between the two halves of the decade, i.e., at the slow rate of 3.4 per cent yearly. This rate drops to 2.6 per cent if only goods are considered. If Venezuela is left out, income from this source may be said to have remained at a standstill. Nevertheless, the quantum of exports from the Latin American countries excluding Cuba increased by 33 per cent and by 21 per cent if Venezuela is excluded as well. Foreign exchange holdings would have increased in the same proportion if export prices had been successfully bolstered up.

The balance-of-payments situation deteriorated because of a slight rise in import prices, although after 1957 these prices became stable and even dropped a little. In these circumstances, the inflow of capital was too small to make up for the deterioration in the terms of trade. The situation was aggravated by the fact that the increase in financial services was not accompanied by an adequate increase in current foreign exchange income. The result of this was that monetary reserves declined and more current income had to be used for servicing purposes.

The reduction in the monetary authorities' gold and foreign exchange holdings lessened their capacity to deal with a new external payments crisis. It is estimated that

TABLE 47

Latin America: Service payments on foreign capital as a percentage of foreign exchange earnings on current account

	Direct investment income a	*External debt service*			*Total*
		Interest	*Amortization*	*Total*	
(A) *Latin America*					
1946-50	10.3	0.7	...	...	...
1951-55	10.1	1.0	3.7	4.7	14.8
1956-60	10.7	1.7	8.6	10.3	21.0
1961	...	...	...	...	...
(B) *Latin America, excluding Cuba*					
1946-50	10.8	0.7	...	...	...
1951-55	10.4	1.1	3.9	5.0	15.4
1956-60	11.0	1.9	8.8	10.7	21.7
1961	9.8	2.9	11.7	14.6	24.4
(C) *Latin America, excluding Cuba and Venezuela*					
1946-50	6.5	0.9	...	...	...
1951-55	5.6	1.3	5.0	6.3	11.9
1956-60	5.4	2.7	9.3	11.9	17.3
1961	5.8	3.7	13.0	16.7	22.5

SOURCE: See table 37.

a Including reinvestments.

TABLE 48

Latin America: Net capital inflow as a percentage of receipts and expenditures on current account

	As a percentage of receipts	*As a percentage of expenditures*
(A) *Latin America*		
1946-50	2.0	1.9
1951-55	7.7	7.1
1956-60	11.2	10.1
1961	...	...
(B) *Latin America, excluding Cuba*		
1946-50	3.7	3.5
1951-55	7.8	7.2
1956-60	11.3	10.1
1961	10.4	9.4
(C) *Latin America, excluding Cuba and Venezuela*		
1946-50	2.3	2.2
1951-55	9.9	9.0
1956-60	13.9	12.2
1961	20.1	16.7

SOURCE: See table 37.

up to 1960 those reserves paid for only 25 per cent of annual imports, whereas thay had accounted for more than 30 per cent ten years earlier. The drop in the coefficient is even more marked if the short-term commitments of the monetary authorities are deducted and net reserves taken into account. For instance, the percentage relation between annual imports and net reserves declined from 88 (1951) to 42 (1960) in Uruguay; from 31 (1951) to 10 (1961) in Argentina and from 30 (1953) to 2 (1961) in Brazil.

The increase in the autonomous capital inflows added to the intensive use made of compensatory loans and the accumulation of trade debts augmented service payments on profits, interest and amortization. For Latin America as a whole, foreign exchange commitments against profits and interest on foreign investment and loans exceeded autonomous capital receipts in 1951-60. Admittedly, if Cuba and Venezuela are excluded, capital inflows outweighed the commitments in question, but these absorbed 74 per cent of the former in any case. The commitments constituted the high proportion of 12 to 13 per cent of the region's aggregate foreign exchange income on current account. Without Venezuela, the proportion would be 8 per cent, rising to 10 per cent in 1961 (see tables 47 and 48). If repayments on current debts and compensatory loans are added, total financial services accounted for 24 per cent of foreign exchange export earnings in 1961 as against an average of 22 per cent in 1956-60. The increase was partly due to the rise in interest payments and amortization of compensatory capital movements.

These heavy financial commitments give Latin America's external accounts an extreme inflexibility over the short term that can only be compared to that existing on the eve of the great Depression. The situation is deteriorating because of the rigidity of imports that it is hardly possible to slash any further. If the commitments in question are not to affect the capacity to import, more capital would have to enter Latin America or further drawings made on monetary reserves. It should be noted, however, that the former is limited by the subsequent evolution of current foreign exchange income and that the latter have sunk to extremely low levels.

Part II

PRESENT STAGE OF ECONOMIC AND SOCIAL DEVELOPMENT IN LATIN AMERICA

Chapter 1

INCOME AND LIVING LEVELS

A. Per capita income in the region, and comparison with other areas

Average per capita income is the most usual indicator for measuring the level of economic and social welfare of a community. It does not, of course, represent more than an approximation of the actual situation, as it does not include a number of significant aspects and, like all average indices, it would only be representative if the total were distributed evenly. Consequently use has been made in other parts of this chapter of specific indicators that make it possible to establish more precisely the actual situation with respect to the average per capita income.

By the use of this synthetic index to express the level of living of the Latin American countries, the region as a whole is shown to lag far behind the industrial countries in the American continent and in Europe, and even in other parts of the world. To judge by this index, Latin America, like the great mass of the world population, lives in extremely unsatisfactory conditions. In fact, despite the inaccuracy of the statistical estimates concerned, in 1961 the region as a whole can be regarded as having an average real per capita income of 420 dollars expressed in terms of the gross domestic product[1] (see table 49). This figure is two-fifths of that enjoyed by the more economically advanced countries of western Europe, and one-sixth of that for the United States and Canada taken together. According to this indicator Latin America has an income which is barely half of that for the countries of eastern Europe, and is below the average world level, which is about 600 dollars. These figures therefore show that the region as a whole is part of those two-thirds of the world population that have less than 20 per cent of world income (see table 50).

Although the concept of average per capita income is used for the region as a whole, it is not suggested that the stage of economic development attained by the various individual countries is uniform. On the contrary, Latin America is distinguished by marked differences as regards both the levels of economic progress and the nature of the economic and social structure of the countries in the region. The average income of some of these countries (the minority) approaches the European levels, whereas in most cases the levels are close to those prevailing in Asia or Africa. At one extreme — for different reasons — are Argentina, Uruguay and Venezuela, with income levels higher than or close to the world level, while at the other are Bolivia and Haiti, with a per capita income of 150 dollars. Table 51 shows that only five countries in the region, representing something over 20 per cent of the population, have an income level higher than the average for the region. Nine countries, on the other hand, have per capita incomes of less than 300 dollars. However, as might be expected, the unevenness in the geographical distribution of the region's income is not as marked as it is at the world level, as can be seen by comparing tables 50 and 51.

B. Income distribution

The index of the average per capita income of each of the Latin American countries far from reflects the true living conditions that prevail in the region. The region is distinguished, like other under-developed areas, by an extremely uneven distribution, with a vast sector of the population whose income levels are extremely low and, of course, far lower than those indicated by the average figures, and a small number of persons who enjoy a considerably large income.

There are also sharp differences in most of the Latin American countries that emerge from a study of representative levels of living in the various regions, departments or states that make up the individual countries, and also in the distribution of income by recipients

[1] These figures and all those relating to per capita income given in the first section of this chapter have been estimated by a research team from the Massachusetts Institute of Technology, under the direction of Professor Rosenstein-Rodan. They are given here only for the purpose of locating the region within the world framework as regards per capita income level. Estimates expressed in "real" terms are used, since they provide a firmer basis for international comparisons, representing purchasing power in United States goods and services, and not the mere application of the rate of exchange. For a more detailed description of the methods and sources used by this research team, and a general critical study of the per capita income figures of the Latin American countries, see the methodological annex, below.

TABLE 49

Distribution of income among the population of the world, by regions and per capita income levels, 1961

Groups of countries	Percentage of the gross national product expressed in: Monetary terms	Percentage of the gross national product expressed in: Real terms	Percentage of world population	Per capita gross national product expressed in (dollars): Monetary terms	Per capita gross national product expressed in (dollars): Real terms
Developed countries	*65.0*	*58.7*	*19.7*	*1,522*	*1,744*
Canada	2.7	2.1	0.6	2048	2,048
Japan	2.6	3.3	3.2	383	613
Oceania	1.3	1.4	0.5	1105	1,513
Union of South Africa	0.5	0.5	0.5	427	598
United States	37.3	29.4	6.2	2,790	2,790
Western Europe	20.6	22.0	8.7	1,091	1,472
Centrally planned economies	*21.1*	*23.7*	*34.6*	*282*	*401*
Mainland China	4.2	6.6	23.2	83	167
Eastern Europe	4.0	4.7	3.3	550	825
North Korea	0.1	0.1	0.3	105	211
North Viet-Nam	0.1	0.2	0.6	105	199
Soviet Union	12.7	12.1	7.2	818	986
Under-developed countries	*13.8*	*17.5*	*45.7*	*140*	*223*
Africa	1.5	1.9	6.9	100	164
America	4.7	5.1	7.0	311	425
(Latin America)	(4.5)	(4.9)	(6.8)	(307)	(421)
Asia	4.7	6.8	26.1	84	154
Near East	1.4	1.7	3.5	187	257
Southern Europe	1.5	1.9	2.2	313	501
World total	*100.0*	*100.0*	*100.0*	*461*	*585*

SOURCE: P. N. Rosenstein-Rodan, " International Aid for Underdeveloped Countries ", *The Review of Economics and Statistics*, May 1961.

Note: The original data, referring mostly to 1958, were taken from Mikoto Usui and E. E. Hagen, *World Income 1957*, M.I.T., November 1959, and United Nations, *Yearbook of National Account Statistics 1959*, New York, 1960. In order to determine the gross national product for 1961, a rate of growth was estimated for the period between the last year for which data were available and 1961. In the case of centrally planned economies, the GNP was directly estimated for 1961. The figures thus obtained appear in the table under the heading " gross national product expressed in monetary terms ". To obtain the corresponding data in real terms (purchasing power of GNP at United States prices), the values expressed in monetary terms for all countries and regions (except the United States and Canada) were adjusted according to selected coefficients. For the data referring to some countries of western Europe, use was made of the information appearing in Milton Gilbert *et al.*, *Comparative National Products and Price Levels*, Paris, OEEC, 1958. To the aggregates for Latin America as a whole a 37 per cent increment was added, but the proportion was not standard for all countries. Population figures were taken from United Nations, *Demographic Yearbook 1959*, New York 1960, and the rates of growth applied to obtain the 1961 were taken from United Nations, *Future Growth of World Population*, New York, 1958.

TABLE 50

World distribution of income, 1961

Countries in the following levels of per capita gross national product (dollars)	Gross national product expressed in monetary terms as a percentage of: World population	Gross national product expressed in monetary terms as a percentage of: World gross national product	Gross national product in real terms as a percentage of: World population	Gross national product in real terms as a percentage of: World gross national product
100 or less	50.1	8.5	0.4	0.1
(150 or less)	(57.1)	(10.2)	(26.6)	(6.3)
101 to 300	15.7	6.1	59.9	16.6
(150 to 300)	(8.7)	(4.4)	(33.7)	(10.4)
301 to 600	10.7	10.1	8.7	6.4
601 to 1,200	16.7	35.3	15.1	21.9
Over 1,200	6.8	40.0	15.9	55.0

SOURCE: See table 49.

classified according to their function in generating the income.

Obviously the process of economic development must be affected by the way in which income is distributed. On the one hand, distribution and utilization of income affect the formation of savings needed to increase productive capacity. On the other hand, extremely unequal distribution such as that which prevails in certain Latin American countries represents a serious obstacle to development itself. It should also be added that this fact prevents the formation of the climate of social integration which is essential if development is to be a continuing process.

1. DISTRIBUTION BY INCOME BRACKETS

The information available on income distribution in the Latin American countries is very scanty and can be

TABLE 51

Latin America: Per capita income levels and population, 1961

Countries	Per capita income level (dollars at current prices)	Percentage of population	
		Of region	Cumulative
Argentina	799.0	10.2	10.2
Venezuela	644.5	3.6	13.8
Uruguay	560.9	1.2	15.0
Cuba	516.0	3.3	18.3
Chile	452.9	3.7	22.0
Mexico	415.4	17.1	39.1
Brazil	374.6	34.3	73.4
Colombia	373.4	7.6	81.0
Panama	371.0	0.5	81.5
Costa Rica	361.6	0.6	82.1
Dominican Republic	313.2	1.5	83.6
Nicaragua	288.4	0.7	84.3
Peru	268.5	4.9	89.2
El Salvador	267.5	1.2	90.4
Guatemala	257.7	1.8	92.2
Honduras	251.7	1.0	93.2
Ecuador	222.7	2.1	95.3
Paraguay	193.2	0.8	96.2
Haiti	149.2	2.0	98.2
Bolivia	122.3	1.8	100.0
Latin America	*420.7*	*100.0*	

SOURCES AND METHODS: For the per capita income level, see source of table 49; for population, ECLA estimates. The original figures on income levels are estimates made by ECLA for 1958, expressed in 1950 dollars. The data for Argentina, Panama and Venezuela were reduced by 18.10 and 40 per cent respectively and the income levels of all the remaining countries of the region were raised by 12 per cent to express them at 1958 prices. Later the estimated income increase between 1958 and 1961 was added to those figures. In order to achieve a more exact international comparability, these values were raised in various percentages (except in the case of Venezuela) to determine the level of "real income", that is to say, the purchasing power equivalent at United States prices; finally, the resulting figures were divided by the corresponding population numbers. For more details, see the methodological annex.

briefly summarized.[2] In Chile a recent estimate indicates that in 1954 less than 3 per cent of persons in the upper income brackets obtained a quarter of all personal income, whereas at the other extreme about 55 per cent of the population received less than 16 per cent of all income. In Mexico it was estimated that in 1957 less than 5 per cent of the families with the highest incomes obtained 36 per cent of the national income, whereas 56 per cent of the families with low incomes received 19 per cent of all income. Data for 1950 show that less than 8 per cent of families in El Salvador receive over half of the country's total income, whereas 61 per cent only receive one-fifth of the total. In Venezuela the Shoup Committee said that "about one-eighth of the income receivers get one-half of total income. At the other extreme, 45 per cent about one-tenth of the income".[3] Lastly, a recent study shows that 78 per cent of the population of Ecuador receives less than 55 per cent of income, whereas something over 1 per cent have 17 per cent.

Table 52 gives the data that it has been possible to collect on the distribution of personal income in various Latin American countries, together with those of some non-Latin American countries for reference purposes to illustrate the phenomenon described. Because of the above-mentioned statistical problems, data for countries are not for the same years and in some cases do not relate to income brackets covering exactly the same range. The trustworthiness of the sources and methods of calculation vary from country to country, and the figures therefore serve mainly to illustrate the order of magnitude or the difference in national trends in the distribution of personal income. This table compares the two extremes of distribution in each country, that is, the proportion of personal income that goes to a given group of persons, families or domestic units that receive the highest income, and on the other hand the proportion of total personal income that goes to the group with the lowest income level.

This procedure shows that in the United Kingdom and the United States, where the form of distribution is very similar, the top income bracket, representing 10 per cent of the units, receives about 30 per cent of all personal income, whereas the lowest brackets, representing 60 per cent of the units, receive about one-third of all income. If other European countries are included, income distribution in the economically developed countries can be broadly and roughly described as follows: the top bracket comprising 10 per cent of the units receives 30 per cent of all personal income; the intermediate bracket comprising 30 per cent of the units receives 40 per cent of income, and the lowest bracket, representing 40 per cent of the units, receives the remaining 30 per cent (see table 52).

In the under-developed countries, on the other hand, these proportions differ in the direction of a more unequal distribution, although for certain brackets and in communities with a very low level of income, there is some uniformity. This is due to the fact that in countries where the standard of living is very low the income level of the lowest income groups cannot be lower than a given proportion of the average income, if these groups are to survive.

Table 52 shows that in the developing countries the 10 per cent of the population with the highest standard of living receives from 37.5 to 45 per cent of all income, whereas the 60 per cent of the population with the lowest income receives less than 25 per cent or even as little as 16 per cent of personal income. Figure XIII, which gives the distribution curves for the countries analysed, illustrates the less equal distribution of income in the countries with a low income level. The diagonal of the square represents absolutely equal distribution, and the curves represent distribution that becomes more unequal

[2] A statistical estimate of personal distribution of income gives rise to a number of problems because of the lack of specific data and the fact that in these countries there is also usually a lack of general statistics that might be useful for this purpose. Table 52 gives the sources for the data referred to in the text.

[3] Carl S. Shoup and others, *The Fiscal System of Venezuela*, The Johns Hopkins Press, Baltimore, 1959.

TABLE 52

Distribution by income brackets in selected countries

Country	Year	Higher income brackets		Lower income brackets	
		Percentage of individuals or families	*Percentage of total personal income*	*Percentage of individuals or families*	*Percentage of total personal income*
Ceylon	1950	20.0	50.0	60.0	30.0
Chile	1960	10.0	37.5	60.0	24.0
Denmark	1952	10.0	30.7	60.0	29.5
Ecuador	1957	10.0	30.0	60.0	36.0
Federal Republic of Germany	1950	10.0	34.0	60.0	29.0
India	1949-50	20.0	55.0	60.0	28.0
Italy	1948	10.0	34.1	60.0	31.1
Mexico	1957	10.0	45.0	60.0	24.0
Netherlands	1950	10.0	35.0	60.0	29.5
Puerto Rico	1946-47	10.0	40.8	60.0	23.6
United Kingdom	1952	10.0	30.0	60.0	34.0
United States	1952	10.0	31.0	60.0	32.0
Sweden	1948	10.0	30.3	60.0	29.1
Venezuela	1957	10.0	45.0	60.0	16.0

SOURCES FOR LATIN AMERICA, CEYLON AND INDIA: Simon Kuznets, "Economic Growth and Income Inequality", *The American Economic Review*, March 1955, No. 1; CHILE: Roberto Jadue, *Distribución probable del ingreso de las personas en Chile: período 1940-54*, Santiago, 1957 (brought up to 1960 by the author at the request of the ECLA secretariat); DENMARK, NETHERLANDS, FEDERAL REPUBLIC OF GERMANY AND SWEDEN: United Nations Economic Commission for Europe, *Economic Survey of Europe in 1956*, Geneva, 1957, chapter IX; ECUADOR: Reinaldo Torres Caicedo, *Los estratos socioeconómicos del Ecuador. Un ensayo de cuantificación*, Junta Nac. de Planif. y Coordinación Económica, Quito, 1960; UNITED STATES AND UNITED KINGDOM: Harold Lydall and John B. Lansing, "A comparison of the Distributions of Personal Income and Wealth in the United States and Great Britain", *The American Economic Review*, March 1959, No. 1; ITALY AND PUERTO RICO: Statistical Office of the United Nations, *National Income and its Distribution in Under Developed Countries*, Statistical Papers, Serie E, Number 3, New York, 1951 (cap. IV). MEXICO: Ifigenia M. de Navarrete, *La distribución del ingreso y el desarrollo económico de México*. Instituto de Investigaciones Económicas, Escuela Nacional de Economía, México, D.F., 1960. VENEZUELA: Carl S. Shoup and others, *Informe sobre el sistema fiscal de Venezuela. Estimación de la distribución del ingreso personal*. Ministerio de Hacienda, Comisión de Estudios Financieros y Administrativos, Caracas, 1960.

Note: The almost complete lack of information concerning the distribution of personal income in Latin American countries is shown by the fact that of the twenty countries of the region, only five report such data, to wit, Chile, Mexico, Ecuador, Venezuela and El Salvador. The last should be excluded owing to the weak basis on which such data were prepared.

In all these countries, the collection of such data is at an experimental, private stage, and they cannot therefore be considered official estimates for the individual countries. Moreover, in the sources indicated, only in the case of Chile and Mexico has a sufficiently rigorous method been employed, with more abundant information. In both cases, there was specific research on the matter, while in the remaining three countries the data are partial estimates included in more comprehensive studies. The basic material for these estimates is more readily available in developed countries than in Latin America.

the further removed it is from the diagonal. It might be said tha in comparison with other countries the poor in Latin America are poorer and the rich very much richer, in relative terms, than the average for communities generally.

Furthermore, the incidence of taxation on the distribution of personal income, which is generally aimed at effecting a more equitable distribution of good living conditions, seems to accentuate the differences that already exist between the industrial and the underdeveloped countries, since the tax burden is relatively smaller in the latter (see table 53).

On the basis of the available data on income distribution and other related data, an attempt has been made to provide a synthesized picture (of a somewhat conjectural nature) of the Latin American situation in this respect, using the type of distribution given in table 54.[4] This distribution represents a per capita gross domestic product of 450 dollars, which is the average recorded for Latin America in 1962. On this basis per capita personal income was estimated to be 370 dollars. At this level of income half the population, which receive 16 per cent of all total personal income, would have an average per capita income of 120 dollars. There would be an intermediate group (represented by 45 per cent of the population) receiving 51 per cent of all income, with an average of 400 dollars. The remaining 5 per cent of the population would have a third of the country's total income, giving an average per capita income of 2,400 dollars a year.

For purposes of comparison an attempt has been made to summarize in table 55 a distribution that would reflect the situation that exists in the countries of western Europe and the United States, still on a very tentative basis as far as the former are concerned. In making the comparison, existing differences in the per capita income

[4] See also chapter 2 of this part.

TABLE 53

Distribution of personal income before and after direct taxes in selected countries

(Percentage)

Country	Families	Income A	Income B
Denmark, 1952	50	21	23
	40	48	50
	10	31	27
	100	100	100
India, 1955/56	50	25	26
	40	41	41
	10	34	33
	100	100	100
Netherlands, 1950	60	29	32
	30	36	38
	10	35	30
	100	100	100
Sweden, 1948	50	20	22
	40	50	51
	10	30	27
	100	100	100
United Kingdom, 1952	50	25	26
	40	45	48
	10	30	26
	100	100	100
United States, 1952	50	23	24
	40	46	48
	10	31	28
	100	100	100
Venezuela, 1957	45	9	10
	43	42	43
	12	49	47
	100	100	100

SOURCE: United States and United Kingdom, H. Lydall and J. B. Lansing, op. cit. Venezuela: Carl S. Shoup *et al.*, *Informe sobre el sistema fiscal de Venezuela*, Caracas, 1960; European countries: United Nations Economic Commission for Europe, *Economic Survey for Europe*, Geneva, 1956; India: H. F. Lydall, "The Inequality of Indian Incomes", *The Economic Weekly* (Bombay), special issue, June 1960.

A = Before taxes.

B = After taxes.

FIGURE XIII

Income distribution in selected countries

(PERCENTAGE)

Natural scale

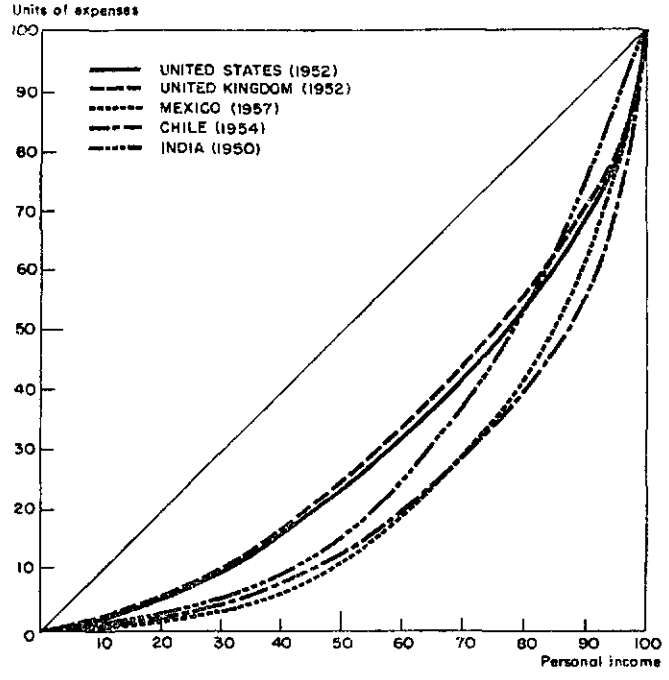


TABLE 54

Hypothetical distribution of personal income in Latin American countries, 1962

Category	*Proportion of the number of inhabitants in the group with respect to the total of the country*	*Average personal income by category (dollars)*	*Personal income before direct taxes and after pensions (in percentage of total)*
Category I	50	120	16
Category II	45	400	51
Category III	5	2,400	33
TOTAL	*100*	*370*	*100*

SOURCES AND METHODS: See part II, chapter 2, of this study. Data have been grouped in three categories instead of the four stated in that chapter, in order to compare them with western Europe and the United States (table 55).

of Latin America, western Europe and the United States (see table 49) should be borne in mind.

The differences would be essentially the following:

(*a*) In the Latin American countries there is a greater concentration of income in a small percentage of the population, which is the social sector that has the highest levels of income. Whereas in Latin America a third of all income is concentrated in the hands of 5 per cent of the population, in the industrialized countries of western Europe and in the United States the social sectors in the top income brackets, representing the same proportion of the total population, receive a much lower proportion of all income (22 and 20 per cent, respectively).

(*b*) In Latin America the social sectors in the lowest brackets, representing half the population, receive only 16 per cent of all income. In the European countries and in the United States, on the other hand, the sectors

TABLE 55

Relative differences in the distribution of personal income in Latin America, western Europe and United States

Income brackets	Population (percentage)	Latin America [a] Income (percentage)	Latin America [a] Differences with respect to the average of personal income (average = 100)	Western Europe [b] Income (percentage)	Western Europe [b] Differences with respect to the average of personal income (average = 100)	United States Income (percentage)	United States Differences with respect to the average of personal income (average = 100)
High	5	33	660	22	436	20	400
Intermediate .	45	51	113	56	124	57	127
Low	50	16	32	22	44	23	46

SOURCES: For Latin America, table 54, for European countries, ECLA, based on data furnished by the Economic Commission for Europe, *Economic Survey of Europe in 1956* (Geneva, 1957), for United States, Department of Commerce, *Survey of Current Business*, Washington, April 1962.

[a] Hypothetical distribution of income prevailing in Latin American countries in 1962.

[b] Simple average in the distribution of a group of European countries, among which there are significant differences with respect to the average. Basic information corresponds to the years 1949-55.

at the same level, representing a similar proportion of the population, receive a decidedly higher share of total income (22 and 23 per cent, respectively).

(*c*) Comparison of the levels in the highest brackets with the average also reveals substantial differences. In Latin America the index in question is six and a half times the average for the community as a whole, whereas in industrial western Europe and the United States it is 4.4 and 4 times the average, respectively.

(*d*) Comparison of the lowest income brackets with the average for the region gives an index of 32 per cent in Latin America, 44 per cent in the European countries and slightly more (46 per cent) in the United States.

(*e*) The nature of this income distribution is even clearer if we note the differences between the average incomes at the two extremes: in Latin America the high average is twenty times the low average, whereas in the economically developed countries of Europe this difference is only half as great, and in the United States it is even less.[5]

2. FUNCTIONAL DISTRIBUTION OF INCOME

The income distribution structure characteristic of Latin America is also revealed by analysing the distribution in terms of remuneration of labour, on the one hand, and the share received by capital and the entrepreneur, on the other. The information in table 56 shows the relative share of labour remuneration in the national income of some Latin American countries and other regions in 1959.[6] It can be seen that the share of wages and salaries in the national income of the industrial countries is higher than in the Latin American countries and in other countries with a low level of income, such as Italy or Japan.

TABLE 56

Functional distribution of income in some countries, 1959

(Percentage)

Country	Remuneration of labour [a]	Other type of income [b]
Argentina	51.0	49.0
Brazil [c]	48.3	51.7
Colombia	38.7	61.3
Ecuador	52.6	47.4
Honduras [d]	48.6	51.4
Peru [d]	40.8	59.2
Australia	61.7	38.3
United States [e]	69.5	30.5
France	61.4	38.6
Italy	53.4	46.6
Japan	51.0	49.0
Norway	63.8	36.2
United Kingdom	73.2	26.8

SOURCE: ILO, *Yearbook of Labour Statistics*, 1960, Geneva 1961.

[a] Compensation of employees — wages, salaries, supplements in cash or in kind.

[b] Includes income from rent and interest, dividends unincorporated enterprises, savings of corporations, direct taxes on corporations, government income less interest on public debt and consumers' debt.

[c] Excludes wages and salaries of agricultural workers.

[d] 1958.

[e] Excludes Alaska and Hawaii.

[5] Although the concepts are not identical, and thus not comparable, it is interesting to note that the inequalities in the Soviet Union between the average wages of the 10 per cent of the workers in the upper income brackets and those of the 10 per cent at the lowest levels represent a sixfold difference; the difference is less for family incomes (fivefold) because of social welfare benefits. See *Economic Survey of Europe*, part I (E/ECE/452), United Nations publication, Sales No.: 62.II.E.1, chapter II, p. 25.

[6] The lack of uniform concepts and methods of estimating prevent statistics on the functional distribution from being strictly comparable. An attempt has been made to adjust the figures in table 8 to the national accounts system proposed by the United Nations. However, the figures should be regarded only as indicating certain orders of magnitude in the distribution differences that exist in the two groups of countries.

In addition there are marked differences in the wages paid in different activities. In Chile,[7] for example, an industrial worker earned in 1959 an average of five times as much as an agricultural worker, and in Venezuela [8] it is estimated that within a single enterprise skilled workers earned three or four times more than unskilled.

3. Regional income distribution

In Latin America there is a striking contrast between the level of development of different regions in a single country. Side by side with provinces, departments, states or regions that are relatively developed, there are very poor and backward zones with a subsistence economy. The difference is so marked that sometimes it is hard to realize that these areas belong to the same country. In other countries with a higher level of income, where the development process has undergone a different evolution, there is a much greater degree of economic integration. The differences are sharper when comparisons are made between income levels of the richest urban areas and those of the rural areas with a subsistence economy. Thus in 1957 the average incomes in Caracas were ten times those in the rural areas.[9] Similar orders of magnitude are found in other countries in the region. By way of comparison it should be borne in mind that the per capita incomes received by English families living in towns in 1953-54 was only 5 per cent higher than those of families living in non-urban areas.[10]

At the regional level the various estimates made also reveal very great differences (see table 57). Thus in Latin American countries the ratio between the average per capita product in the richest region and the poorest is often over 10, whereas in the United States it is only 2.5, and in Spain and Italy, where average income is similar to those of the Latin American countries considered, it is only 4 and 5, respectively. Broadly speaking it can therefore be stated that while there are some areas that as a whole generate an income close to that of some of the more developed countries, there are other areas where the average is not much above subsistence level.

[7] ILO, *Yearbook of Labour Statistics*, 1960 (Geneva, 1961).

[8] Carl S. Shoup and others, op. cit.

[9] *Ibid.*

[10] United Kingdom, Ministry of Labour, *Report of an Enquiry into Household Expenditure 1953-54* (London, 1955).

Table 57

Extreme disparities in regional income per capita in some countries

(Per capita income, average of the country = 100)

Country	Year	Average per capita income of the region with the highest level (1)		Average per capita income of the region with the lowest level (2)		Ratio between the highest and lowest regional income (3)
Brazil	1960	State of Guanabara	291	State of Piauí	29	10
Colombia	1953	Department of Cundinamarca	185	Department of Chocó	17	11
Spain	1956	Province of Guipúzcoa	219	Province of Granada	50	4
United States	1960	State of Delaware	126	State of Mississippi	53	2.5
Italy	1961	Province of Milan	205	Province of Potenza	40	5

Source: Brazil: IBGE, *Anuario Estadístico do Brasil, 1962*, Rio de Janeiro, 1962; Colombia: Dirección de Planeación Económica, *Informe anual*, Bogotá, 1963; Spain: Banco de Bilbao, *La renta nacional de España y su distribución provincial*, Bilbao, 1957; United States: Department of Commerce, *Statistical Abstract of the United States 1962*, Washington, 1962.

C. Indices of the material and cultural level of living

The per capita income figures for the community as a whole and for the social groups that compose it are synthetic indicators of the level of welfare or poverty of the population. Some specific indicators give a more vivid picture of the situation in Latin America as regards levels of food, housing, education, health and other social fields, compared with other countries. For this purpose a representative sample has been selected of the most advanced countries, countries that are at a similar stage of development, and those with a different economic system.

Table 58 shows, on the basis of estimates made by FAO, the food situation in Latin America in relation to the world picture. It can be seen that the nutritional levels that prevail in the region are very much lower than those characteristic of the more economically advanced regions, both as regards the total calories available and the composition of the diet. This difference is intensified if the River Plate countries are excluded from Latin America as a whole. The levels reveal the existence of an inadequate diet even taking into account that calorie requirements vary with climate, the age structure of the population, the structure and nature of the population's predominant activities, and other factors.

TABLE 58

Supply of calories, proteins and fats by regions, recent years

(Per person, per day, at the level of retail sales)

Region	Calories	Proteins (grammes)		Fats (grammes)
		Total	Animal	
Far East	2,050	56	8	28
Near East	2,450	76	14	45
Africa	2,350	61	11	56
Latin America	2,450	67	25	61
Europe	3,000	88	36	94
North America	3,100	93	66	142
Oceania	3,250	94	62	137
Group I [a]	2,150	58	9	34
Group II [b]	3,050	90	44	106
World	2,400	68	20	56

SOURCE: FAO, *El hambre en el mundo y las futuras necesidades de suministros de alimentos*, Rome, 1962.

a Group I includes Far East, Near East, Africa and Latin America excluding the River Plate countries.

b Group II includes Europe, North America, Oceania and the River Plate countries.

Picking out the Latin American countries that can provide the relevant information, and comparing the data with those for other countries outside the region, also reveals that the calorie level in the former is lower than in other areas (see table 59).

TABLE 59

Indicators of the level of nutrition in some countries of Latin America and other regions, recent years

Country	Daily consumption of calories per capita	Daily consumption of proteins per capita (grammes)		Daily consumption of fats per capita (grammes)	
		Total	Animal	Total	Of animal origin
Argentina	3,090	98	57	117.7	82.9
Brazil	2,580	67	19	56.8	37.5
Chile	2,570	77	26	50.5	34.1
Colombia	2,200	48	23	54.9	34.8
Ecuador	2,230	56	18	40.5	26.2
Mexico	2,440	68	20	63.9	34.1
Paraguay	2,500	68	26	51.2	35.7
Peru	1,970	49	12	40.2	21.4
Uruguay	2,960	96	62	120.0	91.2
Venezuela	2,190	62	25	48.5	23.4
Australia	3,210	91	61	135.6	113.8
Denmark	3,390	93	57	158.5	123.4
France	2,920	97	50	106.1	69.1
Greece	2,890	93	26	83.0	24.5
Italy	2,670	78	26	73.7	34.7
Japan	2,210	67	17	25.6	8.7
Spain	2,600	71	20	78.8	27.1
United Arab Republic	2,580	76	13	41.3	12.1
United Kingdom	3,290	86	51	141.3	110.9
United States	3,110	92	65	142.2	98.7
Yugoslavia	2,900	86	51	74.0	52.6

SOURCE: United Nations, Administrative Committee on Co-ordination (Working Party on Statistics for Social Programmes), *Compendium of Social Statistics 1963: III, Food Consumption and Nutrition* (ACC/WPSSP/IV/4/Add.3), Paris, August 1962 (mimeographed documents).

The same conclusion is reached by analysing the statistics on the quality of the diet. In most cases the quantity of proteins and fats consumed by Latin Americans is lower than it is for the populations of the other countries included in the table. This is subject to the important proviso that these indices reflect only a part of the truth owing to the uneven distribution of income that prevails in the region, which is much greater than in the economically advanced countries and even than in some other countries at a similar stage of development. The level of calories available to broad sectors of the population of Latin America barely exceeds half the national average, and various surveys made in some countries of the region show that the prevailing situation is one of under-nourishment and malnutrition. A survey made of a sample of 277 Chilean families in the middle and lower classes led to the conclusion that 37 per cent of them received less than 2,000 calories daily. In Santiago 54 per cent of families consumed less than 85 per cent of the calories required, and 42 per cent obtained less than that percentage of the proteins needed.[11] In Mexico, consumption of meat in 1957 in the states with the highest and lowest average income was 28.6 and 0.8 kg, respectively.[12] A survey carried out in the main cities of Colombia in 1954-55 revealed that the consumption of milk in the workers' families of Bogotá was three times higher than in families living in Manizales.[13] Lastly a similar survey made in 1952 in São Paulo, Porto Alegre, Fortaleza and Recife on the basis of representative samples of the industrial workers in those cities indicated that only 33 per cent of the families surveyed consumed milk in Recife and that no more than 45 per cent of the families of Fortaleza ate eggs.[14] The final results of the survey can be found in table 60.

In sum, the nutritional picture of the region is not a good one, and is reflected in the high mortality rates

TABLE 60

Brazil: Composition of the diet and average income of industrial workers in the principal cities

Daily intake per unit of consumption	São Paulo	Porto Alegre	Recife	Fortelaza
Gross calories	3,058	2,928	2,096	2,379
Proteins (grammes)	89.4	108.5	65.2	70.9
Fats (grammes)	88.3	95.4	28.5	30.2
Carbohydrates (grammes)	455.0	389.3	378.8	435.6
Average monthly income (cruzeiros)	962.6	891.3	446.9	306.7

SOURCE: João Jochmann, *Padróes de alimentacão dos industriarios no Brasil*, Arquivos Económicos, No. 1 (Rio de Janeiro July 1955).

[11] Interdepartmental Committee on Nutrition for National Defense. *Chile. Nutrition Survey* (Washington, 1961).

[12] Miguel Huerta Maldonado, *El nivel de vida en Mexico* (Mexico City, 1959).

[13] "Memoria de las encuestas sobre ingreso y gastos de las familias de Bogotá, Barranquilla, Cali, Medellín, Bucaramanga, Manizales y Pasto", *Economia y Estadistica* (Bogotá, November, 1958).

[14] Joao Jochmann, "Padroes de Alimentaçao dos Industriários no Brasil", *Arquivos EconomicMs*, Mo. 1 (Rio de Janeiro, July 1955).

resulting from undernutrition and the large number of babies who die before they are a year old.

With respect to HOUSING, the situation can be summarized by indicating that the housing shortage up to 1950 represented 64 per cent of the total inventory, or 20 million dwellings. As to housing standards, the definition of the conventional permanent dwelling given by the United Nations could not be applied to half the dwellings that now exist in a large number of Latin American countries, whereas in France, Italy or the United Kingdom the definition applies to nearly the whole of the existing dwellings (see table 61). In Latin America there seems to be a predominance of the improvised dwelling, not provided with the proper sanitary services, which in addition houses too many people.

These features of the average Latin American dwelling are still further marked in the dwellings in rural areas, where the traditional mud and wattle shack of pre-Columbian times, a tumbledown hut with cracked walls and an earthen floor, unhygienic and lacking the essentials needed to protect the inmates from the rigours of the climate, continues to be the type of rural dwelling common in nearly all the countries of Latin America.[15]

Despite the better housing conditions in the towns compared with the rural areas, the general picture there also reveals quantitative and qualitative defects that have been intensified by the rapid process of urbanization that

[15] ILO, *The Landless Farmer in Latin America*, Studies and Reports, New series, No. 47 (Geneva, 1957).

TABLE 61

Indicators of housing conditions in some countries of Latin America and other regions, around 1950

Country	*Proportion of the population which lives in housing units* [a]		*Percentage of occupied dwellings with three or more persons per room*	*Average number of persons per room*	*Percentage of occupied dwellings with piped water inside*		*Percentage of occupied dwellings with flush toilets*	
	Total	*Rural*			*Total*	*Rural*	*Total*	*Rural*
Argentina	...	...	35.5	2.2	46.7 [c]	...	...	...
Bolivia [b]	...	...	...	...	13.8	...	37.3	...
Brazil	...	...	...	...	15.6	1.4	33.0	10.4
Chile	68.0	65.0	27.4	1.7	48.1 [c]	4.5 [c]	41.8	6.1
Colombia	...	...	26.7	2.7	25.6	5.1	21.0	...
Costa Rica [b]	...	...	...	1.3	98.5	...	33.8	...
Cuba	...	...	...	...	38.9	6.7	41.9	8.0
Dominican Republic	55.0 [b]	...	22.9	1.7	5.9	1.2	9.6	0.9
Ecuador	55.0	...	44.7	...	...	...	...	...
El Salvador	34.0	20.0	...	2.9 [b]	39.8 [b]	...	...	...
Guatemala [b]	40.0	20.0	43.1	3.1	33.8 [c]	...	29.4	...
Haiti [b]	...	...	...	...	41.9	...	...	...
Honduras	68.0	62.0	45.0	2.4	10.5	1.9	17.3	11.7
Mexico	...	...	...	...	17.1	...	...	...
Panama	39.0 [b]	...	44.1	2.4	46.2	9.6	38.4	5.8
Uruguay	...	...	...	...	...	...	...	...
Venezuela	53.0	27.0	21.1	1.6	47.7	...	32.2	...
Australia	91.0	...	0.6	0.7	63.0	...	...	...
Bulgaria	...	...	...	1.8	...	...	...	...
Czechoslovakia	...	...	...	1.5	35.6 [c]	22.3 [c]	...	...
Denmark	...	...	0.1	0.7	100.0 [b]	63.7	73.8	36.1
France	96.0	...	5.7	1.0	58.4	34.3	86.5	76.5
Greece	...	...	30.2	1.8	12.1	0.6	...	...
Italy	96.8	...	14.6	1.3	35.9	...	41.4	...
Japan	...	...	...	1.4	...	...	...	...
Soviet Union	...	...	...	...	...	...	1.5 [b]	...
Spain	...	...	13.6	1.1	34.2	13.2	...	...
United Arab Republic	...	...	15.5 [b]	1.6 [b]	19.6 [bc]	...	...	...
United Kingdom	95.7	...	1.1	0.8	94.5 [d]	79.9 [d]	92.3 [d]	67.7 [d]
United States	98.9	...	0.3	0.7	92.9	79.0	89.7	70.3
Yugoslavia	...	...	...	2.3	28.8 [b]	...	31.9 [b]	...

SOURCES: ECLA, Evaluación estadística de las condiciones de habitación, déficit existentes y necesidades futuras de viviendas en los países latinoamericanos (ST/ECLA/CONF.9/L.10), Santiago, July 1962 (mimeographed document). United Nations, Compendium of Social Statistics 1963. United Nations *Statistical Yearbook 1962*, New York 1963.

Note: Most of the data relate to 1950 or thereabouts but where only more recent data were available they have been included.

[a] Refers only to "Conventional (permanent) dwellings", that is, private dwellings (one-family houses, apartment in a building, etc.) which are not rustic, improvised or mobile and which are not destined for use as collective dwellings.

[b] Urban only.

[c] Inside or outside the dwellings.

[d] Excluding Northern Ireland.

has taken place in most of the Latin American countries in the last twenty years. This process, which is more uncontrollable in the large metropolitan areas, has given rise to the pressing problem of finding accommodation for millions of people, mostly displaced from the rural areas. Their dwellings, huddled together in shanty towns (*callampas*, *villas miserias*, *favelas*, *ranchos*, etc.) are probably no better than those in the rural areas, with the aggravating factor that the level of overcrowding is much higher.[16]

The housing situation that prevails in Latin America militates against the political and social integration of its peoples, and contributes to the splitting up of families, and the development of delinquency and of high mortality from parasitic and contagious diseases.

The HEALTH CONDITIONS prevailing in Latin America are to some extent the corollary of the housing and food situation. Moreover, the machinery for dealing with the health consequences of a population that is badly fed and housed is also more inadequate than the services in other regions whose people are better off in these respects.

Despite the substantial and increasing improvement in general hygiene in the region during the last few years, demonstrated by the marked drop in the average mortality, it can be seen that the region as a whole is far from being able to attain levels corresponding to those of the European countries, or even of other areas. Thus the infant mortality rate remains much higher than in most countries in other regions. According to available data, in Latin America this rate often exceeds 100 per thousand live births, whereas in Australia, Czechoslovakia, Denmark, France, Japan, the United Kingdom and the United States it is between 25 and 30 per thousand. Even in some European countries whose income level is similar to that of Latin America — Spain, Greece and Italy — the rate does not exceed 50 per thousand (see table 62).

The unsatisfactory living conditions typical of Latin America are reflected in the fact that the life expectancy at birth is much lower in Latin American countries than in others where hygienic standards are higher. Table 62 shows that the most favourable figures for life expectancy in Latin America are hardly even the equivalent of the lowest levels for other regions.

Other indices that illustrate the real situation in health care — for example, the number of doctors and hospital beds per thousand of the population — are relatively low in Latin America. Nevertheless, expenditure on health represents a larger proportion of total public expenditure than in countries outside the region, largely because of the high proportion of children in Latin America, as well as the poor food and housing conditions prevailing in most of the countries in the region.

[16] OAS estimates that, in 1950, 4.5 million dwellings in the urban and metropolitan areas of Latin America required rebuilding. This figure corresponds roughly to the number of families who live in urban shanty towns and in marginal districts. See *Programmes of the Organization of American States connected with Urbanization in Latin America*, document submitted to the Seminar on Urbanization Problems in Latin America (Santiago, Chile, 6 to 18 July 1959).

TABLE 62

Indicators of health conditions in some countries of Latin America and other regions, in recent years [a]

Country	*Death rate per 1,000 inhabitants*	*Life expectancy at birth*	*Number of physicians per 10,000 inhabitants*	*Number of hospital beds per 1,000 inhabitants*	*Health cost as a percentage of total public expenditure*
Argentina	8-9	64-66	13.0	6.4	7.1
Bolivia	20-25	40-45	1.9	1.8	11.2
Brazil	11-16	50-58	4.0	3.4	5.1
Chile	12-13	53-56	6.2	5.0	17.2
Colombia	14-17	48-53	4.3	3.2	3.0
Costa Rica	9-13	56-62	3.9	5.1	2.5
Cuba	9-13	56-62	9.7	2.3	...
Dominican Republic	16-20	44-50	1.5	2.7	...
Ecuador	15-20	43-48	3.4	2.1	12.4
El Salvador	14-18	48-52	1.8	2.0	...
Guatemala	20-24	40-46	2.1	2.8	...
Haiti	20-28	36-45	...	0.7	...
Honduras	15-20	45-50	2.1	2.0	8.6
Mexico	13-16	51-55	5.8	1.4	12.2
Nicaragua	12-17	50-55	3.5	1.8	13.2
Panama	9-13	54-59	3.5	3.8	17.2
Paraguay	12-16	50-58	5.3	0.8	7.8
Peru	13-18	48-55	4.7	2.2	14.5
Uruguay	7-9	65-68	11.3	3.9	...
Venezuela	10-15	53-57	7.0	3.6	8.6
Latin America	*13-15*	*52-56*	*5.5*	*3.1*	...
Australia	8.8	69.9	11.6	11.1	7.6
Bulgaria	8.9	...	16.1	5.3	3.6
Czechoslovakia	9.7	69.7	17.5	9.1	5.5

TABLE 62 *(continued)*

Indicators of health conditions in some countries of Latin America and other regions, in recent years[a]

Country	*Death rate per 1,000 inhabitants*	*Life expectancy at birth*	*Number of physicians per 10,000 inhabitants*	*Number of hospital beds per 1,000 inhabitants*	*Health cost as a percentage of total public expenditure*
Denmark	9.1	71.2	12.8	8.3	9.7
France	11.8	68.0	10.6	8.3	...
Greece	7.3	...	11.8	5.3	...
Italy	9.6	67.9	15.2	8.3	...
Japan	7.8	67.5	10.6	8.3	1.9
Soviet Union	7.7	67.4	30.3	7.1	6.6
Spain	9.4	61.1	16.9	4.0	...
United Arab Republic	17.2	...	3.8	2.1	3.0
United Kingdom	11.6	70.9	10.0	9.1	10.4
United States	9.4	69.5	13.4	9.1	6.6
Yugoslavia	10.5	58.1	6.7	4.3	7.2

SOURCES: FOR LATIN AMERICA, ECLA, *Economic Bulletin for Latin America*, vol. VII, No. I, Statistical Supplement, Santiago, October 1962, and Organización Panamericana de la Salud, *Resumen de los informes cuadrienales sobre las condiciones de salud en las Américas, 1957-60*, Washington, July 1962, supplemented by *Statistical Yearbook 1962*, New York, 1963. FOR THE REST OF THE COUNTRIES, United Nations, *Compendium of Social Statistics, 1963*, New York, 1963 (United Nations publication, Sales No. 63.XVII.1).

[a] The data included here relate normally to 1960. However, the figures on the death rate relate to 1955-60 (for the Latin American countries) or to 1955-59 (for the countries outside the region) while those on life expectancy at birth relate to 1955-60 (in the case of the Latin American countries) and to different years around 1950 (for the countries outside the region).

The low level of EDUCATION of the Latin American peoples is clearly shown by the high proportion of illiterates. The relevant figures for 1950 or thereabouts continue to reflect the existing situation, despite the progress made in many countries in the region.[17] It is not unusual to find Latin American countries where, at that date, the proportion of illiterates in the population aged 15 and over was 40, 60 even 90 per cent. However, there are others where the index is much lower and is comparable to those for the countries in southern Europe (see table 63). In the rural areas the rate is much higher, and in fact there is a close correlation (except in Venezuela) between urbanization and literacy levels, resulting from the better facilities that the towns can offer in this respect.

The proportion of pupils who complete their primary and secondary education in relation to the population in the corresponding age groups is another index that gives a clear picture of the existing level of education in the Latin American countries. The figures in table 63 show the region's deficiencies in this respect. However, comparison with countries outside the region with similar income levels shows that in this respect the region is obviously making more progress in relation to the other indicators. Furthermore, recent figures reviewed by UNESCO reveal that the situation has improved appreciably in the last few years.[18] Thus in 1960 the number of children not registered in primary schools represented 22 per cent of the total population between the ages of 5 and 14, whereas five years earlier it represented 36 per cent. In any case, there are still 6 million children in Latin America who do not receive any basic minimum schooling, and of those registered, as little as a third, or even a quarter, complete the primary course (see table 64). This means that a very large proportion of the child population of Latin America are left outside the educational system, or receive only rudimentary instruction.

The situation is similar as regards secondary and higher education, with the additional drawback that in many Latin American countries education at this level does not touch the poorest sectors, and lacks the character it should have for a country in the course of development. The figures on newspaper circulation seem to confirm the view that Latin America is generally backward compared with the more industrial regions.

The last two columns of table 63 show that the economic effort of the Latin American countries in the educational field is inferior to that of nations with higher income levels. Thus, for example, whereas in the latter countries the public sector devotes between 40 and 140 dollars per inhabitant to education, in the Latin American countries figures as low as 10 and 5 dollars, or even less, may be found, especially in the countries that have the lowest incomes in the region. With respect to the ratio between the funds allocated to education and total public expenditure, it can be seen that Latin America's effort is much closer to that of other countries with much higher average incomes. Obviously the educational problem in Latin America is much more complex and difficult to resolve than in other countries where the proportion of children in the total population is lower and the degree of urbaniza-

[17] The data from the most recent censuses show that the illiteracy rates for the total population, subject to the appropriate lower age-limit, have fallen from 20 to 16 in Chile, from 30 to 22 in Panama, and from 65 to 47 in Honduras. According to official estimates is has fallen to 38 per cent in Colombia *(Plan General de Desarrollo)* and to 4 per cent in Cuba *(Informe de la Comisión Nacional de Alfabetización y el Ministerio de Educación)*.

[18] UNESCO (Latin America), *Proyecto Principal de Educación* (quarterly bulletin), No. 14 (Santiago, Chile, April-June 1962), p. 136 (table 4).

TABLE 63

Indicators of the level of education in Latin America and other regions, around 1950

Country	Proportion of illiterates in the population of 15 years and older [a]		Proportion of persons enrolled in primary schools	Proportion of persons enrolled in secondary schools	Higher education per 100,000 persons	Newspaper circulation per 1,000 persons	Government expenditures in education around 1960	
			With relation to the population in the age group of:				In dollars per capita	As a per cent of gross national product
	Total	Rural	5 to 14 years	15 to 19 years				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Argentina	14	23	66	21	480	100	9	2.9
Bolivia	68	...	24	7 [b]	166	23	1	1.4
Brazil	51	67	26	10	98	59	32	1.6
Chile	20	36	66	18	290 [c]	76	10	1.7
Colombia	43	...	28	7	94	55	14	4.0
Costa Rica	21	28	49	7 [d]	192	92	14	2.3
Cuba	22	40	49 [e]	...	...	70	18	...
Dominican Republic	57	67	40	7	106	24	4	1.4
Ecuador	44	...	41	9	127	49	3	1.6
El Salvador	61	77	31	4 [d]	65	35	5	2.7 [f]
Guatemala	71	...	22	7	84	19	3	1.9
Haiti	89	...	15	...	28	3	1	2.2
Honduras	65	75	22	3	57	20	4	1.9
Mexico	43	...	39	4	111	48	5	1.4
Nicaragua	62	...	23 [e]	3 [d]	81	50	5	1.8 [f]
Panama	30	43	54	24	190	118	13	3.3
Paraguay	34	...	51	9	121	12	2	1.7
Peru	58	...	44	...	193	39	4	2.9
Uruguay	15	...	62	17 [d]	484	197	6	1.0 [f]
Venezuela	48	72	40	6	137	65	39	2.3
Australia	4 [g]	...	79	57	441	416	38	2.2
Bulgaria	15	...	61	26	381	...	38	3.9 [h]
Czechoslovakia	4 [i]	...	88	16	302	137	62	...
Denmark	...	...	61	63	402	379	27	2.9
Egypt	77	...	26	7	164	24	6	...
France	4	...	79	26	325	239	36	3.0
Greece	26	...	64 [e]	29 [d]	...	71	5	1.6
Italy	14	...	54	29	520	107	17	3.2
Japan	...	...	61	86 [b]	470	374	16	5.7
Soviet Union	2	...	81	16	689	107	138	7.1 [h]
Spain	18	...	54	17	267	196	4	1.4
United Kingdom	...	...	69 [j]	72 [b d j]	209 [j]	611	42	4.2
United States	3	5	88	60	1,511	347	97	4.6
Yugoslavia	27	...	50	53	369	41	11	2.8 [h]

SOURCES: For (1), (3), (4), (5) and (6) Administrative Committee on Co-ordination (Working Party on Statistics for Social Programmes), Compendium of Social Statistics 1963: V. Education and Cultural Activities (ACC/WPSSP/IV/4/Add.5), Paris, September 1962 and United Nations, *Demographic Yearbook 1960*, New York 1961; for (2) Oscar Vera, "Aspectos de la situación educativa en América Latina", *Boletín Trimestral del Proyecto Principal*, UNESCO, numbers 8 and 9, October 1960 - March 1961; for (7) UNESCO, *International Yearbook of Education 1961*, Paris 1962; for (8) except Uruguay, Oscar Bardeci, *Financiamiento de la Educación en América Latina*, Washington 1962; for Uruguay, ECLA estimates; for the non-Latin American countries corresponding to this last item, UNESCO Basic Facts and Figures 1961, Paris 1962.

[a] The lower age limit differs in some countries: 20 years for Cuba, 14 in Argentina, 10 in Honduras and Panama, 7 in Colombia and Guatemala and 6 in Mexico. For Soviet Union population included from 9 to 49 years.

[b] Excluding those enrolled in teachers' schools.

[c] 1959.

[d] Excluding those enrolled in vocational guidance schools.

[e] Enrolled only in public schools.

[f] As a percentage of gross domestic product.

[g] 1921.

[h] As a percentage of net material product.

[i] 1930.

[j] Excluding Scotland and Northern Ireland.

tion higher. Furthermore, the low average income levels prevailing in the region, and the unequal distribution of income, usually to the disadvantage of the rural population, and the archaic legislation governing agricultural labour in many Latin American countries, all oblige rural families to resort to the premature employment of their children, even where schools are available (which is generally not the case).[19] Lastly the education provided in Latin America, in addition to involving an enormous

[19] According to a UNESCO survey, the duration of the average primary-school education received in Latin America is only 2.2 years. This means that Latin American children receive only 2,200 hours of classroom teaching compared with the 14,000 to 16,000 hours received by schoolchildren in the industrial countries.

TABLE 64

Latin America: Drop-out rate in primary education,[a] recent years

Country	Percentage with respect to student enrolment in the first grade	
	Sixth grade	Drop-outs
Argentina	33	...
Bolivia	16	11
Chile	22	12
Colombia	18	13
Costa Rica	24	22
Cuba	31	28
Dominican Republic	6	5
Ecuador	19	16
El Salvador	16	12
Guatemala	12	12
Haiti	5	3
Honduras	13	9
Mexico	21	18
Nicaragua	6	5
Panama	51	43
Paraguay	13	12
Uruguay	34	34
Venezuela	30	25

SOURCE: UNESCO, *Estadísticas relativas a aspectos de la educación.* UNESCO/IAC-LAM/IV/8 (mimeographed document).

[a] Proportion of the students of sixth grade or of primary school with respect to student enrolment, six years earlier. However, on the basis of the information available, data could only be related to two more closely connected years.

waste because of the high rate of desertion, does not fulfil its function as a means of social transformation, that is, as a means of selection and social ascent, nor as an instrument of technical progress.

Table 65 gives two other indices of living conditions that make it possible to compare the Latin American countries with others. The per capita consumption of fibres is shown to be considerably below that of the countries outside the region, except for Argentina and Uruguay. Although climatic conditions may partly explain this lower consumption, because less clothing is needed, the figures are still very low. The other index is the energy consumption, which also shows that Latin America is considerably behind the other countries included in the table, despite the high consumption in Chile, Cuba and Venezuela resulting from mining or industrial and agricultural activities.

It was thought useful to bring together in table 66 the figures for twelve economic indicators according to data for countries with different income levels. This makes it possible to determine Latin America's relative position in specific aspects of living conditions. This table immediately reveals the close correlation between the indicators of living conditions and the income level. As a result of making the appropriate calculations on the basis of the data available for these countries, it appears that the highest correlation coefficients were as follows: [20]

Per capita national income and energy consumption	0.90
Male labour force in agriculture and energy consumption	−0.89
Male labour force in agriculture and infant mortality	0.86
Per capita national income and infant mortality	0.84
Per capita national income and school enrolment	0.84
Infant mortality and calorie consumption	−0.81
Male labour force in agriculture and school enrolment	−0.81
Per capita national income and calorie consumption	0.80

TABLE 65

Per capita consumption of fibres and energy in some Latin American countries and other regions, recent years

Country	Fibres, 1959 (kilogrammes)	Energy,[a] 1960 (kWh)
Argentina	7.3	1,069
Bolivia	...	144
Brazil	4.8	372
Chile	3.8	883
Colombia	4.2	509
Costa Rica	...	192
Cuba	5.4 [b]	858
Dominican Republic	...	156
Ecuador	...	177
El Salvador	...	121
Guatemala	2.2 [b]	146
Haiti	...	36
Honduras	...	151
Mexico	4.0 [b]	1,012
Nicaragua	...	181
Panama	...	505
Paraguay	...	87
Peru	2.5 [b]	355
Uruguay	6.0	753
Venezuela	4.3	2,558
Latin America	*4.3* [c]	*626*
Australia	10.6	3,902
Bulgaria	9.9	1,380
Czechoslovakia	10.1	4,724
Denmark	9.0	2,821
Egypt	4.0	281
Spain	5.5	821
United States	15.5	8,013
France	9.2	2,402
Greece	5.8	569
Italy	6.5	1,186
Japan	8.3	1,164
United Kingdom	11.9	4,920
Soviet Union	8.5	2,847
Yugoslavia	4.1	858

SOURCE: For the consumption of fibres, FAO, *Boletín mensual de Economía y Estadísticas Agrícolas*, January 1962; for the consumption of energy, United Nations, *Statistical Yearbook, 1961*, New York 1962.

[a] In terms of coal.

[b] 1958.

[c] Includes estimates for Bolivia, Costa Rica, Dominican Republic, Ecuador, El Salvador, French West Indies, Haiti, Honduras, Netherlands Antilles, Nicaragua, Panama, Surinam, Federation of West Indies.

[20] United Nations, *Report on the World Social Situation* (E/CN.5/346/Rev.1), United Nations publication, Sales No.: 61.IV.4, p. 42.

TABLE 66

Some economic and social indications of countries grouped according to national income

National income per capita	*National income per capita (1956-1958 average in dollars)*	*Energy consumption per capita equivalent of kilogrammes of coal (average 1956-58)*	*Life (average expectancy 1955-1958)*	*Infant mortality rate (average 1955-1958)*	*Number of inhabitants per physician (in last year for which data are available)*	*Percentage of literate population 15 years and older (calculated around 1950)*	*Proportion of school enrolment (last year for which there is information)*	*Consumption of calories per capita (last year for which there is information)*	*Percentage represented by starches in total of calorie intake*	*Percentage of manpower (male) in agriculture (calculated in mid-1956)*	*Level of urbanization (around 1955)*	*Percentage of national income arising from agriculture (last year)*
Group I N.I. per capita of 1,000 dollars and more	1,366	3,900	70.6	24.9	885	98	91	3,153	45	17	43	11.4
Group II N.I. per capita of 575 to 1,000 dollars	760	2,710	67.7	41.9	944	94	84	2,944	53	21	39	10.9
Group III N.I. per capita of 350 to 575 dollars	431	1,861	65.4	56.8	1,724	81	75	2,920	60	35	35	15.3
Group IV N.I. per capita of 200 to 350 dollars	269	536	57.4	97.2	3,132	70	60	2,510	74	53	26	29.9
Group V N.I. per capita of 100 to 200 dollars	161	265	50.0	131.1	5,185	51	48	2,240	70	64	14	33.4
Group VI N.I. per capita less than 100 dollars	72	114	41.7	180.0	13,450	29	37	2,070	77	74	9	40.8

SOURCE: United Nations, *Informe sobre la situación social en el mundo*, New York, 1961.

Note: The groups include the following countries:

Group I: Australia, Canada, New Zealand, Sweden, Switzerland and United States.

Group II: Belgium, Czechoslovakia, Denmark, Federal Republic of Germany, Finland, France, Israel, Norway, Netherlands, Soviet Union, United Kingdom and Venezuela.

Group III: Argentina, Austria, Chile, Cuba, East Germany, Hungary, Ireland, Italy, Poland, Puerto Rico, Trinidad and Tobago, Union of South Africa and Uruguay.

Group IV: Borneo, British Guiana, Bulgaria, Costa Rica, Federation of Malaya, Greece, Jamaica, Japan, Mexico, Panama, Spain, Turkey and Yugoslavia.

Group V: Albania, Brazil, Ceylon, Colombia, Dominican Republic, Ecuador, Ghana, Honduras, Nicaragua, Paraguay, Peru, Philippines, Portugal, Romania.

Group VI: Belgian Congo, Bolivia, Burma, Cambodia, China (Taiwan), India, Indonesia, Laos, Pakistan, Thailand.

Chapter 2

FIGURES RELATING TO THE DISTRIBUTION OF INCOME IN LATIN AMERICA

A. Urgent need for studies on distribution of income

Increasing attention has been given in the past few years to problems of income distribution in Latin America. However, no satisfactory progress has been made in the field of empirical research, nor in the analysis of conditions and factors affecting specific types of income distribution. Consequently, there is no adequate knowledge of the basic system prevailing in Latin America as a whole which will explain — from this particular standpoint — how wealth is distributed, what part is played by property and capital, together with labour and other resources, in the productive process of various economic activities, as also what determines the share of the different factors in the income generated and shapes the structure of personal income distribution and allocation to consumption, taxes and savings among the social sectors.

There is an urgent need for a systematic study of these aspects of the real situation in Latin America, with a view to evaluating new approaches to development policy. It can be affirmed that, despite their low average level of income, the development possibilities of the Latin American countries in the event of their deciding to increase their production capacity on the basis of a more rational and equitable distribution and use of the existing social product, have not yet been explored.

The basic principles of a new strategy in the economic and social development policy aimed at rapid development and substantial improvement in the low-income

social sectors — whose unsatisfactory living conditions are described in other chapters of this report — are embodied in a document submitted by the secretariat to the Commission's tenth session.[1] As further proof of the urgent necessity to carry out these studies in Latin America, it should be pointed out that from now on it will be very hard to imagine a development programme which does not analyse explicitly the existing distribution of income and its evolution within the objectives of the plan.

Accordingly, the essential purpose of the following pages is threefold: (*a*) to encourage countries to undertake studies of this kind; (*b*) to review briefly the few data available, and lastly, (*c*) to outline a plan which, however conjectural and sketchy, may be useful in analysing the possibilities and consequences of a redistributive policy within the framework of structural reforms which countries are undertaking or ought to be considering.

Strictly in the field of income analysis there are three aspects which should be studied systematically, namely: (i) functional distribution of income; (ii) personal or family income distribution; and (iii) distribution by socio-economic categories. The aim of analysing the functional distribution of income is to determine the factors and principles governing the remuneration of labour, interest on capital, income derived from land, producers' profits and government participation in relation to the productive process system and the economic and social structure of the community. An analysis of this kind is useful both at the national and regional or sectoral levels. The second shows how this income is distributed amongst persons and families according to a rising scale, and the socio-economic factors which affect income distribution. Finally, socio-economic distribution, which has some of the attributes of the two previous classifications, groups persons or families according to the size of their income, while preserving a certain order of social segments or sectors, e.g.: workers, industrialists, farmers and the liberal professions.

While these three factors are separated for purposes of analysis, they are clearly closely interrelated, because certain institutional and social conditions, types of economic structure and market mechanisms affect or explain the three types of distribution. Thus, for example, the distribution of ownership of land or enterprises contributes to the relative concentration of income in certain social groups. The degree of monopoly in the action of every enterprise, group of enterprises or economic sector influences price formation, and therefore the proportion of income which remains in the hands of the owners or entrepreneurs.

The extensive system of stock farming in countries where land ownership is concentrated in the hands of a few farmers, generally implies extensive utilization of natural resources and capital (livestock) together with the limited use of labour, which is plentiful. This generates a more unequal distribution than in certain urban activities where the proportion of productive factors is different and the workers have greater negotiating powers.

As a rule, the present system of farming in Latin America — great concentration of land ownership and a large economically active population — depresses wages to extremely low levels, increases returns and profits and is conducive to a most inequitable form of income distribution. The spread of education — as also the possibilities of access to it and in particular to specialized training — determines the different degrees to which each sector participates in the social product. The demand for manpower deriving from a relatively slow rate of economic growth reduces the general level of competition in the labour market and curtails wages. The strength of labour unions and whatever action the State may decide to take are two other important factors in the distribution of income.

Nearly all aspects of government policy — in particular, taxes, exchange, credit and prices — also have a decided effect on income distribution, although such action may not always be evident, save when it takes the form of direct redistribution measures. For its part, the pattern of income distribution per family or per person in different social groups has repercussions on the whole of the economy, inasmuch as it determines the extent and composition of consumer demand and, therefore, the level and structure of productive activity and imports. Finally, the amount of savings designed to finance investment or contribute to total capital formation is dependent upon the type and level of personal income distribution.

The above examples — taken from many others which might be cited — show that the institutional, social and economic framework within which a community develops and, in particular, the structure and functioning of its productive system, are essential factors determining the participation of each sector of the population in the national product. Therefore, it is imperative to analyse them in order to explain the income distribution situation at any given moment.

B. Presumed distribution of income in Latin America

1. Available statistical information

Very few Latin American countries have undertaken systematic research into the distribution of income. In fact, it was possible to obtain data on personal income distribution only in respect of Chile, Ecuador, Mexico and Venezuela. These are only unofficial estimates covering different periods. They have been obtained by diverse processes and undoubtedly are of varying degrees of accuracy and coverage. However, they tend to confirm a certain type of distribution which, in the first instance, could be assumed to be the one prevailing in a large number of Latin American countries. Accordingly, an attempt has been made — still on a preliminary basis — to group the income distribution of the various countries in broad categories or sectors, with a view to deducing an average structure of distribution. This would be exceptionally useful in the sense that analyses of development could refer to aspects or issues in which the variables are quantified, at least as to size.

A later section of this study describes the sources, definitions and characteristics of each of the four surveys

[1] See *Towards a Dynamic Development Policy for Latin America* (E/CN.12/680).

made. But it would be best to review them briefly beforehand so as to indicate the steps taken to arrive at the type of distribution which might prevail in the Latin American countries.

The survey conducted in Chile [2] is based on data concerning salaries and wages and other revenue taken from the registers of social welfare services and provident funds and from income tax returns. The distribution of personal income thus obtained was adjusted to cover the whole population and the national accounts.

The data on income distribution available in Ecuador are of a social-economic character, since they present the population as classified in three groups, namely: the popular classes, the middle class and the upper class.[3] Statistics on the distribution of income in Mexico were obtained by means of a direct house-to-house survey. They apply, therefore, to family income and represent the most systematic and consistent investigation.[4] Lastly, in Venezuela the Shoup Mission [5] estimated the distribution of income with aid from various sources. That is to say, only the survey carried out in Mexico is based on a direct survey of families and is the most accurate, since it presents a picture of distribution according to the size of their income.

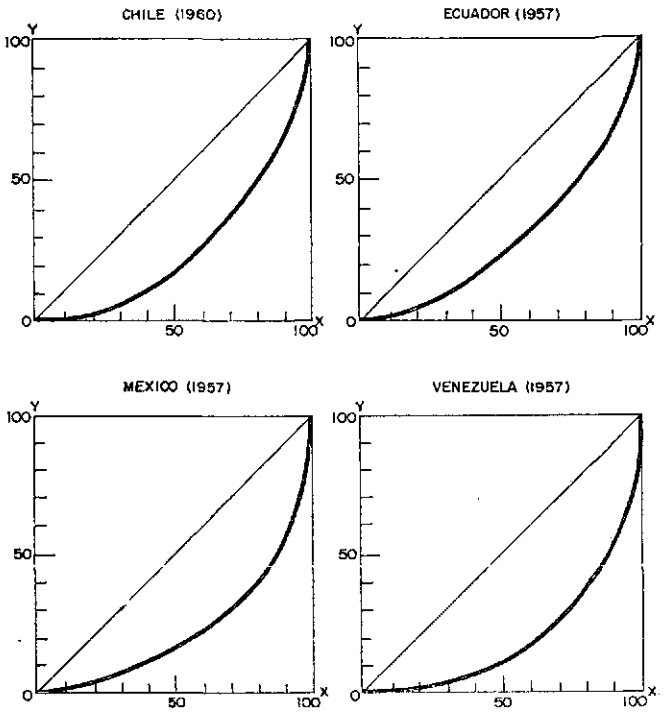
Figure XIV shows plainly the general similarities observed in the distribution of income in different countries, particularly Chile, Mexico and Venezuela.

FIGURE XIV

Approximate distribution of personal income before direct taxes and after pensions

(PERCENTAGE)

Natural scale



Y = Accumulated proportions of income.
X = Accumulated proportions of income-receiving units.

2. ESTIMATE OF PRESUMED DISTRIBUTION OF INCOME

The national surveys present different groupings, and their definitions are not strictly comparable. Consequently, an attempt was made to adjust them to a certain uniform pattern which would make it possible to draw comparisons and so arrive at a certain type of average distribution for the four countries.

As a first step, distribution curves were traced for the more recent years in each of the countries concerned. In the case of Ecuador it was necessary to interpolate smaller groups, since — as was pointed out — the survey in that country presented them in three broad classes. Furthermore, it was assumed that in every country the family averaged 5.5 members.

After analysing the individual distribution, it was decided to establish a uniform distribution scheme comprising the following four groups or categories: (*a*) category I, or lower-income bracket, embracing 50 per cent of the population or families; (*b*) category II, which includes 45 per cent of the population or families, could be considered as the intermediate social group, and (*c*) and (*d*) categories III and IV, constituting the higher-income groups, represent 3 and 2 per cent, respectively, of the population.

In this way the percentage of personal income was established for each of these social groups in each individual country. Obviously, this is too simplified for comparative studies. Nevertheless, the scheme provided a basis for comparison and, by confining the analysis to relatively large groups, permitted general conclusions to be drawn.

On those bases an average distribution was finally determined for the four countries as a whole, the distribution of each being weighted in respect of their populations. The data obtained are given in columns (1) and (2) of table 67.

A later stage progressed from distribution using relative figures to one using absolute figures. For this purpose, a level of 450 dollars (at 1962 prices) per capita of gross domestic product was adopted as a basis, this being approximately the present level in Latin America as a whole. From this was deduced a personal per capita income of 370 dollars, in accordance with the mean structure shown by the Latin American national accounts.

This figure for personal income includes salaries and wages, interest, revenue, net profits either distributed or undistributed, income in kind and subsistence allowances, and transfer payments by the Government. It represents

[2] Roberto Jadue, *Distribución probable del ingreso de las personas en Chile: periodo 1950-60* (unpublished study, undertaken at the request of the ECLA secretariat).

[3] See *Banco Central del Ecuador, Memoria del gerente general, Ejercicio 1958*, Quito, 1959.

[4] Ifigenia M. de Navarrete, *La distribución del ingreso y el desarrollo económico de México*, Mexico City, 1960.

[5] See Carl S. Shoup and others, *Informe sobre el sistema fiscal de Venezuela. Estimación de la distribución del ingreso personal*, Caracas, Ministry of Finance, 1960.

TABLE 67

Conjectural distribution of income in Latin American countries [a]

Category	Proportion of the population represented (percentage) (1)	Proportion of total personal income received (percentage) (2)	Average annual per capita personal income: Ratio to general average (percentage) (3)	Average annual per capita personal income: Dollars (4)	Monthly income per family (dollars): Average (5)	Monthly income per family (dollars): Range: Lower limit (6)	Monthly income per family (dollars): Range: Upper limit (7)
I	50	16	30.0	120	55	0	100
II	45	51	110.0	400	190	100	500
III	3	14	470.0	1,750	800	500	1,300
IV	2	19	950.0	3,500	1,600	1,300	More
TOTAL . .	100	100	100.0	370	170		

SOURCE: ECLA estimates based on the criteria set out in annex II of this chapter.

[a] The percentages and absolute figures in this table have been rounded.

income before the payment of direct taxes — whether paid by persons or by enterprises — and after receipt of direct cash transfers from the State to individual persons, e.g., retirement and other pensions. Accordingly, it does not include indirect taxes net of subsidies, government revenue and income from state-owned property and enterprises, or depreciation.

Based on a personal income of 370 dollars, the average per capita income in dollars was obtained for each of the four social groups (see column (4) of table 67). The mean income per family was then calculated, assuming an average of 5.5 members. The range of family income in each category was established roughly, taking the most detailed percentage distribution data in each country (see columns (6) and (7) of the same table).

3. CHARACTERISTICS OF PRESUMED INCOME DISTRIBUTION

The presumed distribution estimated by the process outlined above presents the following basic characteristics:

(a) *Category I*

Category I, which comprises 50 per cent of the population, absorbs 16 per cent of the total personal income. On an average, each person belonging to this group has an income equal to 30 per cent of the general mean, amounting to only 120 dollars *per annum*. According to the fragmentary data deriving from the study of each individual country, this category appears to include a very high proportion of unskilled rural and urban workers, domestic help, small artisans, street vendors and pensioners with a low level of income. Each family in this category would have an average monthly income of about 55 dollars, with a possible maximum of 100 dollars.

In spite of the inherent inaccuracies in any such international comparison, it can be stated broadly that the same group in several western European countries [6] absorbs over 20 per cent of the total personal income, i.e., its per capita income is closer to the general average than in Latin America. Further, since the absolute value to the income earned in those countries is substantially higher, such proportions assign to category I a much higher relative level than in Latin America where half the population included therein is close to the subsistence level.

(b) *Category II*

Category II, which includes 45 per cent of the population, accounts for about 50 per cent of total personal income, that is to say, its per capita income is slightly higher (10 per cent) than the general average, amounting to some 400 dollars annually. Presumably included in this category are medium-grade public and private employees, skilled workers, craftsmen, small dealers, small property-owners, persons living on modest incomes from investment, and pensioners with a similar level of income. The average monthly income of a family in this category would be approximately 190 dollars, ranging from 100 to 500 dollars.

(c) *Category III*

Category III, which comprises 3 per cent of the population, absorbs 14 per cent of total income. Each person in this category has an income of nearly five times the general average, or about 1,750 dollars a year. It would include certain independent professional workers, large-scale farmers, merchants and industrialists, medium-size property-owners and high-level executives of the public and private sector. The monthly income of a family in this category averages some 800 dollars, ranging from 500 to 1,300 dollars.

(d) *Category IV*

Category IV receives 19 per cent of the total personal income and represents 2 per cent of the population. Per capita income is about 9.5 times the general average, or some 3,500 dollars a year. It comprises the families of large property-owners and entrepreneurs, and a few executives and professional people not included in the previous categories. The average monthly income would be about 1,600 dollars, with a minimum of approximately

[6] Denmark, the Federal Republic of Germany, the Netherlands, Sweden and the United Kingdom. See Economic Commission for Europe, *Economic Survey of Europe in 1956*, chapter X, Geneva 1957. In chapter V of the present report the United States has also been included in the table of comparison between regions.

1,300 dollars. This 2 per cent of the population has a higher income in total than that earned by the 50 per cent in category I, and its per capita income is nearly thirty times that of this low-income group.

(e) *General considerations*

While bearing in mind the difficulties inherent in international comparisons, it can be asserted that in the western European countries cited the group comprising the wealthiest 2 per cent of the population appears to account for less than 15 per cent of total personal income before taxation. Of course, in Europe, such percentages are applied to substantially higher income levels than in Latin America; consequently, the absolute values of average income for these groups will be considerably higher there than in the region.

It should be pointed out that before the Second World War the wealthiest 2 per cent of the population of those European countries absorbed a similar proportion of total personal income to that currently accumulated by the equivalent group in Latin America. Subsequently, as mentioned before, that proportion declined to 15 per cent.

It would be well to remember, too, that these figures apply to income before tax. Since the tax system weighs more heavily on the high-income brackets in Europe, the discrepancies in the situation with respect to available income are even more accentuated than those indicated.

Each of the four categories defined here — in particular, categories II and III — presents a certain degree of heterogeneity, as shown by the range of monthly income per family in each classification (see table 67). However, any more detailed specification, if desirable from the point of view of analysis, would require information that is not available today to complete the study on distribution of consumption, savings and taxes by category.

It is not the purpose to analyse here the conditions and causes determining this distribution of income in the Latin American countries. That would call for special studies which have not yet been carried out in the region. Only by way of illustration, it is worth pointing to a few economic factors such as the following:

(*a*) The inequitable distribution of the ownership of capital and natural resources is probably the most important factor. A large proportion of land is concentrated in the hands of a very few owners. The important industrial enterprises belong to a relatively small number of persons. For want of proper taxes on inheritance and other measures for the redistribution of property (agrarian reform, etc.), the situation has remained unchanged over the years;

(*b*) The intra-regional and inter-sectoral disequilibrium which is a feature of the development of many Latin American countries may be counted also among the factors responsible for inequality, causing disparities in the rates of remuneration of productive factors between one area and another, as also between sectors;

(*c*) The primary sectors in which income is most inequitably distributed still carry considerable weight in Latin America, at any rate a good deal more than in other more developed regions of the world.

(*d*) The stagnation or insufficient growth of many Latin American countries curtails their employment opportunities;

(*e*) Inflation frequently aggravates the problem, as during an inflationary process those sectors whose incomes or systems of remuneration are more rigid or which are not powerful enough to defend their real income generally lose ground;

(*f*) Marketing shortcomings, the existence of monopolies and remuneration unrelated to productivity are also important causes;

(*g*) In the workers' sector, the difference in the level of technical skill is very marked owing to the lack of education, particularly at the intermediate and higher levels. In this respect, the higher-income brackets have better educational opportunities, which helps to perpetuate their relative status. This is a decisive fact, since the shortage of skilled technicians fosters very high relative levels of remuneration in the groups with better professional and university training.

C. Distribution of income within the structural framework of the economy

This section will attempt to explore the relationship between the distribution of income and the productive process, consumption, national and foreign savings and investment. A simplified accounting method such as that contained in table 68 was considered useful for the purpose. Each line records the income received by the bodies or accounts listed in the first left-hand column, and the remaining columns give the disbursements or payments of each of the bodies or accounts at the head of the columns.

The figures in the table represent estimated average data for the whole of Latin America over the past few years. They are expressed in relation to a total gross domestic product of 1,000 monetary units. That is to say, this table drawn up in accounting form represents an estimate of the national accounts in keeping with the prevailing structure in Latin America, with emphasis on representing more directly that of the countries for which presumed personal income distribution was estimated.

In this respect, the structural table in question provides — still only approximately — a basic outline in accountancy form for the systematic pinpointing of income distribution, and its use constitutes a kind of model for the consideration of different aspects of an economic and social development policy whose goals might include the investigation of problems related to income distribution and tax policy.

This was actually the basic accounting model used to analyse various development hypotheses in relation to the contraction of consumption of the high-income social groups studied in the document entitled *Towards a Dynamic Development Policy for Latin America*.[7]

[7] See E/CN.12/680, op. cit.

TABLE 68

Hypothetical distribution of income in the structural matrix of the economy prevailing in Latin American countries

(Per thousand units of gross domestic product at market prices)

	Production	*Families*					*Government*		*Capital*	*Rest of the world*	*Total*
		Total	*I*	*II*	*III*	*IV*					
Production		620	119	325	85	91	45		155	161	981
							Purchase of goods and services	45			
Families	730						97				827
I	124						Pensions	8			132
II	408						(various)	16			424
III	115						Pensions	0			115
IV	156						(retirement)	—			156
TOTAL	803							24			
Wages and salaries, government	—73						Wages and salaries	+73			
Government	30	152	17	84	19	32					182
Income from property and enterprises	30										30
Personal contribution to social insurance		10		2	8						10
Direct taxes		48		2	19	7	20				48
Indirect taxes plus employers' contribution to social insurance less subsidies to enterprises		94		13	57	12	12				94
Capital	55	55	—4	15	11	33	30			15	155
Rest of world	166						10				176
Goods and services	148							10			158
External factor income	18										18
TOTAL	981	827	132	424	115	156	182		155	176	

SOURCE: See table 67.

Statistical sources and methods of calculation used in the preparation of this model of social accountancy are set out in an annex to this chapter. Let us now see what conclusions can be drawn from some of its figures. The gross domestic product at market prices is expressed in 1,000 monetary units. If indirect taxes net of subsidies (94) are deducted, this leaves 906 units which represent the gross domestic product at factor cost. Payments to external productive factors amount to 18 units; hence the gross national product at factor cost is 888.

If fixed capital depreciation (equal to 55) is now subtracted, there remains a national income of 833, which represents the sum of public and private consumption and savings reckoned at factor cost. Of this total income, 30 units represent income from state-owned property and enterprises. The remainder (803) is the income which families receive from the productive process: 73 units of this income (salaries and wages paid by the Government) are generated in the public sector and 730 in the sector producing non-governmental goods and services.

The table has followed the principle of allotting to persons or families the whole of the income generated; i.e., the 55 units included in the capital account really refer only to depreciation, while the undistributed profits and the reserves built up by capital enterprises have been imputed to personal income. There were two reasons for this decision. The main one was the lack of adequate information to estimate the prevailing coefficient in Latin America representing the income remaining in the enterprises, and the other — a consequence of the first — was the desirability of analysing the distribution of total personal income and its ultimate use.

1. Family sector

Families have been classified in the four categories in accordance with the definitions established. As pointed out earlier, they receive from production — including government salaries and wages — 803 units, category I receiving 124 units; category II, 408; category III, 115; and category IV, 156. To these are added retirement and other pensions paid by the Government. Accordingly, personal income before tax and after the receipt of pensions is equivalent to 827 units. According to the conjectural estimate of distribution prepared on the basis of a study of the four countries, this personal income was allotted as follows: category I, 132 units; category II, 424; category III, 115; and category IV, 156.

It may be observed as a significant factor in the behaviour of these groups in relation to the economic process and distribution that category II receives a comparatively high proportion of the total. This is due to the numerical strength of the group and to its per capita income which, though much lower than that of categories III and IV, is close to the general average. Category I, although the largest, receives distinctly less owing to its low level of per capita income. Categories III and IV are numerically small, but have an exceptionally high per capita income.

The analyses of economic and social policy planning taken into account in making this rough estimate of the structural features prevalent in the Latin American economy called for information as to the distribution, among the four groups of families, of the total taxes which directly or indirectly may be imputed to them in each instance, with a view to establishing the value of consumption at factor cost.

With this end in view, it was calculated that total direct and indirect taxes — the latter net of subsidies — and contributions to social security schemes represented about 152 units. Of these, category I would pay 17; category II, 84; category III, 19; and category IV, 32. That is, category II would contribute 55 per cent of total taxes of all types. An amount of 675 would therefore remain the personal sector for allocation to the consumption of goods and to savings.

Furthermore, total personal savings were estimated at 55 units: category I would have a negative saving of 4 units, and that of the other three would be positive — 15, 11 and 33 units respectively.

The 620 units estimated for personal consumption, at factor cost, would be distributed as follows: category I, 119; category II, 325; category III, 85, and category IV, 91. This consumption does not include, of course, free government services such as education and health.

The manner and proportions in which families are assumed to receive and utilize their incomes are summarized in table 69. It may be noted that persons save an average of 7 per cent of their income, the proportions relating to categories I, II, III and IV being 3, 3.5, 9.5 and 21 per cent respectively. Category II, notwithstanding its relatively low savings coefficient, contributes a significant amount to total national savings. The proportion of total personal taxes is 18 per cent, the various categories accounting for 13, 20, 16.5 and 21 per cent respectively. It is interesting to point out the scant progressivity revealed by these estimates for the tax system as a whole. This is particularly notable between categories II and IV, which pay very similar proportions of taxes, in spite of the fact that the per capita income of the latter category is eight times that of the former.

Personal consumption at factor cost represents an average of 75 per cent of total personal income, and the respective proportions for categories I, II, III and IV are 90, 76.5, 74 and 58 per cent. The above proportions represent average coefficients of taxes, savings and consumption by categories. Marginal rates may differ from these, but their magnitude is unknown. On the basis of these mean coefficients we can now determine the average amount of consumption per head in each category in relation to the income in dollars. The figures are as follows:

Category I	110
Category II	310
Category III	1,295
Category IV	2,040

Thus, category IV consumes on an average 18.5 times the amount consumed by a person in category I. If it is taken into account that the income-elasticity coefficient of the higher social brackets is comparatively low for the consumption of foods and other essential items, the foregoing figures will show the considerable proportion

TABLE 69

Origin and destination of personal income

	I	*II*	*III*	*IV*	*Total*
Origin					
Income from production and government before taxes	94.0	96.0	100.0	100.0	
Pensions	6.0	4.0	—	—	
TOTAL	100.0	100.0	100.0	100.0	
Destination					
Taxes and saving					
Direct and indirect taxes net of subsidies including personal and employers' contributions to social insurance	13.0	20.0	16.5	21.0	18.4
Net private saving	−3.0	3.5	9.5	21.0	6.0
Consumption at factor cost	90.0	76.5	74.0	58.0	75.0
TOTAL	100.0	100.0	100.0	100.0	100.0

SOURCE: See table 67.

registered by the less essential items and luxuries in the consumption of these groups. Through an analysis of the composition of consumption from the social and economic viewpoint it would be possible to establish how far it is essential and what quantities of resources could be obtained through a policy of compression.

2. CAPITAL FORMATION

In the accounting schedule, gross national savings and foreign savings amount to 155 units. Of these, 55 pertain to depreciation in the public and private sector; 55 comprise net savings in the private sector; 30, government savings; and 15, net external financing. In accordance with these figures, net investment accounts for 100 units, including stock fluctuations, which represent approximately 10 units. Table 70 analyses the financing of gross capital formation, according to the different sources of savings. It is noted that foreign capital finances 10 per cent of total investment, 90 per cent pertaining to national savings.

TABLE 70

Composition of gross total saving

(Percentage)

Gross national saving			90.0
Depreciation		35	
Net private saving		35	
Category I	−3.0		
Category II	10.0		
Category III	7.0		
Category IV	21.0		
Public saving		20	
Net external saving			10.0
TOTAL			100.0

SOURCE: See table 67.

It is interesting to point out that category II of families — whose savings coefficient with respect to its income is relatively reduced — none the less contributes more in absolute terms than category III, representing moreover approximately half the contribution of the wealthiest sector (category IV). This means that the behaviour of this large group (45 per cent of the population) has a significant impact on capital formation and, therefore, on the development process.

It is also clear that categories III and IV, made up of 5 per cent of the population, are responsible for 80 per cent of private net savings, which has an effect on the accumulation of capital and therefore, ultimately, on the distribution by categories of future personal income.

From these facts it may be inferred that the private sector's savings, with a product-capital ratio of 0.4, would give an annual increase of 2.2 per cent in the gross domestic product. Categories I and II save sufficiently to generate an increment of 0.44 in the aggregate gross product, and categories III and IV contribute an annual rate of increase in the product of 1.78 per cent. Consequently, it is the 5 per cent of the population whose yearly per capita income is some 1,100 dollars or more who save enough to contribute significantly to the growth of the product; in other words, in a country or area with 100 million inhabitants, only 5 million persons would be in a position to save for the whole population. That is, the country's total savings might be very different from those of another country with a population of 5 million whose income was the same as that obtained by categories III and IV and was distributed on an absolutely equal basis.

Government savings, if considered to be net, would provide for an increment of 1.2 per cent annually in the gross product. The relative amount of foreign savings, in turn, would signify an annual increase in the product of 0.6 per cent. From the point of view of demand and

the size of the market, it can be stated that little more than 5 per cent of the population has an income large enough to purchase significant quantities of comparatively highly processed industrial goods or goods of a specific quality, although a fairly large part of catagory II might enlarge this proportion somewhat through the incorporation of those persons belonging to it who enjoy a higher income. In this case, too, the market offered for a specific type of product by the country or area with 100 million inhabitants would be similar to that of the hypothetical country in question with a population of 5 million and a per capita income similar to that of the higher social groups in the larger country.

Lastly, it is interesting to mention that an analysis of the structure of consumption by sectoral origin at each of the income levels would make it possible to determine the market prospects for different types of industrial goods, as well as the repercussions which a process of redistribution or specific income growth in each sector would have on the structure of demand — and, therefore, of supply induced by the latter. A similar study could be undertaken with respect to imports.

3. Government sector

Direct taxes represent 48 units, 2 pertaining to category I, 19 to category II, 7 to category III, and 20 to category IV. Personal contributions to the social security system (10 units) have been imputed to category I (2 units) and to category II (8 units). Indirect taxes — including the employers' contribution to the social security system but net of subsidies to enterprises — represent 94 units, distributed among the four categories as follows: 13, 57, 12 and 12 units, respectively. Indirect taxes have been attributed exclusively to the consumption of the four categories, since it is assumed that those applied to capital goods are relatively lower and, anyway, are paid by persons when purchasing consumer goods. In any case, given the preliminary nature of these estimates, the highly complex aspects of indirect taxes that might be levied on capital goods have not been taken into consideration.

Table 71 presents a conjectural estimate of the distribution of taxes among the different social categories. A comparison of the proportions of indirect taxes paid by category IV with those pertaining to the first two categories, in particular category II, emphasizes their regressive character. On the other hand, direct taxation bears more heavily on category IV and category III than on the first two. It may be seen from table 72 that indirect taxes represent over 60 per cent of total taxation and it shows that the regressive nature of the tax burden depends chiefly on them.

The Government can redistribute income. The method and degree of this redistribution will be dictated by a comparison between what is paid by each category under the heading of taxes and what it receives for services rendered to the State. In table 73 an attempt has been made to estimate these amounts, expenditure being classified only in so far as it can be easily assigned to each of the social groups: retirement and other pensions, public education and health. The remaining government

Table 71

Distribution of the tax burden

(As a percentage of personal income — including pensions — of each category)

	Total	Category I	II	III	IV
Direct taxes	5.8	1.5	4.5	6.1	12.8
Personal contribution to social insurance	1.2	1.5	1.9	—	—
Indirect taxes, net of subsidies plus employers' contributions to social insurance	11.4	9.8	13.4	10.4	7.7
Total	18.4	12.8	19.8	16.5	20.5

Source: See table 67.

Table 72

Weighting of different taxes in the total tax payments of each category, and in the over-all total taxes paid

(Percentage)

	Total	Category I	II	III	IV
Direct taxes	31.6	11.8	22.6	36.8	62.5
Contributions to social insurance	6.6	11.8	9.5	—	—
Indirect taxes net of subsidies, plus contributions to social insurance	61.8	76.4	67.9	63.2	37.5

Source: See table 67.

Table 73

Redistribution of income through the public sector

	Total	Category I	II	III	IV
Revenues					
Direct and indirect taxes net of subsidies (including personal and employers' contribution to social insurance)	152	17	84	19	32
Other current revenues	30	...	...	...	...
Total	182	17	84	19	32
Expenditures					
Education	18	2	11	3	2
Public health	12	7	5	—	—
Pensions	24	8	16	—	—
Sub-total	54	17	32	3	2
Other current expenditures	98	...	...	...	...
Saving	30	...	...	...	...
Total	182	17	32	3	2

Source: See table 67.

services would include items favouring the low-income groups in particular, and others benefiting especially the wealthier sectors, as also those which may be considered to be distributed proportionately to the income of each social sector. It may be deduced from this table that, under the heading of education, health, and retirement and other pensions, category I receives a sum practically equal to the total it pays out in taxes, and that category II contributes an amount substantially higher than that of the services and transfers it receives. In other words, the redistribution of income effected by the Government consists basically in freeing the lowest-income bracket from contributing to the financing of public expenditure whose primary objective is not redistribution, and in making category II pay a lesser proportion than categories III and IV in relation to the sums they receive. In spite of this, category II, owing to its numerical strength, contributes most to the financing of non-redistributive expenses. The fiscal deficit — which would be made plain by computing public investment expenditure, in so far as it contributes to spreading the inflationary process — would have the effect rather of an indirect tax, which would weigh more heavily on the lower-income sectors.

4. External sector

As in the previous cases, estimates for this sector represent average coefficients for Latin America as a whole, but tend to represent more directly the average type of economy found in the four countries whose income distribution has been studied. Exports constitute 161 units, while imports of goods and services and the amounts expended by the State on its diplomatic service, contributions to international organizations, etc. represent 158 units, or 90 per cent of the country's total disbursements. Payments to foreign productive factors — which cover both interest and profits payable abroad and those reinvested in the country — constitute 18 units, or 10 per cent of the country's total expenditure. Thus, net external financing (15 units), is less than the payments to external productive factors (18 units), according to Latin American statistics in recent years.

D. Personal distribution of income in four countries

1. Chile

Estimates are available for the personal distribution of income in Chile for the period 1950-61.[8] The basic data were obtained principally from the registers of the social security and welfare service, from public budgets and from personal income tax returns. This, together with other supplementary information, suggested a distribution of the units receiving income according to the amount received.

Such distribution was adjusted to extend it to the level of the whole population and that of aggregate personal income.

In view of the procedure followed, it cannot be said that in every case each of the persons registered represents a single income unit. On the contrary, when the members of a family are employed in more than one gainful occupation, they are incorporated as individual cases and the situation might even arise where one person figures more than once in the distribution. Moreover, it might so happen that the incomes of the intermediate and higher brackets are somewhat under-estimated and it is highly probable that the undistributed profits of capital enterprises are not included.

Table 74 presents the distribution for 1960, according to the four categories, which in this case strictly represent units receiving income. There was no difficulty whatsoever in effecting this, as the original survey was based on smaller groups. Category I — which comprises the lowest income bracket — accounts for 16 per cent of the country's total personal income, that is, the mean income of each of the units in this category is equal to 31 per cent of the general average for Chile. Within this category, a lower-income sub-group embracing 32 per cent of all the units receiving income in the country absorbs only 5.6 per cent of its total income; therefore, each of these units receives an income of approximately 18 per cent of the average for the whole country.

[8] See Roberto Jadue, op. cit.

Table 74

Chile: Distribution of personal income, 1960

(Percentage)

	Percentage o total population		*Share of total personal income*		*Average income per unit in relation to the national average*	
Category I	50		15.6		31	
Sub-category IA		31.7		5.6		18
Sub-category IB		18.3		10.0		55
Category II	45		59.0		131	
Sub-category IIA		37.3		40.8		109
Sub-category IIB		7.7		18.2		236
Category III	3		11.7		390	
Category IV	2		13.7		685	
Total	100		100			

Source: ECLA, based on Roberto Jadue's study, *Distribución probable del ingreso de las personas en Chile: período 1950-60* (study undertaken at the request of the ECLA secretariat).

Category II absorbs 59 per cent of aggregate personal income, which means that the income of each of these units is 31 per cent higher than the general average. Within this category, two groups are distinguished whose levels with respect to the average for the country may be seen in table 151.

Category III, which includes 3 per cent of the units, absorbs 12 per cent of total personal income. Accordingly, each of these units averages an income equivalent to almost four times the general mean.

Lastly, category IV — 2 per cent of the total number of units — receives 14 per cent of total personal income. Its income per unit is equal to nearly seven times the national average.

Between the wealthiest category — 2 per cent of the total units — and the lowest-income group in category I — 50 per cent — there is a ratio of 22 to 1 in income per unit.

2. Ecuador

The personal income distribution available for this country is the result of a social-economic analysis.[9] On the basis of data provided by the national census of 1950, it was divided into three broad categories — popular, middle and upper of the active population, for each of which an average per capita income was determined. The results were adjusted to national accounts statistics and data on personal income distribution have been published annually for the period 1950-57. The figures for 1957 show that: (a) the popular classes included 74.9 per cent of the population and absorbed 51.4 per cent of total personal income; (b) the middle class (24 per cent of the population) had 32 per cent of income, and (c) the upper class (1.1 per cent of the population), had 16.6 per cent of aggregate income.

In the survey made, the unit receiving income is the individual, since no family surveys were carried out; none the less, Ecuador's distribution is more like the family type of distribution than Chile's.

For purposes of comparison, the Ecuadorian distribution raised considerable difficulties, as the categories are very broad and their averages cover heterogeneous social sectors in which there may be significant disparities in income levels. It was therefore necessary to make certain generalizations as regards the distribution of the three categories, interpolating an approximate distribution curve in order to determine the proportion of income which might apply to the population groups defined with a view to uniform application. The results are contained in table 75.

Category I receives 24 per cent of the country's total personal income. Its income per unit is equal to 48 per cent of the general average. This category includes a large indigenous group composed of 28.8 per cent of the total units in the country, which absorbs 8 per cent of personal income. That is, its income per unit represents 27 per cent of the general mean. This group lives in a rural medium, under self-consumption conditions — having very little contact with the monetary economy — and its income barely enables it to subsist under sub-human conditions, according to the report by the Central Bank of Ecuador.

Category II accounts for 51 per cent of total income, which means that its income per unit is somewhat higher than the average for the country.

Category III receives 5 per cent of aggregate income. Accordingly, its mean unit income is 50 per cent higher than the average level for the country. Lastly, category IV absorbs 21 per cent of total income; hence its mean income is somewhat more than ten times the general average. It includes the wealthiest 1.2 per cent of the

[9] *Banco Central del Ecuador*, op. cit.

Table 75

Ecuador: Distribution of personal income, 1957

(Percentages)

	Percentage of total population		*Share of total personal income*		*Average income per unit in relation to the national average*	
Category I	50		24.0		48	
Sub-category IA		28.8		7.8		27
Sub-category IB		21.2		16.2		76
Category II	45		50.8		113	
Sub-category IIA		24.8		26.0		105
Sub-category IIB		20.2		24.8		123
Category III	3		4.5		150	
Category IV	2		20.7		1,035	
Sub-category IVA		0.8		1.8		225
Sub-category IVB		1.2		18.9		1,575
Total	100		100			

Source: ECLA, based on Banco Central del Ecuador, *Memoria del Gerente General, Ejercicio 1958*, Quito 1959.

units which receive 19 per cent of total income, and thus enjoy a sum equal to sixteen times the average for the country. This would give a ratio of 58 to 1 between this group's income level and that of the indigenous sector.

In Ecuador, compared with the other three countries studied, category I receives a much higher proportion of total personal income (24 per cent instead of 11 to 16 per cent) and catagory III a much lower proportion (5 per cent instead of 12 to 16 per cent approximately). This might be due to statistical shortcomings, as estimates are difficult to make in Ecuador. However, if these data reflect the real situation, a provisional explanation would be the country's low per capita income and the smallness of the intermediate-level groups, and consequently, the minimum subsistence level for large masses of the population.

3. Mexico

Statistical research on personal income distribution in Mexico is more homogeneous and specific. It is based on a family survey by the sampling method, carried out by the Sampling Department of the Statistical Service in October 1956, which covered the whole country. The statistical unit, therefore, is actually the family, and income registered conforms with that definition.

The figures were published in the study referred to previously,[10] and duly adjusted to the total personal income of the national accounts. The year investigated was 1957 and the tables present a classification of ten income scales. The grouping of those data in the four categories for international comparison is given in table 76.

Category I receives 16 per cent of the total income, i.e., its level per family is equal to 32 per cent of the general average. The poorer 35 per cent of the families in this category absorbs 9 per cent of the total, their level per unit being equal to 26 per cent of the country average. Category II, with 48 per cent of aggregate income, is in a slightly better than average position. The situation of category III, which accounts for 16 per cent of total income, is 4.5 times better than the national average. Finally, the wealthiest 2 per cent of families comprising category IV absorbs 21 per cent of total income. Their level is somewhat more than ten times the average for the whole country and equal to 39 times that of the poorer sector of category I.

[10] Ifigenia M. de Navarrete, op. cit.

Table 76

Mexico: Distribution of personal income, 1957

(Percentages)

	Percentage of total population		*Share of total personal income*		*Average income per unit in relation to the national average*	
Category I	50		15.8		32	
Sub-category IA		34.8		9.2		26
Sub-category IB		15.2		6.6		43
Category II	45		47.5		106	
Sub-category IIA		24.5		16.8		69
Sub-category IIB		20.5		30.7		150
Category III	3		16.2		540	
Category IV	2		20.5		1,025	
Total	100		100			

Source: ECLA, based on the study by Ifigenia M. de Navarrete: *La distribución del ingreso y el desarrollo ecónomico de México*, Mexico D.F. 1960.

4. Venezuela

Statistics for the distribution of personal income in Venezuela have been obtained from the Shoup Mission study [11] already mentioned, which publishes the income distribution for 1957 classified according to ten different scales, presenting the economically active population according to yearly per capita income levels. Various data and sources were drawn on to complete this over-all picture: economic surveys, public budget, tax information and direct investigations both in public offices and in enterprises.

An attempt was made to adjust the data in order to arrive at the cumulative incomes which a person may obtain from different sources, and also in some cases those of different members of a single family. The method of grouping in four categories is shown in table 77. Category I receives 11 per cent, from which it is assumed that its income is equivalent to 22 per cent of the country's average. Category II absorbs 59 per cent and its position is 30 per cent better than the average. The more-well-to-do sector in this category comprises 16 per cent of the total number of units, with an income equivalent to twice the general average. Category III receives 13 per cent of total income, so that its income per unit is equal

[11] See footnote 5.

to four times the general average for the country. Lastly, category IV accounts for 17.7 per cent of income, and thus obtains a sum per unit equal to nearly nine times the country average and some fifty-three times the unit income of the lowest-income group, a sub-classification of category I.

TABLE 77

Venezuela: Distribution of personal income, 1957

(Percentages)

	Percentage of total population		*Share of total personal income*		*Average income per unit in relation to the national average*	
Category I	50		11.0		22	
Sub-category IA		35.5		6.0		17
Sub-category IB		14.5		5.0		34
Category II	45		58.5		130	
Sub-category IIA		18.0		11.7		65
Sub-category IIB		11.0		12.2		111
Sub-category IIC		16.0		34.6		216
Category III	3		12.8		427	
Category IV	2		17.7		885	
TOTAL	100		100			

SOURCE: ECLA, based on Carl S. Shoup and others, *Informe sobre el sistema fiscal de Venezuela. Estimación de la distribución del ingreso personal*, Caracas, Ministry of Finance, 1960.

Chapter 3

POPULATION CHARACTERISTICS IN LATIN AMERICA

There is a manifest interdependence between the level of development and the population characteristics of a given country or region. Obviously, the composition of the population by urban and rural sectors, its rate of increase, the structure of employment, the distribution of the population by age-groups and the level of general culture and technical training in a particular country are usually correlative, in greater or lesser degree according to the factors involved, with level of per capita income.

In Latin America, the demographic indicators *per se* indicate the region's present stage of development. There is, however, a basic difference from other parts of the world where income levels are much the same, in that the rate of population growth is far higher than in other under-developed areas, and the proportion of children (under 15 years of age), as well as the urbanization process, is much more striking than in other regions where the level of per capita income is comparable to that prevailing in Latin America.

A. Regional distribution and density of the population of Latin America

Latin America, like the Middle East and Africa, is among the developing regions where the lowest population density per unit of area is registered, whereas the opposite is the case in Asia (with the exception of its south-eastern countries) and southern Europe (see table 78). In the economically developed regions, disparities in respect of population density are also to be found. Thus, North America is virtually on a level with the rest of the American continent, while the figures for Oceania are much lower; Europe, on the other hand, holds first place as regards the number of inhabitants per square kilometre. Lastly, if the world average is taken as a point of reference, the population density representative of Latin America can be seen to be very low. When attention is turned to individual countries within the region, this statement clearly holds good for the majority, since only Haiti and El Salvador show an intensive concentration of population in relatively small territories (see table 79). This low density is actually due to the existence of vast uninhabited areas alongside others which are normally populated or even overcrowded. Practically throughout the interior of South America, as well as in Patagonia and along extensive coastal belts in Venezuela, the Guianas, the north-east of Brazil and the north of Chile, the population is very sparse, since " one-half of the respective national population is found within one-eighth of the land area of Colombia, one-eleventh of the area of Brazil, one-twentieth of the area of Chile and one-fortieth of the area of Argentina and Paraguay; the other half of each national population is widely scattered over the remainder of the national territories. When the areas with lowest population densities are selected, it can be noted that one-half of the national territory has only one-eleventh of the population in Argentina, only one-twentieth in Brazil

TABLE 78

Population, area and demographic density in the world by regions, 1960

Regions	Population (millions of inhabitants)	Area (thousands of km²)	Density (inhabitants per km²)
Africa	*254*	*30,290*	*8*
North Africa	88	10,328	9
Tropical and Southern Africa	166	19,962	8
America [a]	*414*	*42,040*	*10*
North America	199	21,499	9
Central and South America [b]	215	20,541	11
Asia	*1,679*	*26,928*	*62*
South West Asia	77	5,595	14
South Central Asia	559	5,119	109
South East Asia	214	4,488	48
East Asia	829	11,726	71
Europe	*427*	*4,953*	*86*
Northern and Western Europe	142	2,254	63
Central Europe	139	1,015	137
Southern Europe	146	1,684	86
Oceania	*16.5*	*8,558*	*2*
Soviet Union	*214.4*	*22,402*	*10*
World	*2,995*	*135,171*	*22*

SOURCE: United Nations, *Statistical Yearbook, 1961*, New York 1962.

[a] The figures which refer to the American continent have been revised according to ECLA estimates for Latin America.

[b] Includes the Latin American countries, dependent territories, etc.

TABLE 79

Latin America: Population area and demographic density, 1960

Country	Population (thousands of persons)	Area (thousands of km²)	Density
Argentina	20,956	2,776.6	7.5
Bolivia	3,696	1,098.6	3.4
Brazil	70,309	8,513.8	8.3
Chile	7,627	741.8	10.3
Colombia	15,468	1,138.4	13.6
Costa Rica	1,206	50.7	23.8
Cuba	6,797	114.5	59.4
Dominican Republic	3,030	48.7	63.5
Ecuador	4,317	270.7	15.9
El Salvador	2,442	21.4	122.1
Guatemala	3,765	108.9	34.6
Haiti	4,140	27.8	149.2
Honduras	1,950	112.1	17.4
Mexico	34,988	1,969.4	17.8
Nicaragua	1,477	148.0	10.0
Panama	1,055	74.5	14.2
Paraguay	1,768	406.8	4.3
Peru	10,098	1,285.2	7.9
Uruguay	2,490	186.9	13.3
Venezuela	7,331	912.1	8.0
Latin America	*204,911*	*20,006.5*	*10.2*

SOURCE: For area, United Nations, *Statistical Yearbook, 1961*, New York, 1962; for population, ECLA estimates.

and Chile, one-thirtieth in Paraguay and Venezuela, and barely one-seventieth in Colombia and Ecuador ".[1]

Again, there is no true correspondence between the larger average amount of space per inhabitant in Latin America than in other regions, and the utilization of the land area available. Table 80 makes the position in this respect quite clear. Latin America is at an advantage vis-à-vis other regions (developed or not), but still more so as regards the greater extent of its total land area. According to FAO estimates, " only 29 per cent of the entire land surface is waste land in Latin America... two-thirds of the land area... are forested... and one-quarter is dedicated to permanent meadow and pastureland ", while the remainder is arable land or under permanent crops. Thus, the inhabitant-land use ratio is favourable for Latin America, both if the world average is adopted as a point of reference and if the situation is compared with that of other under-developed regions (Asia or southern Europe).

TABLE 80

Distribution of population and utilization of land in the world, by regions, recent years

(Percentage of world total)

Region	Population	Total area	Arable land and land given over to permanent crops	Permanent pasture	Forested land
Africa	8.5	18.5	16.0	22.0	15.7
China	21.5	7.2	7.8	6.9	1.9
Europe [a]	14.3	3.6	10.9	3.0	3.4
Far East [b]	30.1	8.2	18.8	3.9	10.0
Latin America	6.9	15.2	7.3	14.7	24.1
Near East	4.4	8.5	5.5	6.9	3.2
North America	6.6	15.9	16.0	10.8	18.7
Oceania	0.5	6.3	2.0	17.4	1.3
Soviet Union	7.2	16.6	15.7	14.4	21.7
WORLD TOTAL	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*

SOURCE: United Nations, *Statistical Yearbook, 1961*, New York 1962, and FAO, *Production Yearbook 1961*, Rome, 1962.

[a] Excluding Soviet Union.

[b] Excluding Mainland China.

B. Distribution of the population by urban and rural sectors

Latin America, like other regions at a similar stage of development, and in consequence of its structure of production, has a high proportion of rural population. According to recent ECLA estimates, more than half the total population would seem to have been living in rural areas in 1960; and the proportion is even greater in the smaller countries (those of Central America and

[1] "The Demographic Situation in Latin America", *Economic Bulletin for Latin America*, vol. VI, No. 2, Santiago, Chile, October 1961, p. 13.

the Caribbean,[2] with the exception of Cuba), as well as in Bolivia, Ecuador, Paraguay and Peru (see table 81). In the countries listed, the rural population is up to twice the size of the urban population, and only in Uruguay, Argentina, Chile, Cuba, Venezuela and Mexico does it represent less than half the total number of inhabitants. Moreover, the latter countries are precisely those in which the level of per capita income is highest, which shows that the proportion of rural population and the standards of living attained (expressed in terms of the housing, public health, education and other indicators already analysed in the preceding chapter) are interdependent factors, and are also reflected in income distribution.

TABLE 81

Latin America: Percentage distribution of urban and rural population, 1950 and 1960

Country	1950		1960	
	Rural	Urban a	Rural	Urban a
	Percentage			
Argentina	35.8	64.2	32.4	67.6
Bolivia	74.2	25.8	70.1	29.9
Brazil	69.2	30.8	60.6	39.4
Chile	42.2	57.8	37.1	62.9
Colombia	63.6	36.4	53.9	46.1
Costa Rica	71.0	29.0	62.2	37.8
Cuba	50.7	49.3	45.4	54.6
Dominican Republic	76.2	23.8	69.5	30.5
Ecuador	72.3	27.7	65.3	34.7
El Salvador	72.3	27.7	67.4	32.6
Guatemala	76.0	24.0	69.0	31.0
Haiti	89.9	10.1	87.4	12.6
Honduras	82.7	17.3	77.5	22.5
Mexico	54.2	45.8	46.4	53.6
Nicaragua	71.9	28.1	66.1	33.9
Panama	64.0	36.0	59.0	41.0
Paraguay	72.2	27.8	66.2	33.8
Peru	72.0	28.0	64.2	35.8
Uruguay	33.1	66.9	29.1	70.9
Venezuela	51.1	48.9	38.3	61.7
Latin America	*61.0*	*39.0*	*53.8*	*46.2*

SOURCE: ECLA, based on national statistics.

a "Urban" population refers to localities with 2,000 more inhabitants.

C. The acceleration of the rate of population growth and its determining factors

The high rate of population growth is another of the inherent characteristics often associated with underdevelopment, which assumes special forms in Latin America. What is more, it might be described as the most salient feature of the demographic situation in Latin America, and the decisive factor in the composition of the population by age groups and in the intensive urbanization process that has been taking place in the region during the last twenty years.

A comparison between Latin America and other regions at a similar stage of development clearly reveals the peculiar position of the Latin American countries as a whole. Thus, while in southern Europe the population increases at a cumulative annual rate of less than 1 per cent, and in Africa and Asia[3] the corresponding rates are 2 per cent or less, Latin America's rate of population growth is close to 3 per cent (see table 82). This phenomenon is due to the combined effect of the high birth rates prevailing in most of the Latin American countries and the precipitous fall in their death rates registered since 1940 and particularly during the fifties. The basic cause of such rapid demographic growth is the birth rate; the latter's very high levels are attributable not only to the fact that Latin American families are generally prolific, but also to the large proportion of the total number of inhabitants represented by women of childbearing age, to the fact that they marry at an early age and to the high percentage of women who are married or are living in consensual union. The fall in the death rates mainly benefited the lower age-groups, thanks to the campaign against communicable diseases, or those due to malnutrition in young children. The mortality rates for the more advanced age groups, on the other hand, have apparently remained at levels close to those previously existing.

Table 83 shows the evolution of the birth, death and population growth rates in the Latin American countries during the post-war period. It can be seen that in 1955-60 the birth rates were fairly constant in relation to those recorded in 1945-50 (except in Argentina, Cuba and Uruguay, where a slight decline took place, and in Chile,

TABLE 82

Rate of population increase for the world, by regions, 1950-60

Africa	*2.0*
North Africa	1.7
Tropical and Southern Africa	2.1
America	*2.1*
North America	1.8
Latin America	2.8
Asia	*1.9*
South West Asia	2.4
South Central Asia	1.6
South East Asia	2.0
East Asia	2.0
Europe	*0.8*
Northern and Western Europe	0.7
Central Europe	0.8
Southern Europe	0.9
Oceania	*2.4*
Soviet Union	*1.7*
World	*1.8*

SOURCE: United Nations, *Statistical Yearbook, ,1961* New York 1962.

[2] In Haiti, about 90 per cent of the population is to be found in rural areas.

[3] More recent data obtained from the 1960 and 1961 censuses show that the population growth rate in Asia was 2.2 per cent (see ECAFE, *Economic Survey of Asia and the Far East*, Bangkok, 1963), United Nations publication, Sales No.: 63.II.F.1, pp. 136-137.

TABLE 83

Latin America: Birth, death and population growth rates, average for 1945-50, 1950-55 and 1955-60

Country	Birth rate [a]		Death rate [b]		Population growth rate [c]	
	1945-1950	1955-1960	1945-1950	1955-1960	1945-1950	1955-1960
Argentina	25-26	23-24	9-10	8-9	2.2	1.8
Bolivia	41-45	41-45	23-27	20-25	1.9	2.2
Brazil	43-47	43-47	17-23	11-6	2.6	3.1
Chile	34-37	35-38	17-19	12-13	1.9	2.4
Colombia	44-47	43-46	17-21	14-17	2.6	2.7
Costa Rica	44-48	45-50	12-16	9-13	2.9	4.2
Cuba	32-36	30-34	11-15	9-13	2.2	2.1
Dominican Republic	48-54	48-54	20-25	16-20	2.5	3.2
Ecuador	45-50	45-50	20-25	15-20	2.8	3.2
El Salvador	44-48	44-48	18-23	14-18	1.4	3.0
Guatemala	48-52	48-52	22-27	20-24	2.8	2.9
Haiti	42-50	42-50	25-30	20-28	1.8	2.2
Honduras	45-50	45-50	18-24	15-20	2.5	3.3
Mexico	44-48	44-47	17-20	13-16	2.7	3.1
Nicaragua	45-52	45-52	16-20	12-17	2.8	3.5
Panama	38-42	39-42	14-17	9-13	2.5	2.7
Paraguay	45-50	45-50	15-20	12-16	2.3	2.5
Peru	42-48	42-48	18-24	13-18	1.9	2.6
Uruguay	20-23	19-22	8-9	7-9	1.1	1.2
Venezuela	44-48	45-50	16-20	10-15	3.1	3.9
Latin America	*41-43*	*41-43*	*17-19*	*13-15*	*2.5*	*2.8*

SOURCE: ECLA, *Economic Bulletin for Latin America*, vol. VIII, No. 1, Statistical Supplement, Santiago, Chile, October 1962, and calculations based on ECLA population estimates.

a Per thousand inhabitants.

b As a percentage of the population.

Costa Rica and Venezuela, where a moderate rise was registered). Mortality rates, on the other hand, decreased sharply between the two periods, since the average rate for the region — which is representative of developments in the individual Latin American countries, except for those where the death rate was already relatively low (Uruguay, Argentina and Cuba) — fell from 17-19 per thousand to 13-15 per thousand.

The rate of demographic growth was most rapid in the countries of Central America and in some of those with the biggest populations, such as Venezuela, Ecuador, Mexico, Brazil and Colombia, in that order. It is not unusual for the rates registered in 1955-60 to rise above 3 per cent. In some countries they approached or exceeded 4 per cent (Venezuela and Costa Rica respectively). At the other extreme, only in two countries was the rate of increase of the population lower than 2 per cent (Argentina and Uruguay), and in four it fell short of 2.5 per cent (Bolivia, Chile, Cuba and Haiti).

Over the next few years the same rate of population growth may be maintained as in the period 1950-60 (2.8 per cent). Two contributory factors may be indicated. In the first place, the birth rate is unlikely to decrease — unless perhaps in Argentina and Uruguay, where such a downward movement had begun by 1930, or in Cuba, where it started somewhat later. The relatively rapid increase in the urban population common to all the countries of the region may adversely affect their birth rates, but this will probably be offset by the expected decline in mortality rates, thanks to the more widespread and efficacious application of health measures to combat formerly fatal diseases which nowadays are perfectly controllable.

The economic and social consequences of the high rate of population growth prevailing in most of the Latin American countries are obvious. On the assumption that the product-capital ratio is 0.40, Latin America as a whole would have to effect net annual investment amounting to 7.5 per cent of its gross product in order to achieve an annual rate of development of 3 per cent, which would enable it to do no more than maintain the level of per capita income unchanged. The attainment of a per capita rate of increase of 3 per cent — considered as a minimum target, although slightly higher than that establised in the Charter of Punta del Este (2.5 per cent) — would entail raising net investment to 15 per cent, which would imply an exceptional effort, seeing that its present level is barely 10 per cent.

Again, employment opportunities would have to expand at a rate at least similar to that of population growth, and this has obviously not been the case in Latin America, to judge by the rapid increase in the body of unemployed or under-employed population that has been gradually formed, particularly in the large cities. In 1950-60 the urban population increased at a rate of 4.5 per cent, whereas the annual rate of growth of the rural population was 1.5 per cent (see table 81). Various estimates, and the findings of recent censuses in most of the countries of the region, suggest that the urbanization process was concentrated mainly in the principal cities

of Latin America. Indeed, for cities with over 1 million inhabitants, the annual rate of growth of the population rose to 6 per cent. In other words, of the 50 million inhabitants representing the total increment in the region's population between 1950 and 1960, 35 million lived in urban areas, and of these 9 million were concentrated in the largest Latin American cities.[4] At the present time, about one-half of the population of Uruguay is to be found in Montevideo, one-third of the population of Argentina in Buenos Aires and one-fourth of the population of Chile, Cuba and Panama in Santiago, Havana and Panama City, respectively. The percentages of Costa Ricans, Venezuelans, Paraguayans and Peruvians living in the capitals of their respective countries are also high, approximating to one-fifth of the corresponding total populations. Only some of the Central American countries, Haiti and Brazil accommodate a much smaller proportion of their population in the capital cities concerned.

The intensive urbanization process witnessed by Latin America during the last twenty years is one of the most noteworthy characteristics of the pattern followed by the region's population trends. The concentration in the major cities referred to above emphasizes this special feature which distinguishes Latin America's demographic situation from that of other regions at a similar stage of development.

The urbanization process deducible from the difference between the rates of growth of the urban and rural populations is the outcome of those migratory movements from the rural areas to the towns which usually accompany the process of economic development.[5] In Latin America, however, there has been no break in the process in countries characterized by the stagnation or slow tempo of their development; and this would suggest that other factors have been at work, such as, for example, the disparity between urban and rural earnings, the greater social mobility existing in urban areas, and the difficulty of access to ownership of the land or productive employment which is increasingly handicapping the rural population.

The concentration of a high percentage of the population in the larger cities raises vast problems which extend beyond the strictly economic sphere. There is an overwhelming need to create employment opportunities for a population that is increasing at a very rapid rate, and to provide it with housing, the appropriate urban utilities, education, medical care, transport facilities, etc. All this calls for substantial resources that are not always within the reach of the Governments or administrative departments concerned. Clearly the urbanization process has not invariably been accompanied by an adequate rate of increase of industrial employment. It was estimated that by 1950 the proportion of the urban population employed in manufacturing industry averaged only 5.7 per cent in the region as a whole, and fluctuated between 5 and 8 per cent in the more highly industrialized countries and between 3 and 5 per cent in the countries at less advanced stages of development; and these percentages decreased on the whole during the fifties.[6] The result of this divergence between urbanization and industrialization trends is reflected in the increase in the number of persons employed in services and marginal activities.[7]

D. Structure of the population by age-groups

The large proportion of child population is another of the characteristic demographic features of Latin America. It is mainly attributable to the high birth rates prevalent in the region and in lesser measure to the drop in mortality, particularly among the lower age-groups. Over 40 per cent of the population of Latin America is under 15 years of age. The corresponding proportion fluctuates around 30 per cent in countries like Canada and the United States, and is still smaller in most of the European countries. Again, the percentage of old people is lower in Latin America than in other regions. Thus, while in Europe, North America and Oceania it amounts to approximately 10 per cent of the total population, in Latin America the number of persons of 65 years of age or over barely exceeds 3 per cent of the total population of the region. If the potentially active population (15 to 64 years) is considered, it works out at 55 per cent of the total in Latin America, as against 60 and even 65 per cent in the more advanced countries (see table 84). This means that while the potentially active population has to bear the brunt of the maintenance, education and medical care of 45 per cent of the total population of Latin America, in those countries of Europe and America where income levels are higher it only has to provide in these respects for 35 or at most 40 per cent of its younger or older compatriots. This population characteristic of Latin America is ultimately reflected in a much more burdensome economic effort on the part of countries which, in addition, are at a less advanced stage of development.

The needs of family dependants vary according to age, for while the education of children of school age entails heavy expenditure, elderly persons require medical attention, which is usually a costly item. To form some idea of the financial burden for the region represented by child education, it is useful to note that in 1960 children of school age (5 to 14 years) not gainfully employed accounted for about 68 per cent of all Latin America's economically active population, while in Sweden the corresponding proportion was not more than 34 per cent — i.e., approximately half as much.

Furthermore, an increase in the number of children requires not only the maintenance of more schools with all the educational machinery involved, but also the establishment of new centres, the training of additional teachers, the purchase of new equipment, and so forth.

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[4] In 1960, the number of persons living in the large cities of Latin America represented 15 per cent of the total population of the region.

[5] For a more detailed analysis of this subject, see UNESCO, *Urbanization in Latin America*, Paris, 1961.

[6] "Changes in Employment Structure in Latin America, 1945-55", *Economic Bulletin for Latin America*, vol. II, No. 1, Santiago, Chile, February 1957, pp. 15 *et seq.*

[7] An analysis of the possible increase in the marginal population, on the basis of specific hypotheses, is presented in *Geographic Distribution of the Population of Latin America and Regional Development Priorities* (E/CN.12/643).

E. Economically active population

The counterpart of the high proportion of dependent population is a low percentage of economically active persons. The relation between the two is shown in table 84. The active population of the region averages a little more than one-third of the total, although the figures for Argentina, Bolivia and Haiti indicate that in those countries the corresponding proportions are a good deal larger.[8] On the other hand, in the non-Latin American countries included in the same table, 40 per cent is the usual figure in the minority of cases — the 37 per cent registered for Greece is an exception — and 45 per cent in the majority.

TABLE 84

Persons of working age and economically active persons in Latin American countries and other regions, 1960

(As a percentage of total population)

Country	Population in 15-64-year age group	Active population [a]
Argentina	64.5	40.1
Bolivia	55.1	49.1
Brazil	53.9	32.4
Chile	57.5	35.9
Colombia	53.0	32.7
Costa Rica	53.1	33.3
Cuba	59.6	33.9
Dominican Republic	51.7	38.1
Ecuador	52.8	37.8
El Salvador	54.3	34.7
Guatemala	52.9	33.6
Haiti	55.2	53.2
Honduras	53.9	34.5
Mexico	52.4	31.6
Nicaragua	52.5	30.9
Panama	53.0	23.7
Paraguay	54.6	33.8
Peru	52.8	38.8
Uruguay	65.8	38.5
Venezuela	52.1	32.4
Latin America	55.0	34.6
Australia	61.4	41.2
Bulgaria	66.4	54.5
Czechoslovakia	63.9 [b]	48.0
Denmark	63.9 [b]	48.0
France	62.4	44.5
Greece	65.8	43.7
Italy	66.2	42.1
Japan	64.2	47.1
Portugal	63.4	39.0
United Kingdom	65.1	46.2
United States	59.7	40.5
Yugoslavia	62.4	45.1

SOURCE: For Latin America, ECLA estimates on national censuses held around 1950; for the rest of the countries, United Nations, *Demographic Yearbook, 1961*, New York, 1962 (population by age) and International Labour Organisation, *Anuario de Estadísticas del Trabajo, 1962*, Geneva 1963 (active population).

[a] For non-Latin American countries, censuses or official estimates relating to 1960 or thereabouts.

[b] 1959.

Another constant in the Latin American countries (and in under-developed countries in general) is the early age at which both the male and female population enter gainful employment, under the pressure of the need to swell the meagre family income. This affects the level of education of the labour force, by preventing the attainment of higher standards of general education or technical training. It was estimated, around 1950, that out of approximately 100 million persons in Latin America aged 15 years or over, no fewer than 40 million were illiterate; and it is likely that since then this number has increased, although the proportion of the total may have been reduced.[9] In relation to the degree of urbanization and industrialization attained by the region, the percentage of illiterate persons is high in comparison with the figures for other parts of the world, even including some where per capita income levels are lower.

As regards the structure of employment and the level of education in general, attention has already been drawn to the correlation existing between the percentage of illiteracy and the proportion of the labour force employed in agricultural activities.

Classification by type of activity is shown to be very deceptive when data for the Latin American countries are analysed. The reason is that occupations are not always clearly defined, owing to the high proportion of unskilled labour and the continual transfers from one sector to another (above all from agriculture to construction or services). Nor can representative levels of productivity be established, since there are considerable disparities within each sector. For instance, in agriculture, alongside workers on large plantations or technically well-equipped farms there are in Latin America a vast number of smallholders who farm at subsistence level, and whose productivity is exceedingly low. The same is true of other sectors, where archaic and highly up-to-date patterns of production are to be found side by side. For the purposes of valid international comparisons, standard interpretations would have to be agreed upon for such terms as employment, under-employment, partial employment, disguised unemployment, etc., since their meaning is very different when they are applied to the economically developed countries and to those where per capita income levels are low.

[8] In Bolivia and Haiti, the larger proportion of active population is attributable to the fact that — in contrast with the rest of Latin America where less than 2 per cent of the female population reported that they were unpaid family helpers — in both the foregoing countries the relevant censuses showed about 30 per cent of the female population to consist of unpaid family helpers.

[9] According to a recent UNESCO report, primary school enrolment figures rose from a little over 14 million pupils in 1950 to 26 million in 1960.

Annex I

METHODOLOGY

In comparing the income levels of different countries the usual practice is to use the rates of exchange between the national currencies in question and a common monetary unit, generally the United States dollar. However, there is general agreement that only in certain cases (Canada, for example) do these rates of exchange really reflect the purchasing power of the currencies of each country in terms of the prices of United States goods and services or vice versa. A true reflection requires a concatenation of circumstances very different from those that actually exist. While recognizing the inaccuracies involved in such a procedure, ECLA has prepared estimates of the national accounts for the Latin American countries and for the region as a whole in terms of 1950 dollars, using for this purpose rates of exchange that express as closely as possible purchasing-power parity of the national currencies at the prices for that year.[a] In view of the difficulties created by the fact that in 1950 complex exchange rates were in force in many Latin American countries, it was decided to calculate the exchange rates on the basis of pre-war rates (1937 or 1938), which are closer to purchasing-power parity, by adjusting the pre-war rates in accordance with the changes in prices in the United States and the Latin American countries since then.

Despite the drawbacks of this procedure, it is a more accurate method of estimating than the direct application of the current nominal rates of exchange. However, many indices and later studies have shown that to obtain an idea of comparative levels of real income in the Latin American countries, a direct measurement of the purchasing power of the various national currencies is necessary, in terms of the goods and services they can buy. A number of studies have used this standard for purposes of international comparison. Among the best known are those on which the Organization for European Economic Co-operation (OEEC) based its estimates of the value of certain European currency units in terms of the price of final products in the United States.[b] The procedure was based on applying a uniform price, expressed in United States dollars, to similar final products, in order to measure the real product of the European countries studied in terms of the United States monetary unit, and to establish comparisons between the various income levels. It was also possible by this means to compare the price levels of the various countries studied. The results obtained showed that there was an appreciable difference between the income levels determined by applying the current rates of exchange and those obtained by using uniform prices for comparable goods and services. This study indicated that the European income levels in dollars of equal purchasing power were generally higher than those obtained by the usual procedure of applying the current exchange rates.

The ECLA secretariat has for some time been studying a very similar procedure for the Latin American countries with the aim of determining the purchasing power of each currency, measuring the levels of relative prices in the various countries in the region and establishing the purchasing-power parity concerned. For this purpose a list has been made of the prices of goods and services in the capitals, and in some cases the other cities, of nineteen Latin American countries and of British Guiana, and of two cities in the United States. The survey related to the month of June in 1960 and 1962. The provisional results of this study for the capitals of ten countries were published in 1961.[c] A more detailed and extensive analysis of this subject is given in another recent document.[d] Both studies take the Mexican peso as the standard currency unit, and in the second the Panamanian balboa is also used as a comparative measure. The data given in the most recent study show that there are great differences between the value of currencies expressed in terms of the free exchange rate, and the purchasing-power parity value estimated by the method outlined. In fact, for 1962 these values are substantially different for all the countries except four, where the two values gave results that were similar or fairly close. This comparison shows that at that date, in relation to the Mexican peso, the overvaluation of currencies in relation to their purchasing-power parity value was 60 per cent for the Dominican Republic peso, 57 per cent for the bolivar, 48 per cent for the lempira, etc. On the other hand the free rates of exchange resulted in values lower than the real or parity rate, to the extent of 21 per cent for the sucre, 11 per cent for the Argentine peso, and 8 per cent for the Colombian peso. Thus it is clear that the market rates of exchange do not serve as the basis of comparison of the purchasing power of Latin American currencies, except for two or three countries, for the purpose of determining real income.

Until the study in question has been completed and expanded to cover the relevant estimates for the United States as a whole, it will not be possible to make direct comparisons between that country and other regions. Consequently use has been made of a study carried out by a research team from the Massachusetts Institute of Technology, under the direction of Professor Rosenstein-Rodan,[e] which gives the per capita income level for Latin American and other regions and countries, expressed both in monetary terms (as the result of applying the market rate of exchange) and in real terms (expressed in terms of purchasing power at United States prices although this was done in accordance with a fairly simple procedure). Table 49 gives the proportion of the world aggregate of gross national product and the world population represented by the developed countries, the countries with centrally planned economies, and the under-developed countries, grouped in that order, and the corresponding per capita income levels. In the estimates of the " monetary " gross national product the research team referred to used the ECLA figures for 1958 expressed in 1950 dollars, but adjusted as follows: the ECLA estimates for Argentina, Panama and Venezuela were reduced by 18, 10 and 40 per cent, respectively; and the values expressed in 1950 dollars were converted to 1958 prices by adding 12 per cent.[f] The figures thus arrived at for 1958 were brought up to 1961 levels by estimating the change for each of the countries concerned.

In estimating the " real " gross national product various percentages were applied to the " monetary " estimates, representing an average of 37 per cent for the region as a whole. The percentages added were as follows: for four countries (Argentina, Haiti, Paraguay and Peru) 50 per cent; for eight countries (Bolivia, Brazil, Ecuador, El Salvador, Guatemala, Honduras, Mexico and Nicaragua), 40 per cent; for another four (Chile, Colombia, Costa Rica and Panama), 30 per cent; and for two (Cuba and the Dominican Republic), 25 per cent; while for Venezuela it was considered that the purchasing power of its gross national product expressed in " monetary " terms was close to the " real " purchasing power.

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[a] See " Special Note on the Concepts and Methods used by ECLA in its Analyses of Economic Development ", *Economic Bulletin for Latin America*, vol. 1, No. 2 (Santiago, Chile, September 1960), pp. 29 *et seq.*

[b] M. Gilbert and I. B. Kravis, *An International Comparison of National Products and the Purchasing Power of Currencies* (Paris, 1954) and M. Gilbert and others, *Comparative National Products and Price Levels* (Paris, 1958).

[c] *Comparative Prices and the Purchasing Power of Currencies in Selected Latin American Countries* (E/CN.12/589).

[d] *A Measurement of Price Levels and the Purchasing Power of Currencies in Latin America*, 1960-62 (E/CN.12/653).

[e] P. N. Rosenstein-Rodan, " International Aid for Under-developed Countries ". *The Review of Economics and Statistics*, vol. XLIII, No. 2 (Harvard University, May 1961), pp. 107 *et seq.*

[f] This percentage is actually lower than the amount by which prices increased in the United States during this period, but it was used deliberately because the ECLA estimates were regarded as too high.

Table 50 shows the world distribution of the aggregate gross national products and of population by groups of per capita income levels. It gives income according to the two concepts (" monetary " and " real ") used by the research team in question. Table 51 gives the figures for the real per capita income of the Latin American countries, and the proportion of the total population of the region represented by the population of each country, expressed both as an individual and as a cumulative figure.

This type of estimate inevitably involves appreciable errors, especially since the purpose of the study in question was not to establish comparative conclusions. Nevertheless, the figures concerned have been included in the present report (tables 49, 50 and 51) in the belief that subject to the necessary reservations they make it easier to assess the region's situation in relation to the rest of the world, and the relative situation of the individual countries within the region.

Annex II

SOURCES AND METHODS

1. Estimated distribution of income in the structural table of the economy

The basic data used in making the analysis consist essentially of the estimates of the product and of income, and of their components, now being undertaken by ECLA for Latin America as a whole on the basis of national statistics.

Broadly speaking the idea was to include in the structural table the estimated values for each of the items considered, in the form of the coefficient actually recorded for the economic variable in relation to the gross domestic product either for Latin America as a whole or for the group of countries for which information was available on income distribution, with a view to obtaining a matrix of national accounts that would provide a coherent picture of the type of distribution of personal income considered here.

The personal consumption in each category of families was estimated by deducting from personal income the proportion representing direct and indirect taxation and savings. The break-down of government expenditure into purchase of goods, transfers to families, payment of wages and salaries, and other expenditure was made by taking as a basis the relative share of each of these disbursements in the current expenditure of the central government recorded for most of the Latin American countries in recent years.[a]

Total gross investment includes fixed capital formation and changes in inventories. The latter represents an average of 6.5 per cent of the total. The gross capital formation coefficient of 15.5 per cent of the gross product is approximately the average for Latin America.

It has already been explained in the text how the total personal income was obtained on the basis of the gross domestic product, and how the distribution of this income between the four social sectors was determined.

Government transfers to families include retirement and other pensions and benefits. They were allocated between the four categories of families by taking as a basis the benefits granted by the social security system to the various types of insured persons in certain Latin American countries according to the statistics given in the ILO yearbooks.

The amount of indirect taxes was estimated as a weighted average of the indirect tax burden for the various Latin American countries. The weighting factor used was the total domestic product of each of these countries in 1959, expressed in 1950 dollars. The data were obtained from the source referred to in footnote *a* above.

In addition to indirect taxes proper, employers' contributions to social security systems were also included in the estimate. In allocating the indirect tax burden between each of the four categories of income, the procedure followed was to apply to an estimated structure of consumption rates of indirect taxation, for the various types of goods, that were considered more or less representative of the average for Latin America. The consumption structures were determined on the basis of the information for thirty countries, together with individual data on the structure of consumption by groups in Latin America. The rates of indirect taxation were established mainly by reference to a study on Argentina,[b] and to various items of information, not systematically compiled, for other Latin American countries.

The extent of the direct tax burden was estimated by using the same method as for indirect taxes. The allocation of this burden by income brackets must be regarded as highly tentative; it is based on various items of information,[c] in particular data for Chile.

The employers' contributions also represent an average for the values recorded for various Latin American countries according to statistics given in the ILO yearbooks. The social security contributions of insured persons were considered as direct taxes. The data were obtained from the statistics for Latin American countries published in the ILO yearbooks. The payments made by each category were calculated on the basis of selected figures for Argentina, Brazil, Chile, Ecuador and Venezuela, from the same source.

In estimating the proportion of the savings on current account by the Government, use was made of an average coefficient obtained for seven Latin American countries for which information was available for recent years. In accordance with current practice, these government savings are calculated before deduction of social capital depreciation of such goods as roads, hospitals and schools. This means that we are dealing with gross rather than net savings, although on the other hand it should be borne in mind that the value of government services does not normally include capital depreciation.

The value for private savings was obtained as the difference between total investment, and depreciation, government savings and net external financing. The distribution of these savings between the various categories of income was a difficult task because of the absolute lack of information on this subject in Latin America. Nevertheless, on the basis of certain data for Chile, international comparison between countries with different levels of income [d] and other piecemeal information, a highly tentative estimate was arrived at of the rates that might be considered to apply to each of the social sectors.

The coefficient representing the payments to external factors of production was estimated on the basis of the balance of payments

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[a] The statistics were obtained from the United Nations *Statistical Yearbook* (section covering public finance).

[b] Federico Julio Herschel, " Comentarios al documento *El papel de la tributación en el desarrollo económico*, presentado por Nicholas Kaldor " (CPF-DB-3/Add.2), Conference on Fiscal Policy, Santiago, Chile, 5-14 December 1962.

[c] Other sources used were the studies previously referred to by Ifigenia M. de Navarrete on Mexico and by Car. S. Shoup on Venezuela and the study by S. Plasschaert, *Taxable Capacity in Developing Countries*, published by the International Bank for Reconstruction and Development (IBRD) in 1962.

[d] See United Nations, *National Accounts Statistics*, New York (for various years).

for Latin America as a whole. This was also the source of the basic information used to estimate the coefficient of government expenditure abroad.

2. Redistribution of income through the public sector

For lack of data, table 73 includes only the most obvious — and perhaps most important — forms of the redistribution of income by the Government to families by way of retirement and other pensions, education and public health. Broadly speaking these estimates are only approximations. For public health, however, data were used from the study made by the sixteenth Pan American Sanitary Conference,[e] and it was assumed that the total amount for these services should be allocated to families in catagories I and II.

As in table 68, all the figures are expressed in relation to 1,000 units of the gross domestic product.

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[e] See Pan American Sanitary Bureau, *Summary of Four-year Reports on Health Conditions in the Americas 1957-60*, Washington, July 1962.

Part III

ANALYSIS OF ECONOMIC DEVELOPMENT BY GROUPS OF COUNTRIES

In this part there will be no attempt at an over-all interpretation or evaluation of the process of economic development in each of the Latin American countries. This task is beyond the scope of the present document, and furthermore, not all the information required for such as study is available. However, an attempt has been made to pursue further, and in greater detail, the analysis and general conclusions given in chapter I of part I from the more particular and specific standpoint of the groups of countries, and in some cases of individual countries.

With these limited aims, the analysis in the preceding chapter of the trends in growth rate, the impact of the external sector, import substitution, and changes in the structure of production will be extended in this part for each of the selected groups of countries.

Chapter 1

COUNTRIES IN GROUP A: ARGENTINA, BOLIVIA, CHILE, PARAGUAY AND URUGUAY

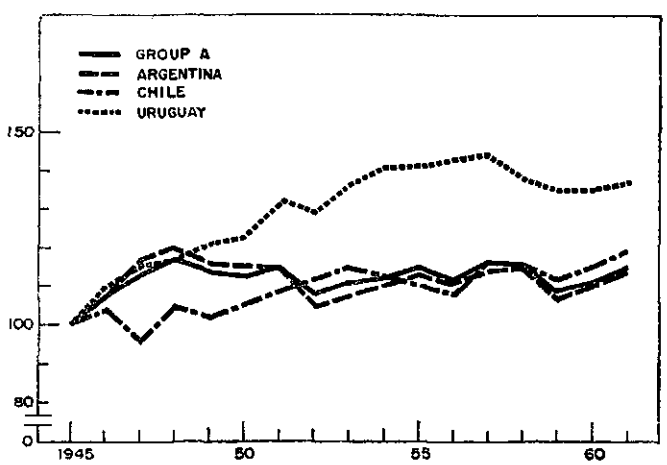
1. Growth rate and impact of the external sector

The countries in this group are those that have had the slowest growth rates during the post-war period. The growth rate for all of them declined during the fifties, with the exception of Chile, where during the first half of this period there was a marked recovery, although subsequently it was also affected by the change that was felt throughout Latin America (see figures XV, XVI and XVII). The falling off in the growth rate was relatively greater in Argentina, Bolivia and Uruguay.[1]

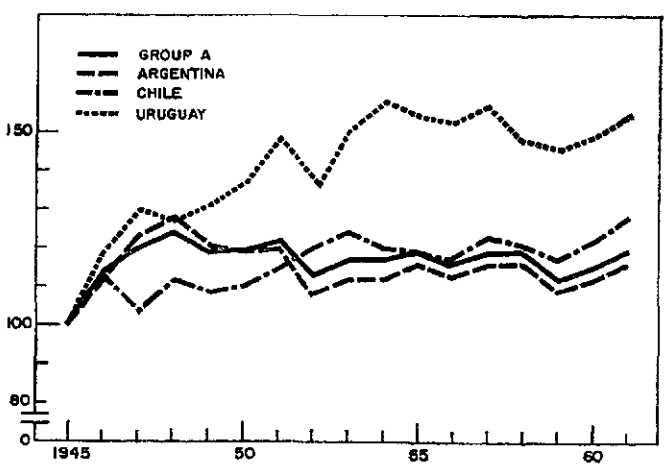
[1] For Uruguay, and also for Paraguay, complete statistical data are not available. Nevertheless, provisional estimates have been used and these are included in the total figures for the group.

FIGURE XV
Countries of group A
(Indices 1945 = 100)
Natural scale

INDICES OF GROSS DOMESTIC PRODUCT PER CAPITA



INDICES OF GROSS INCOME PER CAPITA



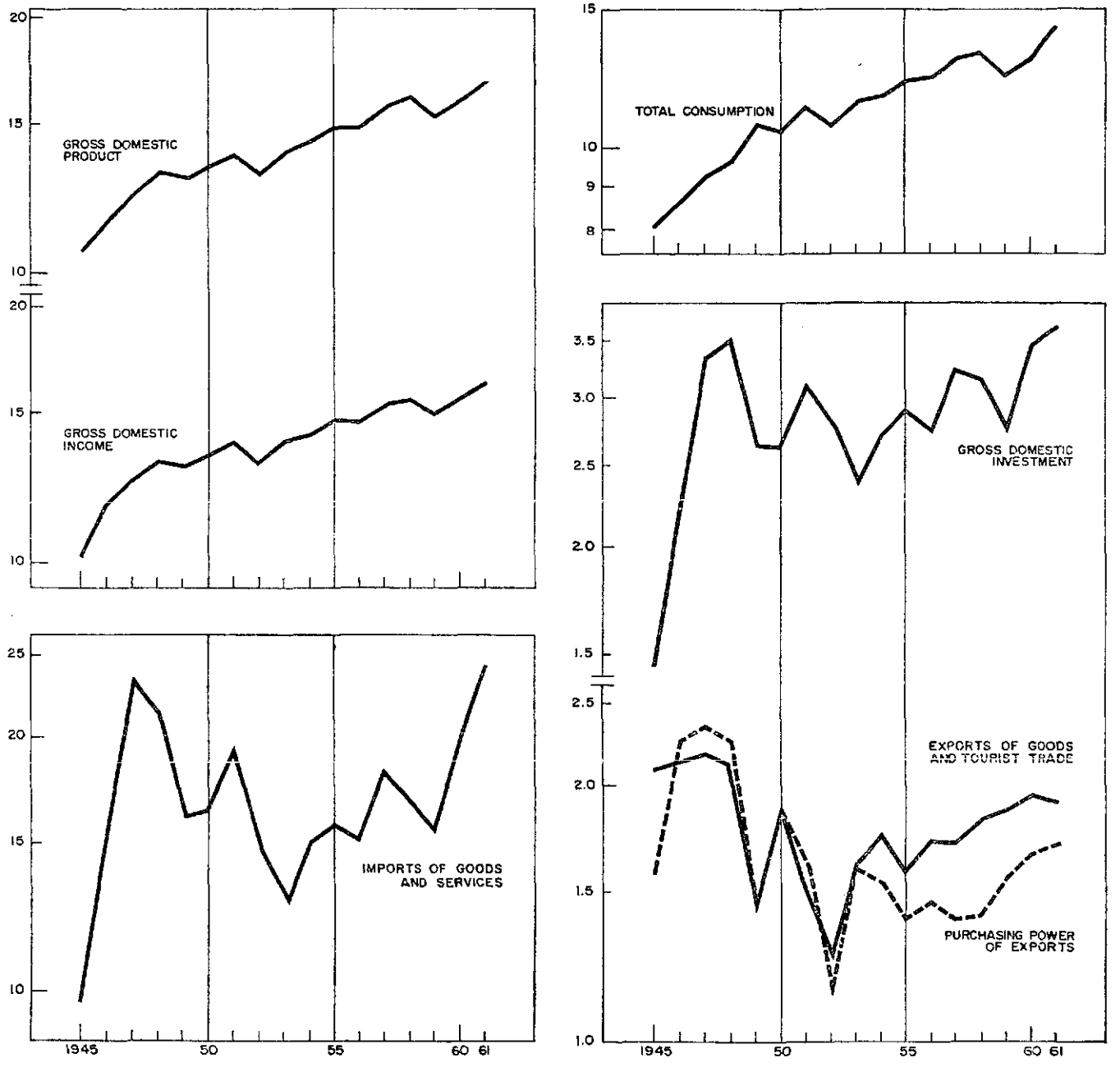
Source: ECLA, based on national statistics.

FIGURE XVI

Countries of group A: Product, imports and final demand

(MILLIONS OF 1950 DOLLARS)

Semi-logarithmic scale



SOURCE: ECLA, based on national statistics.

During the post-war period in ARGENTINA the trend was represented by an annual growth rate of 2.1 per cent in the product and 1.9 per cent in real income. As there was a declining trend in the volume of exports (1.1 per cent) and even more so in the purchasing power of exports (3.3 per cent), Argentina represents the special case of a Latin American country whose volume of imports fell off during the period under consideration despite the increase in external financing during the second half of the fifties, which was even greater in 1961.

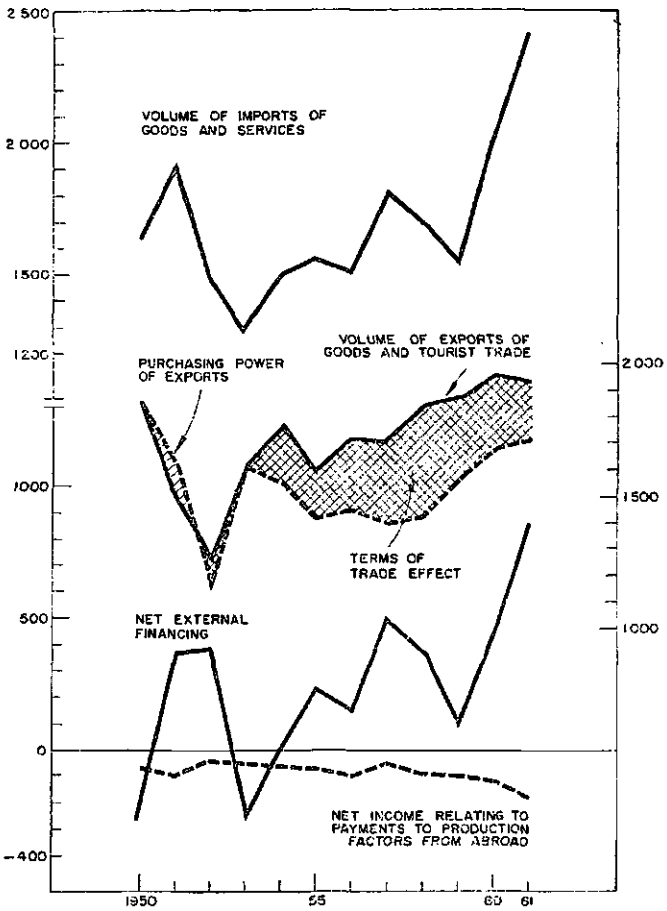
During the first post-war years the volume of Argentine exports was relatively high, and the terms of trade developed favourably up to 1948. Imports expanded to such a point that by 1947 they had reached their highest point for the whole post-war period; during the first five-year period (1945-50) the annual average amounted to 1,050 million dollars, and the coefficient in relation to the product was 11.6; the domestic product grew at a rate of 5 per cent and real income at a higher rate (5.9 per cent) (see tables 85, 86 and 87).

FIGURE XVII

Countries of group A: Evolution of the external sector in the period 1950-61

(MILLIONS OF 1950 DOLLARS)

Natural scale



SOURCE: ECLA, based on national statistics and data from the International Monetary Fund.

During 1950-54 exports contracted sharply (by 30 per cent) and the terms of trade began to take an unfavourable turn. This is why imports fell to 900 million dollars,[2] a drop of 15 per cent compared with the previous period. As the domestic product increased by a total amount of 10 per cent, the import coefficient dropped to 9.1 per cent.

In 1955-61 exports recovered, increasing by an average of 20 per cent, but the deterioration in the terms of trade had such an effect that the purchasing power of exports was 1 per cent lower than the annual average for the period 1950-54. The resort to external financing attained an average net figure of 210 million dollars *per annum*, that is, five times more than in earlier years, and in 1961 rose even higher (to 530 million dollars), but imports recovered only their 1945-49 level (1,050 million dollars). During this period the domestic product grew at a somewhat slower annual rate (1.9 per cent), with an import

[2] The figures in dollars given in this chapter are in terms of 1950 prices, unless otherwise indicated.

TABLE 85

Countries of group A: Evolution of gross product and real income, total and per capita, cumulative annual rates by periods

(Percentages)

Country and period	Total		Population	Per capita	
	Gross product	Real income		Gross product	Real income
Total:					
Argentina, Bolivia, Chile, Paraguay and Uruguay					
1945-50	4.6	5.6	2.1	2.5	3.5
1950-55	2.4	2.1	2.1	0.3	—
1955-61	2.0	2.0	2.0	—	—
Argentina					
1945-50	5.0	5.9	2.2	2.8	3.7
1950-55	2.0	1.6	2.2	−0.2	−0.5
1955-61	1.9	1.9	1.8	0.1	—
Bolivia					
1945-50	1.9	3.2	1.9	—	1.3
1950-55	0.9	1.6	2.0	−1.1	−0.3
1955-61	0.7	1.1	2.2	−1.6	−1.1
Chile					
1945-50	2.8	3.9	1.9	1.0	2.0
1950-55	3.1	3.7	2.2	0.9	1.5
1955-61	3.7	3.3	2.4	1.2	1.0

SOURCE: ECLA, based on national statistics.

coefficient (9.2) that appeared to make any further contraction difficult.

Thus, during the fifties real per capita income maintained its downward trend, dropping from a negative rate of 0.5 in 1950-55 to a virtual standstill in 1955-61. One contributing factor was the slow growth of the domestic product, further slowed by the effect of a deterioration in the terms of trade, that during the second half of the decade represented 2.6 per cent of the product.

Clearly this led to a squeezing of the Argentine economy, first by the violent drop in exports, and secondly by the further deterioration of the terms of trade when purchases abroad began to rise again. After 1960 exports again began to decrease and the terms of trade continued to have a lowering effect on their purchasing power, and although the country was able to reduce expenditure in foreign currency by substitution of fuels, the demand for imports and the new financial undertakings continued to exert pressure. All this contributed to keeping the country's balance of payments in a critical state.

BOLIVIA also presents a depressing picture of stagnation in the external sector and in its economy as a whole. During the post-war period the average growth rate of the domestic product was 0.8 per cent, a rate lower than that of the population growth (2.1 per cent). Moreover, exports declined steadily.

Since 1952, when the main mining enterprises were nationalized and other basic reforms of the economic system were undertaken, the Bolivian economy has undergone a process of rehabilitation that is still con-

TABLE 86

Countries of group A: Product, real income, investment and external sector

(Millions of 1950 dollars)

Country and period	Gross product	Real income	Total investment	Total consumption	Volume of exports [a]	Terms of trade effect	Payment to external production factors	Net external financing	Imports of goods and services
Total;									
Argentina, Bolivia, Chile, Paraguay and Uruguay									
1945-49	12,170	12,159	2,636	9,254	2,000	−11	157 [a]	−32 [b]	1,720
1950-54	13,752	13,712	2,710	11,012	1,600	−40	42	71	1,570
1955-61	15,748	15,458	3,115	12,633	1,810	−290	100	381	1,810
1958	16,108	15,673	3,147	12,814	1,848	−435	79	367	1,701
1959	15,436	15,122	2,749	12,382	1,881	−314	85	94	1,576
1960	16,048	1,778	3,439	12,673	1,955	−270	116	450	2,019
1961	16,888	16,678	3,616	13,750	1,932	−210	170	853	2,410
Argentina									
1945-49	9,049	9,054	2,240	6,545	1,316	5	69 [a]	−111 [a]	1,052
1950-54	10,006	9,924	2,208	7,744	961	−82	12	40	907
1955-61	11,426	11,131	2,565	8,744	1,165	−295	36	214	1,048
1958	11,736	11,366	2,663	8,903	1,245	−370	27	228	1,075
1959	11,123	10,840	2,262	8,529	1,266	−283	39	−10	934
1960	11,588	11,323	2,844	8,617	1,277	−265	53	192	1,150
1961	12,251	11,975	2,952	9,466	1,169	−276	93	536	1,336
Bolivia									
1945-49	234	237	26	211	93	3	13 [a]	13 [a]	96
1950-54	252	262	33	239	71	10	1	9	91
1955-61	253	266	39	257	63	13	2	32	106
1958	245	253	35	259	54	8	2	43	103
1959	252	266	37	259	60	14	−3	27	104
1960	258	271	38	269	51	13	3	40	100
1961	270	287	40	282	53	17	1	33	105
Chile									
1945-49	1,701	1,720	183	1,532	320	19	16 [a]	53 [a]	334
1950-54	2,040	2,072	208	1,833	290	32	26	18	291
1955-61	2,420	2,446	263	2,209	344	26	56	82	396
1958	2,475	2,455	241	2,248	319	−20	45	79	333
1959	2,448	2,443	225	2,201	361	−5	45	29	339
1960	2,568	2,576	287	2,358	399	8	54	123	476
1961	2,693	2,720	369	2,535	403	27	69	252	614

SOURCE: ECLA, based on national statistics. [a] Including tourist trade. [b] 1946-49 average.

TABLE 87

Countries of group A: Real income, investment and external sector as a percentage of gross domestic product

Country and period	Real investment	Real consumption	Total consumption	Volume of exports [a]	External terms of trade effect	Payment to external production factors	Net external financing	Imports of goods and services
Total group A:								
Argentina, Bolivia, Chile, Paraguay and Uruguay								
1945-49	99.9	21.7	76.0	16.4	−0.1	1.3	−0.3	14.1
1950-54	99.7	19.7	80.1	11.6	−0.3	0.3	0.5	11.4
1955-61	98.2	19.8	80.2	11.5	−1.8	0.6	2.4	11.5
1958	97.3	19.5	79.6	11.5	−2.7	0.5	2.3	10.6
1959	98.0	17.8	80.2	12.2	−2.0	0.6	0.6	10.2
1960	98.3	21.4	79.0	12.2	−1.7	0.7	2.8	12.6
1961	98.8	21.4	81.4	11.4	−1.2	1.0	5.1	14.3

[a] Including tourist trade.

TABLE 87 *(continued)*

Countries of group A: Real income, investment and external sector as a percentage of gross domestic product

Country and period	*Real investment*	*Real consumption*	*Total consumption*	*Volume of exports a*	*External terms of trade effect*	*Payment to external production factors*	*Net external financing*	*Imports of goods and services*
Argentina								
1945-49	100.1	24.8	72.3	14.5	0.1	0.8	−1.2	11.6
1950-54	99.2	22.1	77.4	9.6	−0.8	0.1	0.4	9.1
1955-61	97.4	22.4	76.5	10.2	−2.6	0.3	1.9	9.2
1958	96.8	22.7	75.9	10.6	−3.2	0.2	1.9	9.2
1959	97.5	20.3	76.7	11.4	−2.5	0.4	−0.1	8.4
1960	97.7	24.5	74.4	11.0	−2.3	0.5	1.7	9.9
1961	97.7	24.1	77.3	9.5	−2.3	0.8	4.4	10.9
Bolivia								
1945-49	101.3	11.1	90.2	39.7	1.3	5.6	5.6	41.0
1950-54	104.0	13.1	94.8	28.2	4.0	0.4	3.6	36.1
1955-61	105.1	15.4	101.6	24.9	5.1	0.8	12.6	41.9
1958	103.3	14.3	105.7	22.0	3.3	0.8	17.6	42.0
1959	105.6	14.7	102.8	23.8	5.6	−1.2	10.7	41.3
1960	105.0	14.7	104.3	19.8	5.0	1.2	15.5	38.8
1961	106.3	14.8	104.4	19.6	6.3	0.4	12.2	38.9
Chile	101.1	10.8	90.1	18.8	1.1	3.9	3.1	19.6
1950-54	101.6	10.2	89.9	14.2	1.6	1.3	0.9	14.3
1955-61	101.1	10.9	91.3	14.2	1.1	2.3	3.4	16.4
1958	99.2	9.7	90.8	12.9	−0.8	1.8	3.2	13.5
1959	99.8	9.2	89.9	14.7	−0.2	1.8	1.2	13.8
1960	100.3	11.2	91.8	15.5	0.3	2.1	4.8	18.5
1961	101.0	13.7	94.1	15.0	1.0	2.6	9.4	22.8

SOURCE: ECLA, based on national statistics.

a Including tourist trade.

tinuing. The difficult initial conditions were aggravated by other adverse factors. In fact there was a marked weakening of the international market for Bolivia's main export product, tin; this resulted in prices lower than those for earlier periods, and for some time there were quantitative restrictions on exports.

The purchasing power of exports fell to an average annual rate of 2.2 per cent. However, the volume of imports increased, albeit slowly at an annual rate of 0.9 per cent (see tables 88 and 89), as a result of the relatively substantial external financing that has been made available to Bolivia. In fact external aid, provided almost entirely by the Government of the United States, rose to an average of 25 million dollars a year.

As a consequence of the process described above, the per capita product and income tended to decline from the beginning of the fifties, and although there was some improvement in 1958, 1961 levels were even lower than those for 1955.

Over the long term CHILE had an annual growth rate in the product and domestic income of about 3.3 per cent. Its exports, unlike those of Argentina and Bolivia, tended to increase, although slowly (an annual rate of 0.7 per cent). The growth of imports was limited by the behaviour of the purchasing power of exports, but as a result firstly of an increase in credits from abroad, and secondly of the use of monetary reserves accumulated during the war, imports increased at an average annual rate of 2.4 per cent during 1945-61, which is, in any case, less than the rate of growth of the product.

In the first half of the fifties the annual growth rate increased to 3.1 per cent for the total product, and even more for income (3.7 per cent). The factors responsible for this increase included the favourable course followed since the end of the war by the terms of trade, and the

TABLE 88

Countries of group A: Rate of growth of final demand and available resources, annual cumulative rates between the period 1945-49 and 1955-61

	Group A	*Argentina*	*Bolivia*	*Chile*
Real income	2.2	1.9	1.0	3.3
Domestic product	2.4	2.1	0.8	3.3
Imports	0.5	—	0.9	1.6
Consumption	2.9	2.7	1.8	3.4
Private	3.0	2.9	1.6	3.3
Public	2.2	1.7	5.2	3.9
Exports				
Volume of goods and tourist trade	−0.9	−1.1	−3.5	0.7
Purchasing power	−2.4	−3.8	−2.2	0.8
Total gross investment	1.5	1.2	3.7	3.3
Fixed investment	2.0	1.8	3.8	4.1
Public	−0.3	−1.1	15.8	4.1
Private	3.0	3.1	−1.3	3.8

SOURCE: ECLA, based on national statistics.

TABLE 89

Countries of group A: Evolution of the structure of supply and final demand as a percentage of the total

Year	Total supply					Total demand				
			Imports			Public and private consumption	Exports a	Gross investment		
	Total	Domestic product	Total	Goods	Net services			Total	Fixed	Changes in inventories
1945-49	100.0	87.6	12.4	10.8	1.6	66.6	14.4	19.0	18.1	0.9
1950	100.0	89.0	11.0	9.3	1.7	69.9	12.5	17.6	18.0	—0.4
1951	100.0	87.9	12.1	10.4	1.7	70.9	9.6	19.5	18.2	1.3
1952	100.0	89.8	10.2	8.9	1.3	72.4	8.6	19.0	17.8	1.2
1953	100.0	91.5	8.5	7.4	1.1	73.9	10.6	15.5	16.2	—0.7
1954	100.0	90.5	9.5	8.3	1.2	72.0	11.0	17.0	16.5	0.5
1955	100.0	90.5	9.5	8.3	1.2	72.9	9.6	17.5	17.3	0.2
1956	100.0	90.8	9.2	8.1	1.1	73.0	10.5	16.5	16.7	—0.2
1957	100.0	89.6	10.4	9.1	1.3	71.9	9.8	18.3	18.7	—0.4
1958	100.0	90.4	9.6	8.4	1.2	71.9	10.4	17.7	17.9	—0.2
1959	100.0	90.7	9.3	8.0	1.3	72.7	11.1	16.2	16.2	—
1960	100.0	88.8	11.2	9.5	1.7	70.2	10.8	19.0	18.7	0.3
1961	100.0	87.5	12.5	10.5	2.0	71.3	10.0	18.7	18.8	—0.1
Average by periods										
1945-49	100.0	87.6	12.4	10.8	1.6	66.6	14.4	19.0	18.1	0.9
1950-54	100.0	89.8	10.2	8.9	1.3	71.9	10.4	17.7	17.3	0.4
1955-61	100.0	89.7	10.3	8.9	1.4	72.0	10.3	17.7	17.8	—0.1

SOURCE: ECLA, based on national statistics. a Including tourist trade.

Government's policy of promoting the development of certain basic industries. After 1955 the trend in the terms of trade was reversed and became unfavourable, and the growth rate of income fell to only 3.3 per cent; and in the period 1955-61 the product and real per capita income both showed growth rates of barely over 1 per cent.

Let us now turn to the course followed by Chile's external sector in relation to the domestic product and income. In 1950-54 the average quantum of exports was lower than for the preceding five years, but the terms of trade improved and the purchasing power of exports showed only a slight drop. With a reduced net external financing (18 million dollars) there was a slight drop of 10 per cent in imports. The average domestic product for the period was 20 per cent higher than for the preceding period, but this was achieved by a drop in the import coefficient from 19.6 to 14.3, representing a substitution process of appreciable extent.

During the period 1955-61 the quantum of exports increased as a result of an increase in the production of copper and the addition of new export products such as steel, iron and paper. The terms of trade deteriorated slightly, and the final result was an increase of 15 per cent in the country's purchasing power. External financing, which had amounted in the preceding period to 18 million dollars a year, rose to 82 million, which enabled average annual imports to increase by 32 per cent. However, the domestic product grew less than imports, and consequently the import coefficient tended to rise in relation to the former. This index was strongly affected by the year 1960, when the south of the country was ravaged by earthquakes, and imports rose to 480 million dollars compared with 340 million in 1959.

2. EVOLUTION OF IMPORTS AND CHANGES IN THEIR COMPOSITION

ARGENTINA restricted imports severely in the fifties, to such an extent that they tended to decrease in absolute terms, whereas the domestic product continued to increase, although slowly. In fact if the analysis is confined to a comparison between the volume of imports for the periods 1948-49 and 1959-60, the result is a decrease of 15 per cent. The annual average for imports in 1948-49 was 1,615 million dollars (at 1955 prices); but this fell to an average of 1,370 million for 1959-60.

Thus there was a reduction of 24 million dollars. The items that contributed to this decline were non-metal intermediate products (100 million dollars); building materials (90 million); capital goods (80 million); and consumer goods (50 million). On the other hand, there was a rise in imports of fuels (45 million dollars) and metal intermediate products (25 million). That is, the sharp constriction of imports affected non-durable consumer goods, some raw materials, and capital goods. On the other hand, there was an increase in external purchases of fuels and metal intermediate goods. Imports of durable consumer goods reached a level of 100 million dollars, which was close to the level for the period 1948-49 (see table 90).

At the end of the fifties there is no doubt that the composition of Argentine imports was extremely rigid. It should be noted that only 5 per cent of the total represented non-durable consumer goods, which were mainly traded for similar products with neighbouring countries, whereas nearly 90 per cent of imports consisted of fuels, intermediate products and capital goods, which have a direct effect on the level of current economic activity and

TABLE 90

Countries of group A: Composition of imports, annual averages

(Millions of 1955 dollars)

Sector	Total group A		Argentina		Bolivia		Chile	
	1948-49	1959-60	1948-49	1959-60	1948-49	1959-60	1948-49	1959-60
Consumer goods	343.3	330.9	218.4	168.9	22.0	26.7	46.6	88.3
Non-durable	213.8	189.1	116.8	65.4	17.5	20.2	35.3	68.9
Durable	129.5	141.8	101.6	103.5	4.5	6.5	11.3	19.4
Fuels	233.3	342.3	171.5	216.2	5.3	2.9	36.3	50.6
Raw materials and intermediate goods	854.9	839.0	602.1	527.2	30.4	25.7	142.4	173.5
Metallic	194.9	226.1	160.5	185.6	2.6	1.8	20.6	15.0
Non-metallic	660.0	612.9	441.6	341.6	27.8	23.9	121.8	158.5
Capital goods	870.4	687.4	614.4	448.1	26.7	23.7	161.8	159.8
Building materials	178.8	82.4	138.2	53.1	5.4	4.6	22.4	19.3
Machinery and equipment for agriculture	66.5	60.0	48.9	48.4	0.8	0.4	10.7	8.5
Machinery and equipment for industry	386.3	379.6	273.5	243.8	13.9	15.5	64.4	87.4
Machinery and equipment for transport	238.8	165.4	153.8	102.8	6.6	3.2	64.3	44.6
Other	12.0	13.1	9.1	8.5	0.5	0.6	0.4	2.5
TOTAL	2,313.9	2,212.5	1,615.5	1,368.6	84.8	79.5	387.5	474.4

SOURCE: ECLA, based on national statistics.

TABLE 91

Countries of group A: Composition of imports as a percentage of the total

Sector	Total group A		Argentina		Bolivia		Chile	
	1948-49	1959-60	1948-49	1959-60	1948-49	1959-60	1948-49	1959-60
Consumer goods	14.8	14.8	13.5	12.3	25.9	33.6	12.0	18.6
Non-durable	9.2	8.5	7.2	4.8	20.6	25.4	9.1	14.5
Durable	5.6	6.3	6.3	7.5	5.3	8.2	2.9	4.1
Fuels	10.1	15.9	10.6	15.8	6.1	3.6	9.4	10.7
Raw materials and intermediate goods	37.0	38.2	37.4	38.5	35.8	32.3	36.7	36.6
Metallic	8.5	10.3	9.9	13.6	3.1	2.3	5.3	3.2
Non-metallic	28.5	27.9	27.3	24.9	32.7	30.0	31.4	33.4
Capital goods	37.6	30.7	38.0	32.7	31.5	29.8	41.8	33.7
Building materials	7.7	3.8	8.6	3.9	6.4	5.8	5.8	4.1
Machinery and equipment for agriculture	2.9	2.6	3.0	3.5	0.9	0.5	2.8	1.8
Machinery and equipment for industry	16.7	17.1	16.9	17.8	16.4	19.5	16.6	18.4
Machinery and equipment for transport	10.3	7.2	9.5	7.5	7.8	4.0	16.6	9.4
Other	0.5	0.6	0.6	0.6	0.6	0.8	0.1	0.5
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: ECLA, based on national statistics.

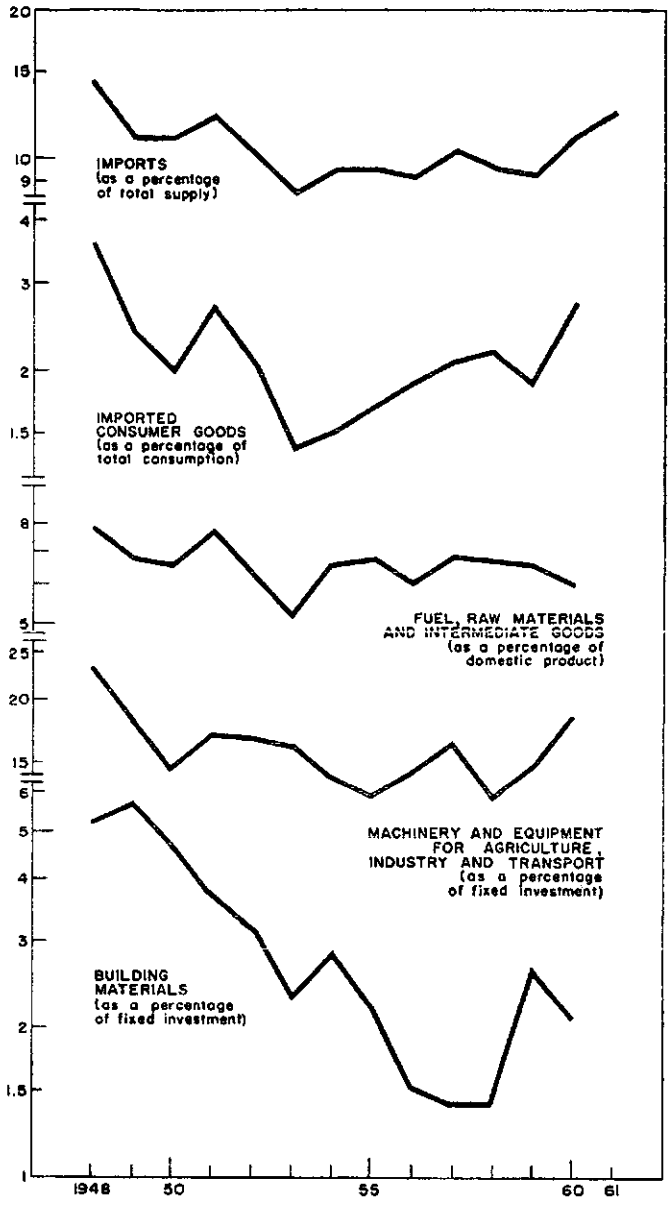
the future growth of income (see table 91). After 1960 the relative importance of fuel imports must have been reduced as a result of the policy of substitution adopted in this respect.

This analysis may usefully be completed by examining (as was done for Latin America as a whole) the course of the various types of imports compared with final demand and the domestic product, in order to obtain more precise indications as to the development of substitution or the incidence of measures to restrict purchases abroad. The relevant statistical data is given in table 92 and figure XVIII. These show that there was a reduction

FIGURE XVIII

Countries of group A: Evolution of the imports coefficient, and by kinds of goods total

Semi-logarithmic scale



SOURCE: ECLA, based on national foreign trade statistics.

of the share of imports of non-durable consumer goods in total domestic consumption, which implies that the substitution process continued in this branch. The same applied to imports of building materials, whose share has been declining in the last few years in comparison with gross domestic investment.

The total coefficient of imported inputs of intermediate goods in relation to the domestic product has tended to decrease since 1948; this has had a particularly marked effect on the substitution of metal intermediate products, but it may also be contributing to the slow growth of the industrial sector, in conjunction with certain changes in its structure of production.

The ratio between the evolution of domestic investment and that of imports of capital goods would seem to indicate that in the fifties, import substitution of capital goods attained a relatively large scale. However, it should be borne in mind that the coefficient of the import content in domestic investment has been influenced to some extent by the measures to restrict imports and by the slow growth of the domestic economic activity. The fact that when domestic investment rose in the last few years, there was a corresponding movement in the import coefficient, throws a clear light on this situation.

Fuels provide the clearest demonstration that imports increased during the fifties in a greater proportion than the product, a situation that has been reversed since 1960 as a result of large-scale substitution.

In CHILE the average growth rate of imports during the post-war period was 1.6 per cent, whereas the product and income increased at an annual rate of 3.3 per cent. In the fifties the income elasticity of actual imports must have been still lower than that shown by these variations in the long-term trend, to judge by figures for 1948-49 and 1959-60.

In fact, imports increased by 21 per cent and the product and income by about 40 per cent. The increase in imports centred mainly on consumer goods, fuels and non-metal intermediate products. There was a significant drop in metal products and building materials, which indicates that the substitution process and domestic industrial development concentrated on these items.

As a result of these developments there was an increase in the last few years in the import content of total domestic consumption. Purchases of fuels abroad continued to increase in absolute terms, but more slowly than the growth of the product, because of the substitution being effected through the domestic production of hydrocarbons. The converse of the process described for imports of consumer goods took place as regards the share of building materials in domestic investment, and of the inputs of intermediate goods in the domestic product. This is the result of the development that took place in the metal-transforming industry and, in particular, the steel industry. Thus there was a change in the composition of imports in 1959-60 as compared with those for 1948-49. The new structure is distinguished by the larger share of non-durable consumer goods, which increased from 9 to 14 per cent. The drop in the absolute values of imports of transport items is the cause of the smaller share of capitals goods.

3. SECTORAL GROWTH AND CHANGES IN THE STRUCTURE OF PRODUCTION

The slow growth of the production of goods is the most striking feature of the production statistics for ARGENTINA. The growth rate of the product was exceeded by the growth rate of production only in petroleum extraction, quarrying and mining, and was equalled by the production growth rate in construction activities. But what is very significant in relation to the general picture of economic development in Argentina is that official statistics show growth in the manufacturing industries to have been relatively slow. Moreover, agricultural pro-

TABLE 92

Countries of group A: Evolution of the import coefficient

Year or period	*Imports of consumer goods (as a percentage of total consumption)*		*Imports of capital goods (as a percentage of total fixed investment)*		*Raw materials, intermediate goods and fuels (as a percentage of total gross product)*	
	Durable	*Non-durable*	*Building materials*	*Machinery and equipment*	*Raw materials and intermediate goods*	*Fuels*
Total group						
1948-49	1.1	1.9	5.4	20.9	5.8	1.6
1950-54	0.7	1.3	3.3	15.7	4.8	1.7
1955-59	0.7	1.2	1.8	14.1	4.7	1.9
1959	0.7	1.2	2.6	14.5	4.5	2.2
1960	1.3	1.4	2.1	18.7	4.6	1.4
Argentina						
1948-49	1.2	1.4	4.9	16.8	5.4	1.5
1950-54	0.6	0.7	2.7	11.2	4.2	1.7
1955-59	0.7	0.7	1.1	9.6	4.4	1.9
1959	0.7	0.5	2.0	11.0	4.0	1.9
1960	1.5	0.8	1.7	15.8	4.2	1.4
Bolivia						
1948-49	1.8	7.0	17.4	68.7	11.1	1.9
1950-54	1.6	7.1	9.5	45.9	9.1	1.6
1955-59	2.2	7.7	10.7	53.8	9.7	1.0
1959	2.1	6.4	10.2	43.1	8.6	0.9
1960	2.6	5.8	8.8	50.7	9.3	1.0
Chile						
1948-49	0.6	2.0	11.6	72.2	7.1	1.8
1950-54	0.5	1.6	8.2	47.1	6.2	1.7
1955-59	0.6	2.1	6.9	51.8	5.4	1.6
1959	0.7	2.4	8.6	50.3	5.1	1.9
1960	0.8	3.0	5.9	52.6	7.1	1.7

SOURCE: ECLA, based on national statistics.

duction did not suffice to meet the demand for domestic consumption and exports.

In sum, the trends in the post-war period show that while the production of goods as a whole increased at a rate of 1.7 per cent, the corresponding rate for services was 2.6 per cent. Thus the smaller share of agricultural production in the total product was not offset as might have been expected by a compensating movement in industrial production, whose contribution to total production in fact declined, but instead it was the services as a whole that accounted for the bulk of total growth.

In CHILE the predominating feature of the long-term trends in sectoral production was the slow growth of the activities related to agriculture. In fact, between 1945-49 and 1955-61 the agricultural sector's share in the total gross product fell from 14 to 12 per cent, and this slow growth affected the balance of payments, as we have seen, because in default of a sufficient expansion of the internal supply, it was necessary to resort to imports, especially of food products. The manufacturing industry grew at a slightly higher annual rate than the total product, while for mining and building the growth rate was lower. Consequently Chile also presents a picture of relatively slow growth in the production of goods in comparison with services, partly due to the sectoral imbalance of production and employment previously dealt with.[3]

To sum up, if a comparison is made between the structures of production of the years at each end of the post-war period, it can be seen that while there is a decline in the share of agricultural production, and that of the manufacturing industry and construction remains the same, there is a sharp increase in the contribution of the services taken as a whole.

[3] See part I, chapter I, section G, sub-section 3.

Chapter 2

COUNTRIES IN GROUP B: COLOMBIA, ECUADOR AND PERU

1. Growth rate and impact of the external sector

Colombia and Ecuador have also undergone the falling-off in the economic growth rate that affected Latin America as a whole in the fifties, while, in the first half of the decade, Peru increased its product growth rate, and from 1955 to 1959 there was a relative decline, but from 1960 there were already clear signs of a recovery, largely due to the marked expansion in the volume of exports (see table 93). The effect of the external sector on the product and income was pronounced, with a faster growth rate during the first post-war years, and a subsequent decrease (see figures XIX and XX and table 93).

Of the three countries, Colombia has the lowest import coefficient throughout the period. The development of Ecuador and Peru tended to show the structural growth trends typical of economies that are relatively more open to the outside world, with high rates of expansion in exports (between 8 and 9 per cent per annum) and in the demand for imports (3.5 per cent for Ecuador and 5.5 per cent for Peru). In Colombia, on the other hand, the growth rate of imports was relatively slower, and the country seems to have entered on the traditional stage of development of the external sector, through which other Latin American countries passed some time ago, namely, a contraction of the import coefficient by the substitution of consumer goods as a solution to the problem of inadequate purchasing power.

The economic development of Colombia during the post-war period is estimated as having resulted in an

Table 93

Countries of group B: Evolution of gross product and real income, total and per capita, cumulative annual rates by periods

(Percentages)

Country and period	Total		Population	Per capita	
	Gross product	Real income		Gross product	Real income
Total:					
Colombia, Ecuador and Peru					
1945-50	5.0	6.7	2.4	2.6	4.2
1950-55	5.2	5.0	2.6	2.5	2.3
1955-61	4.4	3.6	2.8	1.6	0.8
Colombia					
1945-50	4.7	6.7	2.6	2.0	4.0
1950-55	5.3	5.2	2.8	2.4	2.3
1955-61	4.0	3.5	2.8	1.2	0.7
Ecuador					
1945-50	9.2	11.5	2.8	6.2	8.4
1950-55	5.4	5.2	2.9	2.5	2.2
1955-61	4.2	3.1	3.2	1.1	−0.1
Peru					
1945-50	4.4	5.2	1.9	2.6	3.3
1950-55	5.1	4.4	2.2	2.8	2.2
1955-61	5.3	4.2	2.6	2.7	1.5

Source: ECLA, based on national statistics.

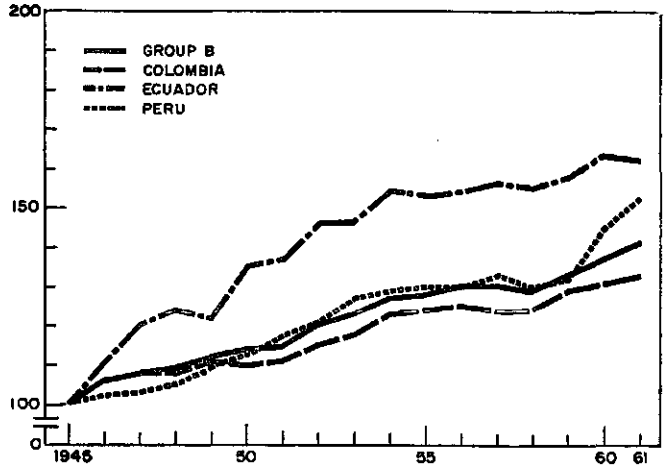
FIGURE XIX

Countries of group B

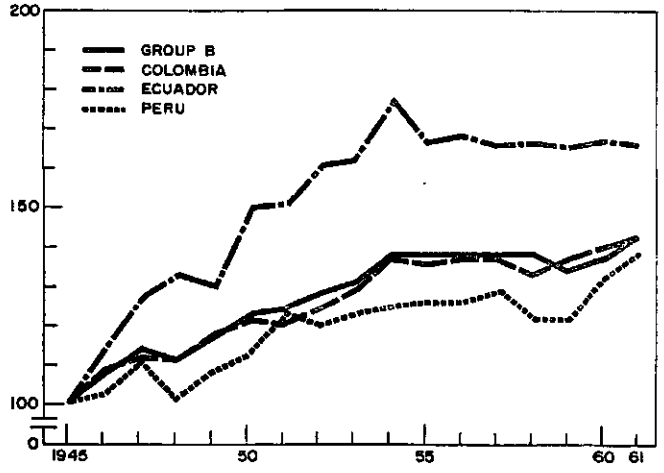
(Indices 1945 = 100)

Natural scale

INDICES OF GROSS DOMESTIC PRODUCT PER CAPITA



INDICES OF GROSS INCOME PER CAPITA



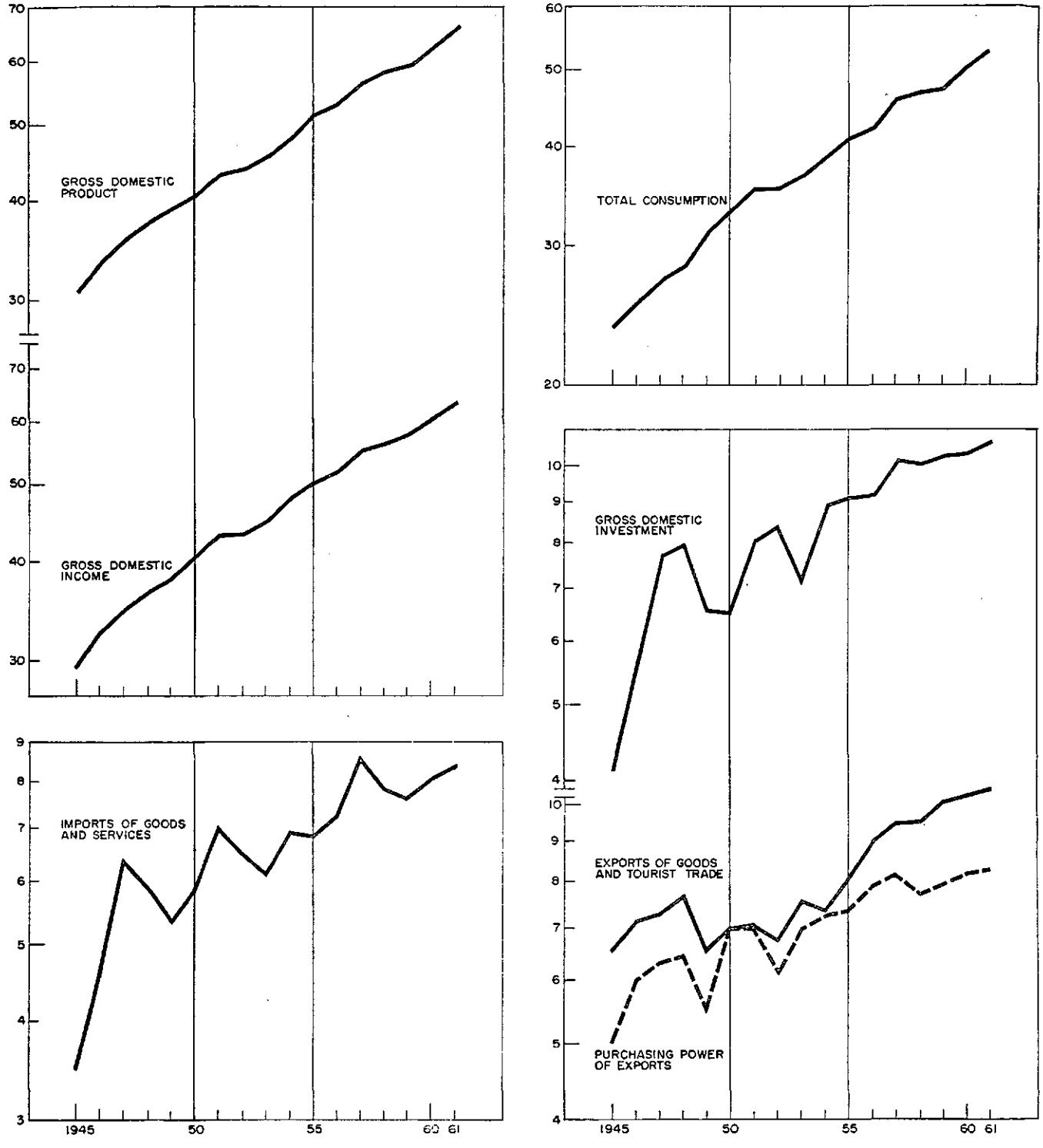
Source: ECLA, based on national statistics.

FIGURE XX

Countries of group B: Product, imports and final demand

(MILLIONS OF 1950 DOLLARS)

Semi-logarithmic scale



SOURCE: ECLA, based on national statistics.

average growth rate over the long term of 4.5 per cent for the product and 4.9 per cent for real income. The levels of the terms of trade were so low during the first post-war years that, despite the deterioration that occurred after 1955, this ratio tended to improve over the long term, although of course only if the last years of the decade are taken into account, since afterwards the deterioration sharpened. In 1945-61 the quantum of exports increased relatively slowly, but their purchasing power grew at an annual rate of 5 per cent.[1]

Up to 1955 Colombia's product increased steadily, at an annual rate of approximately 5 per cent, but during the period 1955-60 the rate slowed to 4.4 per cent, and the rate for real income declined even more, to 3.6 per cent. Thus real per capita income increased by only 0.8 per cent, since the population is increasing at an annual rate of 2.8 per cent. But this slight improvement took place in the years 1959, 1960 and 1961, since in the immediately preceding period per capita income was more or less at a standstill.

In the first post-war years Colombian exports were relatively high and the terms of trade took a favourable turn. Thus in 1945-49 the country attained a volume of imports estimated at an annual average of 330 million dollars. During the five-year period 1950-54 the volume of exports increased by an average of only 8 per cent, but their purchasing power increased by the extraordinary figure of 65 per cent, again compared with 1945-49 (see table 94). The increase in imports was also great, the average figure for the second period being 440 million dollars. Thus the economic expansion was accompanied by a demand for imports with an elasticity greater than unity.

In the following period (1955-61) the quantum of exports increased by 16 per cent, but as the course followed by the terms of trade was unfavourable, the lower purchasing power of exports had the effect of reducing this increase to 2 per cent. The unfavourable influence of the terms of trade was so great that it represented 5 per cent of the product in the years 1959, 1960 and 1961 (see table 95).

Imports for the period 1955-61 attained an annual average of only 460 million dollars, that is, slightly higher than for the preceding five-year period. The product growth rate decreased, but was able to maintain a level slightly above 4 per cent per annum, thus reducing the import coefficient. There was substitution of intermediate products and consumer goods that affected the growth of the product, and steps were taken to restrict

[1] See table 96.

TABLE 94

Countries of group B: Product, real income, investment and external sector

(Millions of 1950 dollars)

Country and period	*Gross product*	*Real income*	*Total investment*	*Total consumption*	*Volume of exports* [a]	*External terms-of trade effect*	*Payment to external production factors*	*Net external financing*	*Imports of goods and services*
Colombia									
1945-49	2,609	2,447	403	2,093	441	−162	11 [b]	60 [b]	328
1950-54	3,222	3,205	547	2,636	476	−17	24	2	437
1955-61	4,214	4,125	698	3,419	556	−89	30	21	459
1958	4,099	3,975	588	3,287	566	−124	51	−50	342
1959	4,385	4,228	621	3,523	619	−157	32	−53	378
1960	4,566	4,434	725	3,749	577	−132	35	75	485
1961	4,771	4,623	778	3,937	566	−148	43	122	510
Ecuador									
1945-49	309	292	39	260	56	−17	2 [b]	11 [b]	46
1950-54	441	442	56	372	85	+1	11	−4	72
1955-61	581	555	88	461	145	−26	19	13	113
1958	571	549	82	458	144	−22	19	10	113
1959	601	567	89	461	162	−34	20	3	111
1960	637	590	94	491	175	−47	19	15	123
1961	655	608	98	509	170	−47	22	21	122
Peru									
1945-49	933	932	152	787	173	−1	16 [b]	16 [b]	179
1950-54	1,209	1,198	221	991	233	−11	17	32	236
1955-61	1,561	1,467	269	1,211	404	−94	35	47	323
1958	1,488	1,397	255	1,207	348	−91	27	93	322
1959	1,548	1,431	181	1,235	398	−117	42	28	266
1960	1,740	1,600	254	1,273	510	−140	50	−25	297
1961	1,884	1,705	325	1,323	601	−179	45	−14	365

SOURCE: ECLA, based on national statistics. [a] Including tourist trade. [b] 1946-49 average.

TABLE 95

Countries of group B: Real income, investment and external sector as a percentage product

Country and period	Real income	Real investment	Total consumption	Volume of exports [a]	External of trade effect	Payment to external production factors	Net external financing	Imports of goods and services
Total group B:								
Colombia, Ecuador and Peru								
1945-49	95.3	15.6	81.3	17.4	−4.7	0.8 [b]	2.3 [b]	14.3
1950-54	99.4	17.0	82.1	16.2	−0.6	1.0	0.8	15.4
1955-61	96.7	16.5	80.3	17.3	−3.3	1.3	1.4	14.2
1958	96.1	15.1	80.4	17.2	−3.9	1.6	1.0	12.7
1959	95.3	13.6	79.9	18.1	−4.7	1.4	−0.3	11.6
1960	95.4	15.4	79.4	18.2	−4.6	1.4	0.9	13.0
1961	94.9	16.4	78.9	18.3	−5.1	1.5	1.9	13.7
Colombia								
1945-49	93.8	15.5	80.2	16.9	−6.2	0.4 [b]	2.3 [b]	12.6
1950-54	99.5	17.0	81.8	14.8	−0.5	0.7	0.1	13.6
1955-61	97.9	16.6	81.1	13.2	−2.1	0.7	0.5	10.9
1958	97.0	14.3	80.2	13.8	−3.0	1.2	−1.2	8.3
1959	96.4	14.2	80.3	14.1	−3.6	0.7	−1.2	8.6
1960	97.1	15.9	82.1	12.6	−2.9	0.8	1.6	10.6
1961	96.9	16.3	82.5	11.9	−3.1	0.9	2.6	10.7
Ecuador								
1945-49	94.5	12.6	84.2	18.1	−5.5	0.6 [b]	3.6 [b]	14.9
1950-54	100.2	12.7	84.4	19.3	+0.2	2.5	−0.9	16.3
1955-61	95.5	15.1	79.3	25.0	−4.5	3.3	2.2	19.4
1958	96.1	14.4	80.2	25.2	−3.9	3.3	1.8	19.8
1959	94.3	14.8	76.6	27.0	−5.7	3.3	0.5	18.5
1960	92.6	14.8	87.1	27.5	−7.4	3.0	2.4	19.3
1961	92.8	15.0	77.7	26.0	7.2	3.4	3.2	18.6
Peru								
1945-49	99.9	16.3	84.4	18.5	−0.1	1.7 [b]	1.7 [b]	19.2
1950-54	99.1	18.3	82.0	19.3	−0.9	1.4	2.6	19.5
1955-61	94.0	17.2	77.6	25.9	−6.0	2.2	3.0	20.7
1958	93.9	17.1	81.1	23.4	−6.1	1.8	6.2	21.6
1959	92.4	11.7	79.8	25.7	−7.6	2.7	1.8	17.2
1960	92.0	14.6	73.2	29.3	−8.0	2.9	−1.4	17.1
1961	90.5	17.3	70.2	31.9	−9.5	2.4	−0.7	19.4

SOURCE: ECLA, based on national statistics.

[a] Including tourist trade. [b] 1946-49 average.

imports of durable consumer goods and even capital goods (see table 96).

It is interesting to analyse, on the basis of the Colombian experience, the form in which the typical evolutionary process of the external sector took place in relation to the product and income. At the first stage, the sharp rise in income increased the demand for imports on the basis of an elasticity greater than unity, but at the next stage the fact that purchasing power remained stationary, despite the increase in the volume of exports, led to measures to restrict purchases abroad, and gave a further impetus to the substitution process (see tables 94 and 95). Thus the import coefficient, which in 1945-49 was 12.6, rose to 13.6 for 1950-54 and fell to 10.9 for 1955-61.

In this group of countries, ECUADOR had the most rapid growth rate for the period under consideration, the increase both in the product and in real income being estimated at an annual rate of 6 per cent. Exports grew even more rapidly, and imports expanded faster than income.

TABLE 96

Countries of group B: Rate of growth of final demand and available resources, annual cumulative rates between the periods 1945-49 and 1955-61

	Group B	Colombia	Ecuador	Peru
Real income	4.8	4.9	6.0	4.2
Domestic product	4.7	4.5	5.9	4.8
Imports	4.6	3.1	8.5	5.5
Consumption	4.6	4.6	5.3	4.0
Private	4.4	4.5	5.3	3.4
Public	6.8	6.0	5.4	8.7
Exports				
Volume of goods and tourist trade	4.6	2.1	9.0	8.0
Purchasing power	5.7	4.8	10.7	5.5
Total gross investment	5.4	5.1	7.7	5.3
Fixed investment	4.6	3.8	8.6	5.6
Public	7.7	6.0	8.5	13.9
Private	3.9	3.4	8.7	4.5

SOURCE: ECLA, based on national statistics.

In the first post-war years (1945-49) economic growth was spectacular; the annual growth rate was 9 per cent for the product and even higher for income. But this rate decreased by nearly half in the first years of the fifties. The decline persisted in the following years, while the population increased at an annual rate of 3.2 per cent. Consequently, during the period 1955-61 per capita income was practically at a standstill.

In 1955-61 the quantum of Ecuador's exports averaged 70 per cent more than for the preceding five-year period. The additional purchasing power that the country could have attained by this increase was largely offset by the deterioration in the terms of trade. Nevertheless, recourse to external financing made it possible to raise exports to a level 55 per cent above that for the first half of the decade.

In PERU, the long-term growth trend corresponded to an annual rate of 4.8 per cent, to judge by the statistical series available on the product. Imports grew more than income, and the same with exports, but the deterioration in the terms of trade resulted in only a slight increase in purchasing power during the period 1955-61. Imports were maintained at a high level, by means of an increase in external financing.

Table 97 and figure XXI show the evolution of the main economic variables for the three countries in group B considered as a whole.

2. EVOLUTION OF IMPORTS AND CHANGES IN THEIR COMPOSITION

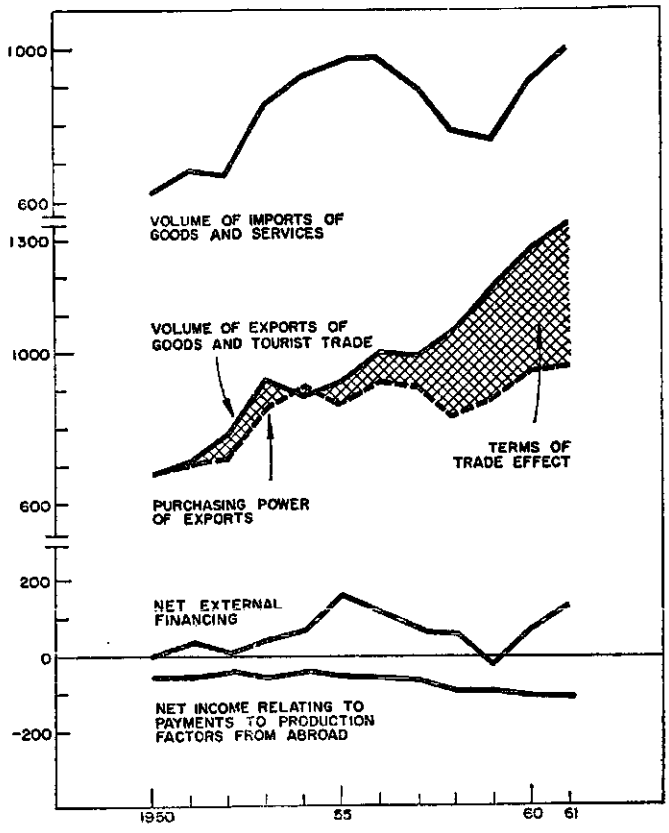
In the post-war period, COLOMBIA undertook a relatively extensive process of import substitution, clearly indicated by the fall in the import coefficient. The figures for the volume of imports for the periods 1948-49 and 1959-60

FIGURE XXI

Countries of group B: Evolution of the external sector in the period 1950-61

(MILLIONS OF 1950 DOLLARS)

Natural scaleal



SOURCE: ECLA, based on national statistics.

TABLE 97

Countries of group B: Evolution of the structure of supply and final demand as a percentage of the total

Year	*Total supply*					*Total demand*				
			Imports			*Public and private consumption*		*Gross investment*		
	Total	*Domestic product*	*Total*	*Goods*	*Services*		*Exports a*	*Total*	*Fixed*	*Changes in inventories*
1945-49	100.0	87.5	12.5	11.1	1.4	71.3	15.2	13.5	13.2	0.3
1950	100.0	87.7	12.3	10.4	1.9	72.7	13.5	13.8	12.0	0.8
1951	100.0	87.1	12.9	11.0	1.9	72.4	13.6	14.0	12.5	1.5
1952	100.0	87.9	12.1	10.7	1.4	71.5	14.2	14.3	12.9	1.4
1953	100.0	85.9	14.1	12.5	1.6	69.3	15.5	15.2	15.1	0.1
1954	100.0	85.5	14.5	12.6	1.9	70.4	13.8	15.8	15.3	0.5
1955	100.0	85.5	14.5	12.7	1.8	69.9	13.8	16.3	15.7	0.6
1956	100.0	85.8	14.2	12.5	1.7	68.8	14.6	16.6	15.6	1.0
1957	100.0	87.0	13.0	11.4	1.6	70.2	14.2	15.6	12.9	2.7
1958	100.0	88.8	11.2	9.8	1.4	71.4	15.3	13.3	11.6	1.7
1959	100.0	89.6	10.4	9.1	1.3	71.6	16.2	12.2	11.1	1.1
1960	100.0	88.5	11.5	10.0	1.5	70.2	16.1	13.7	12.2	1.5
1961	100.0	88.0	12.0	10.4	1.6	69.4	16.1	14.5	13.2	1.3
Average by periods										
1945-49	100.0	87.5	12.5	11.1	1.4	71.3	15.2	13.5	13.2	0.3
1950-54	100.0	86.7	13.3	11.5	1.8	71.2	14.1	14.7	13.7	1.0
1955-61	100.0	87.6	12.4	10.8	1.6	70.3	15.2	14.5	13.1	1.4

SOURCE: ECLA, based on national statistics. a Including tourist trade.

permit an analysis to be made of the behaviour of the various items in relation to final demand and the domestic product.

Imports increased between these two periods at an annual rate of 3.1 per cent, whereas the rate for the product and for income was approximately 4.5 per cent. Consequently it is interesting to note the changes that occurred in the composition of imports as a result of the increase in income, the substitution process and the measures to restrict purchases abroad.

Table 98 gives the absolute figures for imports classified under a few general headings, and table 99 gives the

TABLE 98

Countries of group B: Composition of imports, annual averages

(Millions of 1955 dollars)

Sector	Total group B		Ecuador		Colombia		Peru	
	1948-49	1959-60	1948-49	1959-60	1948-49	1959-60	1948-49	1959-60
Consumer goods	136.0	180.0	21.7	42.3	74.1	52.7	40.2	85.2
Non-durable	104.0	129.5	15.7	32.1	54.8	36.2	33.5	61.3
Durable	32.0	50.5	6.0	10.2	19.3	16.5	6.7	23.9
Fuels	18.3	26.4	1.3	3.9	14.2	8.3	2.8	14.3
Raw materials and intermediate goods	172.1	362.7	13.2	30.0	109.5	225.1	49.4	107.8
Metallic	23.5	56.7	2.6	5.4	13.2	34.3	7.7	17.1
Non-metallic	148.6	306.0	10.6	24.6	96.3	190.8	41.7	90.7
Capital goods	266.6	344.8	20.1	38.6	169.1	194.1	77.4	112.4
Building materials	36.7	43.7	3.0	5.1	25.4	24.7	8.3	14.0
Machinery and equipment for agriculture	29.2	41.2	2.1	3.4	16.9	28.4	10.2	9.4
Machinery and equipment for industry	148.3	180.1	8.9	18.9	96.7	103.3	42.7	58.0
Machinery and equipment for transport	52.4	79.8	6.1	11.2	30.1	37.7	16.2	31.0
Other	2.6	8.7	—	—	1.9	6.2	0.7	2.5
TOTAL	595.6	922.4	56.3	114.5	368.8	486.0	170.5	321.9

SOURCE: ECLA, based on national statistics.

TABLE 99

Countries of group B: Composition of imports as a percentage of total

Sector	Total group B		Ecuador		Colombia		Peru	
	1948-49	1959-60	1948-49	1959-60	1948-49	1959-60	1948-49	1959-60
Consumer goods	22.8	19.7	38.5	36.9	21.2	10.8	23.6	26.5
Non-durable	17.5	14.2	27.9	28.0	14.9	7.4	19.6	19.0
Durable	5.3	5.5	10.6	8.9	5.2	3.4	4.0	7.5
Fuels	3.1	2.9	2.3	3.4	3.9	1.7	1.6	4.4
Raw materials and intermediate goods	28.9	39.4	23.4	26.2	29.7	46.3	29.0	33.5
Metallic	3.9	6.2	4.6	4.7	3.6	7.1	4.5	5.3
Non-metallic	25.0	33.2	18.8	21.5	26.1	39.3	24.5	28.2
Capital goods	44.8	37.4	35.7	33.7	45.8	39.9	45.4	34.9
Building materials	6.2	4.8	5.3	4.5	6.9	5.1	4.9	4.3
Machinery and equipment for agriculture	4.9	4.5	3.7	3.0	4.6	5.8	6.0	2.9
Machinery and equipment for industry	24.9	19.4	15.8	16.5	26.2	21.3	25.0	18.0
Machinery and equipment for transport	8.8	8.7	10.9	9.7	8.2	7.7	9.5	9.6
Other	0.4	1.0	—	—	0.5	1.3	0.4	0.8
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: ECLA, based on national statistics.

TABLE 100

Countries of group B: Evolution of the import coefficient

Year or period	Imports of consumer goods (as a percentage of total consumption)		Imports of capital goods (as a percentage of total fixed investment)		Raw materials, intermediate goods and fuels (as a percentage of total gross product)	
	Durable	Non-durable	Building materials	Machinery and equipment	Raw materials and intermediate goods	Fuels
Total group						
1948-49	0.9	2.7	5.4	34.0	3.7	0.4
1950-54	1.4	2.9	6.5	35.6	4.5	0.5
1955-59	1.1	2.5	5.5	30.6	4.9	0.4
1959	0.7	2.1	4.5	28.0	4.5	0.3
1960	0.9	2.2	4.3	32.1	5.0	0.4
1961	1.4	2.5	4.7	30.0	5.0	0.3
Ecuador						
1948-49	1.8	4.8	6.5	37.0	3.4	0.3
1950-54	1.9	5.1	7.0	43.0	3.7	0.4
1955-59	1.9	5.8	5.4	35.7	4.3	0.6
1959	1.9	6.0	5.4	36.2	4.3	0.6
1960	1.9	5.9	5.5	36.3	4.2	0.6
1961	1.8	5.5	5.2	34.9	4.0	0.5
Colombia						
1948-49	0.8	2.1	5.5	30.8	3.5	0.5
1950-54	1.2	2.0	6.3	32.2	4.3	0.6
1955-59	0.6	1.2	5.1	26.2	4.6	0.3
1959	0.3	0.8	3.8	23.6	4.1	0.1
1960	0.5	1.0	3.7	27.7	4.8	0.2
1961	0.8	1.2	4.0	23.6	4.6	0.2
Peru						
1948-49	0.7	3.6	5.1	42.4	4.4	0.2
1950-54	1.6	4.4	6.9	42.3	5.1	0.4
1955-61	2.1	4.9	6.4	39.5	6.0	0.7
1959	1.4	4.4	6.2	36.8	5.6	0.7
1960	1.9	4.3	5.3	42.0	6.0	0.8
1961	2.8	5.1	6.1	42.7	6.3	0.7

SOURCE: ECLA, based on national statistics.

percentage distribution for the two periods analysed. Lastly, table 100 shows the course followed by the various types of import in relation to consumption, investment and the domestic product. Figure XXII shows this course for the countries in group B taken as a whole.

Colombian imports were severely restricted in 1959 and 1960. Nevertheless, they rose from an average value of 370 million dollars in 1948-49 to an average of 490 million (in 1955 dollars) in 1959-60, an absolute increase of 120 million dollars. The main contribution to this increase was made by raw materials and intermediate products, and by capital goods, the increase being 116 million and 24 million dollars respectively, whereas consumer goods fell by 22 million dollars and fuels by 6 million. Thus it is clear that there was a process of substitution in non-durable consumer goods and fuels.

The indices on the import content (see table 100) provide an additional source of information that serves to make the analysis more exact. In fact, it can be seen that there was a reduction of the coefficients of the import content in total consumption, of building materials in fixed investment, and of fuels in the total product, all items in which the development of domestic production led to import substitution. Inputs of intermediate imported goods, on the other hand, maintained their coefficient in relation to the product, and there was a tendency for this coefficient to increase.

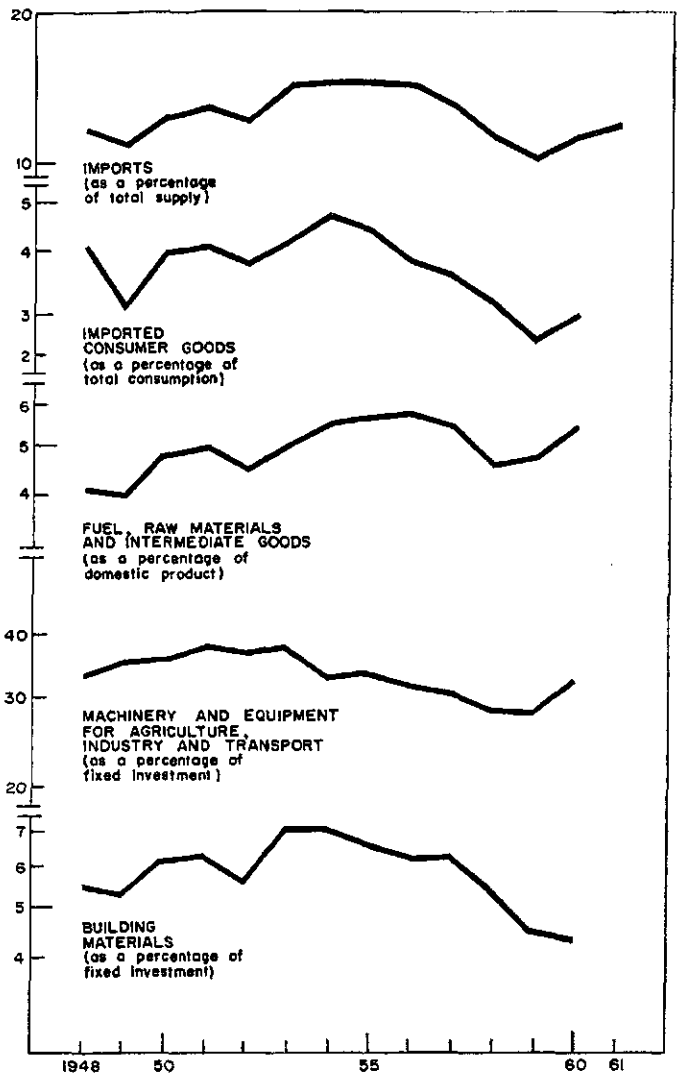
The import content of machinery and equipment in fixed domestic investment in Colombia fell in the period 1955-59 and continued until 1961, although it recovered in 1960. This may have been partly due to changes in the composition of investment which altered the proportion of imports it included; e.g., the divergent trends in investment in public works and private building, on the one hand, and in machinery and equipment, on the other.

In the last analysis Colombian imports tended to concentrate even more on intermediate products and capital goods, to the point where these goods came to represent, as a whole, about 90 per cent of the total purchases abroad. In fact, the share of consumer goods fell from 20 per cent to 11 per cent, and that of intermediate goods rose from 30 per cent to 46 per cent.

FIGURE XXII

Countries of group B: Evolution of the import coefficient, total and by kinds of goods

Semi-logarithmic scale



SOURCE: ECLA, based on national statistics.

Imports in ECUADOR present a different picture. As has already been mentioned, the average trend indicated a demand for imports that increased more rapidly than income and the domestic product. According to customs statistics, imports in 1959-60 were double those for 1948-49, and the change was approximately the same in respect of the main items analysed. Thus during this period there was no fundamental change in the composition of imports, despite the considerable changes in the national income. Consumer goods represented 37 per cent of total purchases abroad, raw materials and intermediate products 26 per cent, capital goods 29 per cent, building materials 5 per cent and fuels the remaining 3 per cent.

If the various types of import are compared with the components of domestic demand and of the product, it can be seen that imported consumer goods had a higher elasticity in relation to total consumption. Similarly, there was a rising trend in the coefficient of input of intermediate products and fuels in relation to the domestic product.

The reduction in the content of imported machinery and equipment in domestic investment may have been brought about, as in other countries, by a change in the structure, probably due to the same factors as those noted in analysing developments in Colombia. Only in building materials was there a significant substitution process, to judge by the index of their content in domestic investment. Between the periods 1948-49 and 1959-60 imports in PERU also rose considerably, thus confirming that the long-term trend for this period was towards an income-elasticity of growth higher than unity.

The analysis by items in tables 98 and 99 shows that imports of consumer goods, fuels and intermediate products grew more rapidly than those of capital goods. The difference was so great that purchases of consumer goods indicated an elasticity higher than that of total domestic consumption (see table 100), and inputs of fuels and imported intermediate goods grew more than the domestic product.

Imports of machinery and equipment increased over the long term at a slower rate than domestic investment, most probably as a result of a change in the composition of that investment due to the greater expansion in public than in private investment.

Up to 1959 Peruvian imports had a structure typical of the Latin American economies that are more open to the outside world. Thus consumer goods accounted for 27 per cent of purchases abroad, intermediate products and fuels 38 per cent, and capital goods 35 per cent.

3. SECTORAL GROWTH AND CHANGES IN THE STRUCTURE OF PRODUCTION

The evolution of domestic production in COLOMBIA during the post-war years is distinguished by the slow growth of agricultural production, and by the rapid development of the manufacturing industries, petroleum production and building, although this was less marked for the last two than for the first.

In fact, the annual average of the indices for 1955-60 indicates, in relation to 1945-49, that whereas the total product increased by 56 per cent, petroleum production, quarrying and mining increased by 88 per cent, manufacturing by 108 per cent, building by 59 per cent, and agriculture and stock farming by only 18 per cent (even including coffee).

Obviously the factors that limit agricultural development in Colombia have been a serious obstacle to the country's economic growth, although in the last few years there were substantial increases in the production of goods for the domestic market, and in import substitution, and there was even some increase in the exports of products from the rural areas.

In ECUADOR the agricultural sector had a rapid rate of development, largely due to the production of bananas for export. Public investment also contributed to this process, by increasing activity in building. The statistical estimates indicate that between the two five-year periods

at either end of the post-war era, Ecuador's domestic product rose by 87 per cent, agriculture by 102 per cent, building by 122 per cent and manufactures by 57 per cent.

In PERU the sectoral production picture is distinguished by features peculiar to this group of countries. Exports, which were markedly diversified in the fifties, led to rapid growth in mining, where production more than doubled in the post-war period. There were slightly lower development rates in the manufacturing industry and in building, and also in transport services. Agricultural production, on the other hand, grew slowly, the increase between the two five-year periods at the beginning and end of the era under consideration being only 40 per cent.

Consequently the structure of production in the countries in group B underwent basic changes. In Colombia agricultural production, which represented 43 per cent of the domestic product in the first post-war years, fell to 34 per cent, whereas the manufacturing industry's share rose from 14 to 18 per cent. In Ecuador the situation was unusual, in that as a result of investment for external demand, agricultural production increased its share from 32 to 36 per cent, while the share of the manufacturing industries fell from 19 to 16 per cent. Lastly, in Peru, agricultural production fell from 26 to 22 per cent, but mining production increased from 5 to 7 per cent and manufacturing production from 15 to 18 per cent.

Chapter 3

COUNTRIES IN GROUP C: CENTRAL AMERICA AND THE CARIBBEAN

In this general analysis of the development of Latin America during the post-war period, the group C countries have been classified in two sub-groups: the first includes Cuba, Haiti and the Dominican Republic, and the second, all the Central American republics,[1] including Panama.

The basic statistical information for the analysis of the first group goes only up to 1959, as no complete data were available for 1960 on Cuba and other countries. It is hoped to compile more detailed country studies on another occasion. For the time being, the general economic trends will be described, considering each group as a whole.

In these circumstances, it should be borne in mind that aggregate figures for the Caribbean sub-group appear to be determined essentially, as regards their absolute magnitude and fluctuations, by the figures representing Cuba, as a result of the relatively considerable weight carried within the sub-group by the product, income and foreign trade of that country.

The external sector has had a considerable impact on

[1] In the tables and figures of this section of the chapter the first sub-group is represented by the symbol C_1, and the second by C_2.

TABLE 101

Countries of group C: Real income, investment and external sector as a percentage of gross domestic product

Country and period	*Real income*	*Real investment*	*Total consumption*	*Volume of exports* [a]	*External terms-of-trade effect*	*Payment to external production factors*	*Net external financing*	*Imports of goods and services*
Central America and Caribbean countries								
1945-49	96.8	10.0	80.9	29.9	−3.2	3.0 [b]	−1.6 [b]	20.9
1950-54	99.3	12.8	85.0	27.1	−0.7	2.3	0.7	24.9
1955-61 [c]	98.0	15.1	83.6	27.0	−2.0	1.4	2.5	26.1
1958	98.1	16.0	85.4	28.4	−1.8	1.6	4.9	29.8
1959	95.7	15.5	82.1	27.5	−4.3	1.4	3.4	25.2
C_1: Cuba, Haiti and Dominican Republic	98.3	8.5	80.8	32.9	−1.7	2.6 [b]	−4.3 [b]	22.2
1950-54	97.5	12.6	84.2	29.5	−2.5	2.1	1.1	26.3
1955-59	97.3	15.9	82.3	29.9	−2.7	1.8	2.6	28.0
1958	97.3	16.6	84.0	31.4	−2.7	1.7	5.0	32.0
1959	94.3	16.3	79.1	29.0	−5.7	1.7	2.9	24.5
C_2: Central America and Panama								
1945-49	94.2	12.4	81.0	24.8	−5.8	3.6 [b]	2.9 [b]	18.2
1950-54	102.5	13.0	86.3	23.0	2.5	2.5	—	22.4
1955-61	100.0	14.7	87.7	24.0	—	1.6	4.1	26.4
1958	99.5	15.1	87.7	23.7	−0.4	1.5	4.7	26.5
1959	98.2	14.2	86.7	25.3	−1.8	1.1	3.7	26.2
1960	97.9	14.9	87.4	24.6	−2.1	1.1	5.5	26.9
1961	96.7	13.8	85.8	25.8	−3.3	1.3	3.7	25.4

SOURCE: ECLA, based on national statistics.

[a] Including the tourist trade.

[b] Including an estimate for the Caribbean countries.

[c] Based on 1946-49.

the two sub-groups, since they both embrace economies which are, relatively speaking, more open to foreign trade than those of any other Latin American country. This is plain from the high export coefficient, which was from 33 to 29 per cent in the Caribbean sub-group and around 25 per cent in the Central American sub-group.

The evolution of the external sector and its impact on product and income in the Caribbean countries has been determined primarily by exports of sugar. On the other hand, exports from the Central American countries were more diversified. The terms of trade of the Caribbean countries, notwithstanding short-term fluctuations, have been more stable in the long run than those of the Central American nations. Lastly, it should be added that the two sub-groups differ in that the rate of increase in the exports and product of the Central American countries was higher than in the Caribbean.

1. Caribbean: Cuba, the Dominican Republic and Haiti

(a) *Product and income trends and impact of the external sector*

During the post-war period, the internal product of this sub-group of countries, considered as a whole, increased at a rate of 3.4 per cent annually, which was somewhat higher than that or real income.

The volume of exports developed relatively slowly and although its purchasing power followed an upward trend, the rate of growth was only 2.0 per cent. Increased external financing helped this sub-group to maintain its imports at a level which rose faster than internal income (see table 102 and figure XXIII).

In the early post-war years (1945-49) this sub-group's export coefficient was 33 per cent of the internal product, its average annual value of exports 770 million dollars, and its imports 520 million. During this period, Cuba increased its gold and foreign exchange reserves by about 100 million dollars, thereby continuing the process initiated at the beginning of the Second World War.

In the following five-year period exports averaged 840 million dollars — or 9 per cent more than in the previous period — and imports went up to 750 million. Although there were also increments in product and income, the import coefficient rose from 22 per cent to 28 per cent. During the five years 1955-59 the volume of exports underwent a further increase of 17 per cent and the same applied to its purchasing power. Net external financing reached 85 million dollars, compared with 30 million in the previous quinquennium, which permitted imports to rise by 23 per cent. The product and income fell slightly short of this increase (see table 103 and figure XXIV).

Table 102

Countries of group C: Product, real income, investment and external sector

(Millions of 1950 dollars)

Country and period	*Gross product*	*Real income*	*Total investment*	*Total consumption*	*Volume of exports* [a]	*External terms-of-trade effect*	*Payment to external production factors*	*Net external financing*	*Imports of goods and services*
Total group C:									
Central America and Caribbean countries									
1945-49	3,710	3,590	370	3,000	1,110	−120	110 [b]	−60 [b]	770
1950-54	4,460	4,430	570	3,790	1,210	−30	100	30	1,110
1955-61 [c]	5,550	5,440	840	4,640	1,500	−110	80	140	1,480
1958	5,500	5,400	880	4,700	1,560	−100	90	270	1,640
1959	5,560	5,320	860	4,570	1,530	−240	80	190	1,400
C_1: Cuba, Dominican Republic and Haiti									
1945-49	2,340	2,300	200	1,890	770	−40	60 [b]	−100 [b]	520
1950-54	2,850	2,780	360	2,400	840	−70	60	30	750
1955-59	3,280	3,190	520	2,700	980	−90	60	85	920
1958	3,310	3,220	550	2,780	1,040	−90	57	167	1,060
1959	3,310	3,120	540	2,620	960	−190	56	96	810
C_2: Central America and Panama									
1945-49	1,370	1,290	170	1,110	340	−80	50 [b]	40 [b]	250
1950-54	1,610	1,650	210	1,390	370	40	40	—	360
1955-61	2,170	2,170	320	1,904	520	—	34	88	574
1958	2.190	2,180	330	1,920	520	−10	33	103	580
1959	2,250	2,210	320	1,950	570	−40	24	84	590
1960	2,330	2,280	347	2,037	573	−50	25	129	627
1961	2,460	2,380	339	2,111	635	−80	32	91	625

Source: ECLA, based on national statistics.

[a] Including the tourist trade.

[b] 1946-49 average.

[c] Including an estimate for the Caribbean countries.

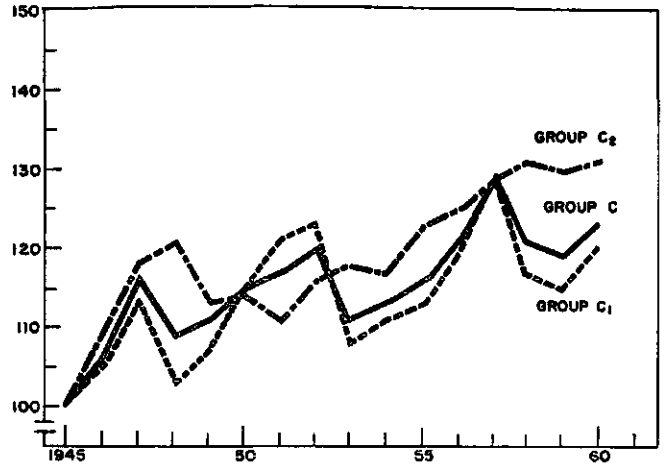
FIGURE XXIII

Countries of group C

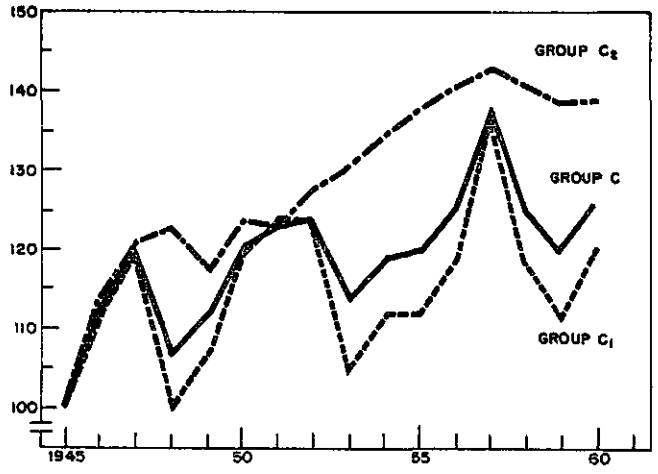
(INDICES 1945 = 100)

Natural scale

INDICES OF GROSS DOMESTIC PRODUCT PER CAPITA



INDICES OF GROSS INCOME PER CAPITA



SOURCE: ECLA, based on national statistics.

TABLE 103

Countries of group C: Evolution of gross product and real income, total and per capita, cumulative annual rates by periods

(Percentages)

Country and period	Total		Population	Per capita	
	Gross product	Real income		Gross product	Real income
Total;					
(a) Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Cuba and Haiti					
1945-50	5.2	6.2	2.2	2.9	3.9
1950-55	2.8	2.5	2.6	0.6	−0.1
1955-57	8.2	10.1	2.7	5.9	7.3
1957-59	−1.0	−4.3	2.7	−3.7	−7.0
(b) Cuba, Dominican Republic and Haiti					
1945-50	5.1	5.8	2.1	3.0	3.7
1950-55	1.9	1.0	2.3	−0.4	−1.3
1955-57	9.8	13.4	2.3	7.5	11.4
1957-59	−4.0	−8.3	2.3	−6.3	−10.6
(c) Central America					
1945-50	5.8	7.0	2.4	3.4	4.6
1950-55	4.6	5.3	3.0	1.6	2.3
1955-57	5.9	5.1	3.1	2.8	2.0
1957-61	3.9	2.7	3.2	0.7	−0.5

SOURCE: ECLA, based on national statistics.

Events in the years 1958 and 1959 are highly illustrative of the short-term fluctuations often experienced by this group of countries, and also of the intensive deterioration of the terms of trade. In 1958 imports were at the high level of 1,000 million dollars, but declined the following year to 700 million owing to the smaller quantum aggravated by such deterioration (see again table 102 and figure XXV).

TABLE 104

Countries of group C: Rate of growth of final demand and available resources, annual cumulative rates between the periods 1945-49 and 1955-61

	Group C	Caribbean countries [a]	Central America and Panama
Real income	3.8	3.3	4.9
Domestic product	3.7	3.4	4.3
Imports of goods and services	5.9	5.8	7.9
Consumption	4.0	3.7	5.0
Private	3.7	3.4	4.7
Public	6.4	5.7	8.2
Exports			
Volume of goods and tourist trade	2.8	2.4	3.9
Purchasing power	3.0	2.0	6.5
Total gross investment	7.7	10.0	5.0
Fixed investment	7.6	9.4	6.3
Public	11.3	15.7	8.3
Private	6.3	7.0	6.3

SOURCE: ECLA, based on national statistics.

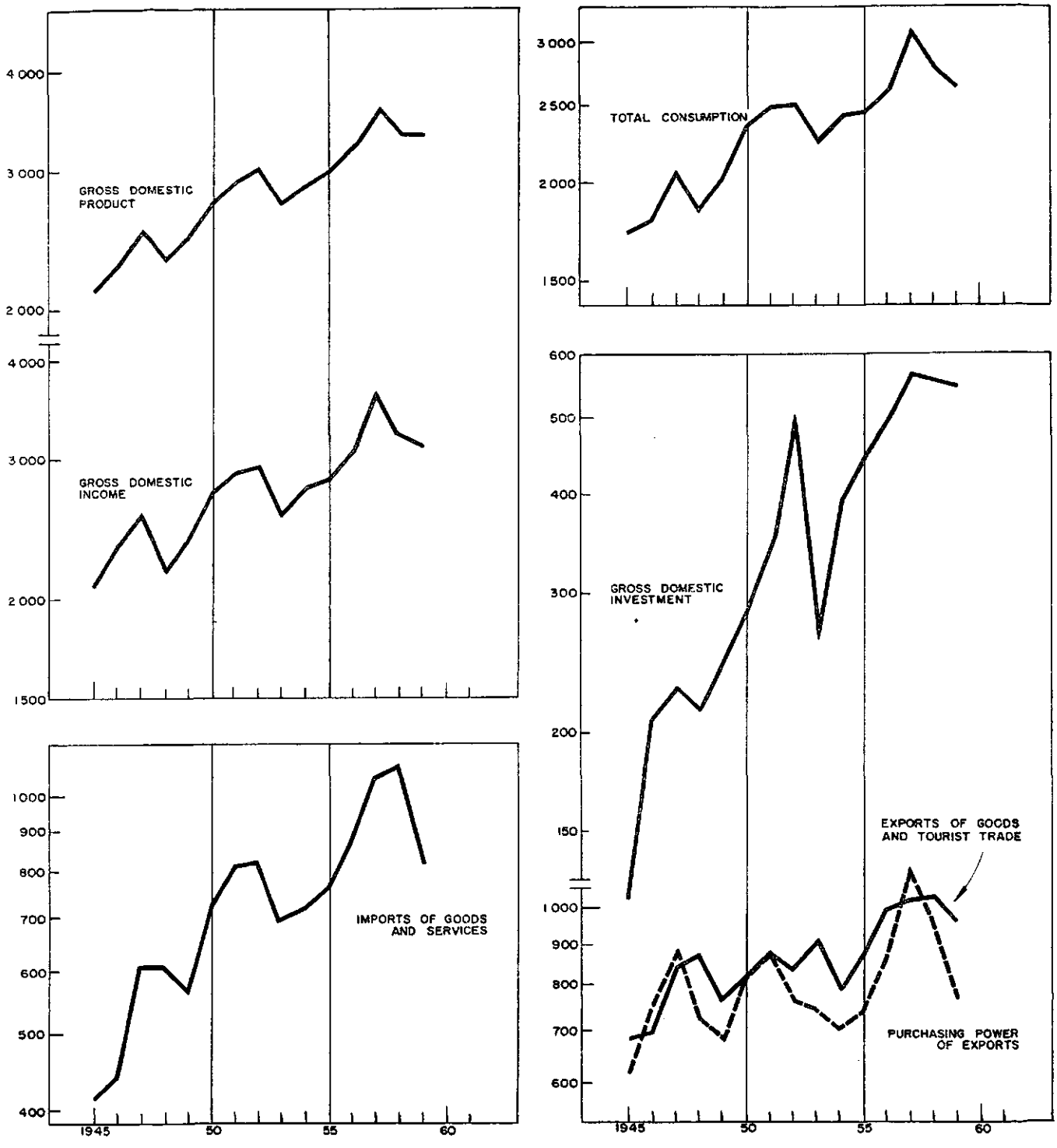
[a] Relates to 1945-49/1955-59.

FIGURE XXIV

Countries of group C_1: Cuba, Haiti, Dominican Republic; product, imports and final demand

(MILLIONS OF 1950 DOLLARS)

Semi-logarithmic scale



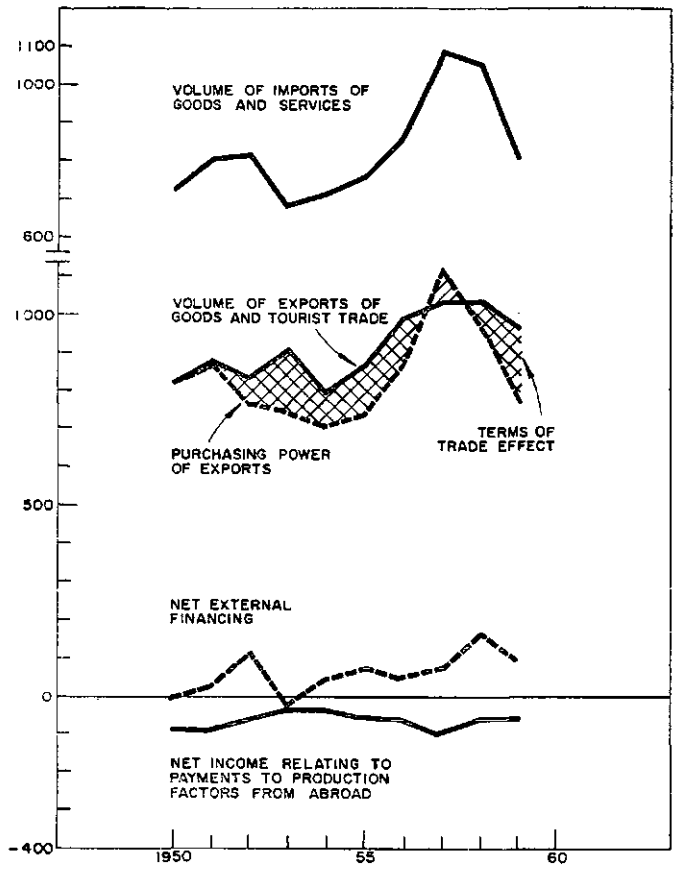
SOURCE: ECLA, based on national statistics.

FIGURE XXV

Countries of group C_1: Evolution of the external sector in the fifties

(MILLIONS OF 1950 DOLLARS)

Natural scale



SOURCE: ECLA, based on national statistics.

(b) *Evolution and changes in the composition of imports*

As stated at the outset, imports by this group of countries tended to increase at a higher rate than income during the post-war period. Actually, their yearly increment was 5.8 per cent (see table 104).

However, to judge from the change in the volume of imports from 1948-49 to 1959, their income-elasticity declined appreciably during that decade. Between these two extreme periods the level of imports climbed by 38 per cent, and that of income by 30 per cent.

It will now be seen how the composition of imports developed during that period and what changes occurred in the different kinds of goods in relation to demand and the internal product. The relevant basic data are contained in tables 105, 106, 107 and 108 and in figure XXVI.

Imports of durable consumer goods have increased more than aggregate internal consumption; their share in the latter, already comparatively high in the period 1948-49, went up to 3.5 per cent during the fifties. By contrast, the increment in imports of non-durable consumer goods was less than that of internal consumption, their share falling off from 11 per cent in 1948-49 to 8.3 per cent in the second half of the decade. This downward trend persisted throughout the period, and by 1959 the coefficient had shrunk to 7.7 per cent.

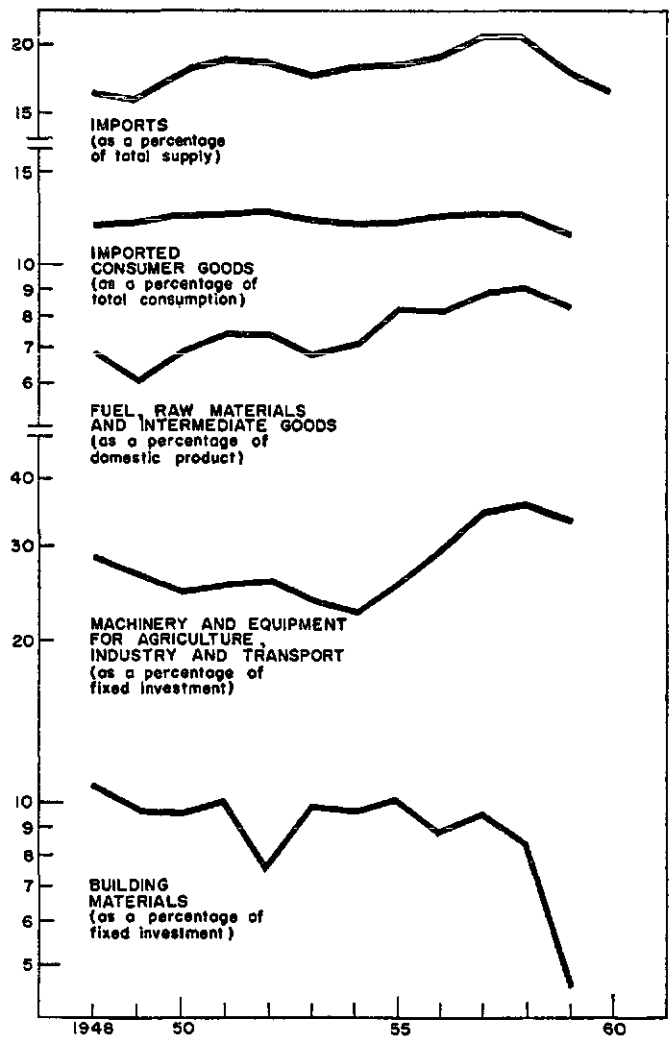
Those indices reflect the intensity of the substitution process in non-durable consumer goods. A similar situation occurred in regard to building materials, their import content in internal investment tending to diminish. On the other hand, the coefficient of machinery and equipment imports in relation to internal investment went up from 26.1 per cent in 1948-49 to 34 per cent in 1955-59. Coefficients of inputs of fuel and imported intermediate products have likewise followed an upward trend in relation to the gross internal product.

To sum up, the volume of imports of this group of countries — whose figures are considerably influenced by Cuba — showed a rising trend in the fifties at a rate approximately equal to that of internal income. The factors determining this high elasticity of total import

FIGURE XXVI

Countries of group C: Evolution of the import coefficient, total and by kinds of goods

Semi-logarithmic scale



SOURCE: ECLA, based on national statistics.

TABLE 105

Countries of group C_1: Evolution of the structure of supply and final demand as a percentage of the total

Year	Total supply					Total demand				
			Imports			Public and private consumption	Exports [a]	Gross investment		
	Total	Domestic product	Total	Goods	Services			Total	Fixed	Changes in inventories
1945-49	100.0	81.6	18.3	15.7	2.6	65.9	27.0	7.1	7.5	−0.4
1950	100.0	78.9	21.1	18.6	2.2	68.2	23.6	8.2	8.2	—
1951	100.0	78.4	21.6	19.4	2.2	67.2	23.6	9.2	9.2	—
1952	100.0	78.6	21.4	18.9	2.5	65.4	21.7	12.9	10.0	2.9
1953	100.0	80.0	20.0	17.5	2.5	65.7	26.6	7.8	8.9	−1.1
1954	100.0	80.1	19.9	17.6	2.3	67.0	22.0	11.0	9.9	1.1
1955	100.0	80.0	20.0	17.8	2.2	64.9	23.2	11.9	12.5	−0.6
1956	100.0	78.8	21.2	18.8	2.4	63.7	24.2	12.1	13.6	−1.5
1957	100.0	76.5	23.5	20.9	2.6	65.8	22.2	12.0	11.9	0.1
1958	100.0	75.8	24.2	21.6	2.6	63.6	23.8	12.6	12.5	0.1
1959	100.0	80.3	19.7	17.7	2.0	63.4	23.4	13.1	13.0	0.1
Average by periods										
1945-49	100.0	81.6	18.3	15.7	2.6	65.9	27.0	7.1	7.5	−0.4
1950-54	100.0	79.2	20.8	18.4	2.4	66.7	23.4	9.9	9.3	0.6
1955-59	100.0	78.1	21.9	19.5	2.4	64.2	23.4	12.4	12.7	−0.3

SOURCE: ECLA, based on national statistics.

[a] Including the tourist trade.

TABLE 106

Countries of group C: Composition of imports, annual averages

(Millions of 1955 dollars)

Sector	Total, group C		Group C_1		Group C_2	
	1948-49	1959	1948-49	1959	1948-49	1959
Consumer goods	422.0	583.4	295.0	346.9	127.0	236.5
Non-durable	325.3	405.9	230.6	232.8	94.7	173.1
Durable	96.7	177.5	64.4	114.1	32.3	63.4
Fuels	63.3	107.9	39.6	59.4	23.7	48.5
Raw materials and intermediate goods	221.5	421.8	155.3	274.8	66.2	147.0
Metallic	40.7	84.6	32.6	69.3	8.1	15.3
Non-metallic	180.8	337.2	122.7	205.5	58.1	131.7
Capital goods	173.9	358.4	99.0	210.0	74.9	148.4
Building materials	47.4	42.8	24.5	4.9	22.9	37.9
Machinery and equipment for agriculture	20.8	36.9	13.1	18.9	7.7	18.0
Machinery and equipment for industry	78.2	234.6	48.4	171.0	29.8	63.6
Machinery and equipment for transport	27.5	44.1	13.0	15.2	14.5	28.9
Other	13.4	15.3	8.1	5.9	5.3	9.4
TOTAL	894.1	1,486.8	597.0	897.0	297.1	589.8

SOURCE: ECLA, based on national statistics.

TABLE 107

Countries of group C: Composition of imports as a percentage of the total

Sector	Total, group C		Group C_1 Caribbean countries		Group C_2 Central America	
	1948-49	1959	1948-49	1959	1948-49	1959
Consumer goods	47.2	39.2	49.4	38.7	42.7	40.1
Non-durable	36.4	27.3	38.6	26.0	31.9	29.3
Durable	10.8	11.9	10.8	12.7	10.8	10.8
Fuels	7.1	7.3	6.6	6.6	8.0	8.2
Raw materials and intermediate goods	24.8	28.4	26.0	30.6	22.3	24.9
Metallic	4.6	5.7	5.5	7.7	2.7	2.6
Non-metallic	20.2	22.7	20.5	22.9	19.6	22.3
Capital goods	19.4	24.1	16.6	23.4	25.2	25.2
Building materials	5.3	2.9	4.1	0.5	7.7	6.4
Machinery and equipment for agriculture	2.3	2.5	2.2	2.1	2.6	3.1
Machinery and equipment for industry	8.7	15.8	8.1	19.1	10.0	10.8
Machinery and equipment for transport	3.1	2.9	2.2	1.7	4.9	4.9
Other	1.5	1.0	1.4	0.7	1.8	1.6
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: ECLA, based on national statistics.

TABLE 108

Countries of group C: Evolution of the import coefficient

Year or period	Imports of consumer goods (as a percentage of total consumption)		Imports of capital goods (as a percentage of total fixed investment)		Raw materials, intermediate goods and fuels (as a percentage of total gross product)	
	Durable	Non-durable	Building materials	Machinery and equipment	Raw materials and intermediate goods	Fuels
Total group:						
1948-49	2.8	9.5	10.0	26.7	5.2	1.5
1950-54	2.9	9.3	9.5	24.5	5.4	1.6
1955-59	3.3	8.2	7.9	32.5	6.5	1.8
1959	3.4	7.7	4.4	32.6	6.6	1.7
Caribbean countries						
1948-49	3.1	11.0	8.6	26.1	5.9	1.5
1950-54	3.1	10.0	7.9	23.0	5.7	1.6
1955-59	3.5	8.3	5.6	34.0	7.0	1.9
1959	3.8	7.7	0.8	33.8	7.2	1.5
Central America						
1948-49	2.4	6.9	12.0	27.2	4.0	1.4
1950-54	2.5	8.2	11.9	26.9	5.0	1.6
1955-59	3.1	8.2	11.8	30.0	5.9	1.8
1959	2.8	7.7	10.5	30.6	5.7	1.9

SOURCE: ECLA, based on national statistics.

demand were durable consumer goods, machinery and investment equipment and intermediate products and fuels for industrial and economic activities in general. This did not occur in the case of non-durable consumer goods and building materials, which to a greater or lesser degree were substituted through the development of domestic industries.

Consequently, imports by this group of countries suffered notable changes in composition. Non-durable consumer goods represented 26 per cent of total imports in 1959, in comparison with a share of 39 per cent ten years previously; building materials dropped from 4 per cent to 0.5 per cent, and the share of capital goods and intermediate products as a whole rose from 52 to 54 per cent.

2. Central American countries

(a) *Product and income trends and impact of the external sector*

Taken as a whole, the Central American countries registered an average growth trend in the product of 4 per cent during the post-war period, and a more accelerated rate for income, estimated at 5 per cent, as the terms of trade in the whole of Central America — notwithstanding its recent deterioration — developed at rates higher than those which prevailed early in the post-war period.

The quantum of exports expanded consistently throughout the period, the rate of growth quickening in the last ten years. Nevertheless, although the evolution of the terms of trade was favourable in the long run, it began to decline in the second half of the fifties, thereby nullifying part of the greater purchasing power that Central America would have achieved with the expansion of its exports (see figure XXVIII).

In any case, the development of exports was the primary factor enabling these countries to maintain a certain rate of growth during the fifties. It is important to note that the expansion of inter-Central American trade contributed not a little to this development, through the economic integration process now under way in that area. Such trade increased almost fourfold in the fifties, from a total value of 8.6 million dollars in 1950 to 32.7 million in 1960 and to 50 million in 1962. The rate of expansion was accelerated in the second half of this period (yearly growth rate of 20 per cent), precisely when external factors were tending to depress the level of economic activity in the area (see figure XXVII).

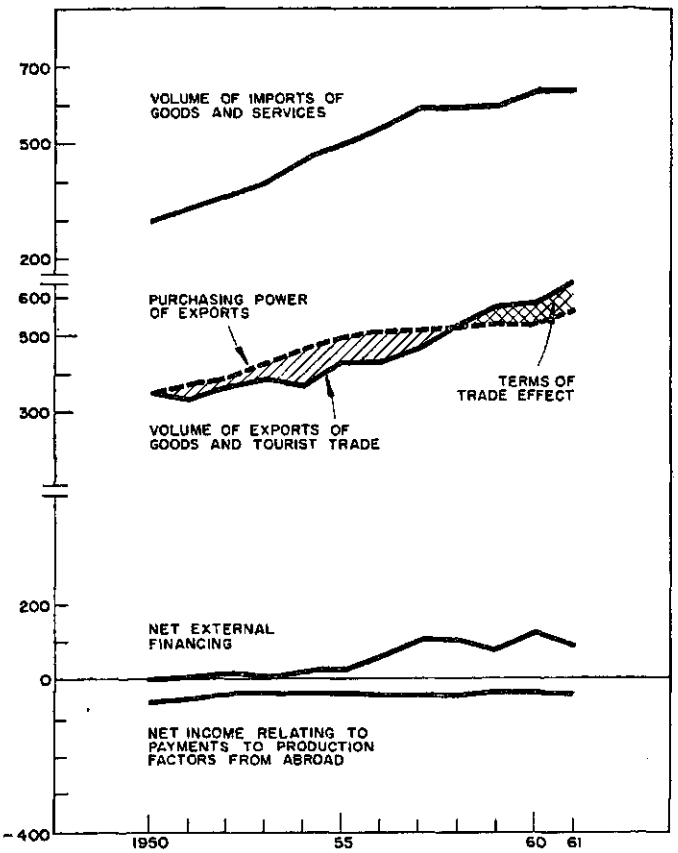
The internal product continued to grow at a rate of 5.9 per cent annually during the three years 1955-57, but the effect of the deterioration of the terms of trade which began to make itself felt in 1957 caused the rate of income growth to shrink to 2.7 per cent between that year and 1961. If this is compared with the fast rate of population growth, it will be seen that from 1957 to 1961 per capita income declined by 0.5 per cent, whereas in previous years it had increased at rates of over 2 per cent (see again table 101).

FIGURE XXVII

Countries of group C_2: Central America — evolution of the external sector in the period 1950-61

(Millions of 1950 dollars)

Natural scale



Source: ECLA, based on national statistics.

(b) *Evolution of imports and changes in their composition*

The expansion of imports by the Central American countries during the fifties tended to outstrip that of internal income and exports. Consequently, there was a relatively high increase in external financing (see again figure XXVII and table 109).

The volume of imports for 1959 was virtually double the average for 1948-49. All items expanded considerably, but the largest increments occurred in raw materials and intermediate products (see again table 106).

The behaviour of imports during that period in relation to the different factors of demand was as follows: imports of durable consumer goods increased more than aggregate internal consumption, since the index of their content in the latter was 2.5 per cent from 1950-54 and later rose to 3.1 per cent.

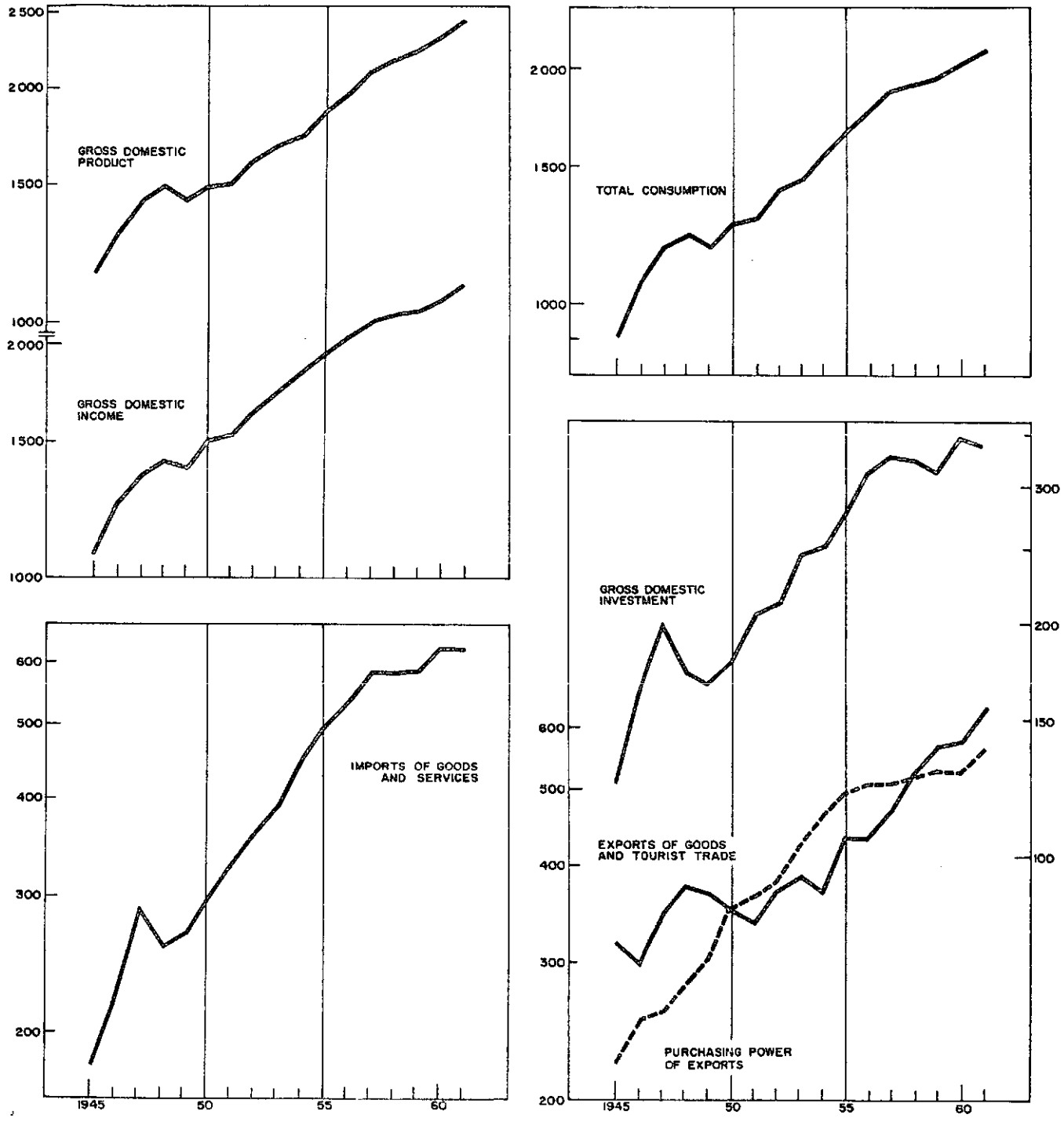
At first, non-durable consumer goods tended to increase more than total consumption, but to judge from the percentage index for 1959, subsequently reversed this trend. A similar situation arose in the case of imports of building materials, the index of their content in internal investment declining notably during the decade. On the

FIGURE XXVIII

Countries of group C_4: Central America — product, imports and final demand

(MILLIONS OF 1950 DOLLARS)

Semi-logarithmic scale



SOURCE: ECLA, based on national statistics.

TABLE 109

Countries of group C_2: Evolution of the structure of supply and final demand as a percentage of the total

Year	Total supply					Total demand				
			Imports			Public and private consumption	Exports of goods and the tourist trade	Gross investment		
	Total	Domestic product	Total	Goods	Services			Total	Fixed	Changes in inventories
1945-49	100.0	84.9	15.1	14.3	0.8	68.7	21.0	10.3	9.8	0.5
1950	100.0	83.6	16.4	15.4	1.0	70.6	19.5	9.9	9.6	0.3
1951	100.0	82.1	17.9	16.8	1.1	70.4	18.3	11.2	10.7	0.5
1952	100.0	81.7	18.3	17.2	1.1	70.7	18.6	10.7	10.4	0.3
1953	100.0	81.2	18.8	17.2	1.6	69.7	18.5	11.8	11.4	0.4
1954	100.0	79.4	20.6	18.7	1.9	71.6	16.9	11.5	11.2	0.3
1955	100.0	79.3	20.7	18.3	2.4	70.1	18.3	11.6	11.3	0.3
1956	100.0	78.7	21.3	18.9	2.4	70.2	17.3	12.5	12.1	0.4
1957	100.0	78.3	21.7	19.5	2.2	70.4	17.4	12.2	11.9	0.3
1958	100.0	79.0	21.0	18.9	2.1	69.4	18.9	11.7	11.5	0.2
1959	100.0	79.3	20.7	18.2	2.5	68.9	20.0	11.0	10.7	0.3
1960	100.0	78.8	21.2	18.8	2.4	68.9	19.3	11.7	11.3	0.4
1961	100.0	79.7	20.3	18.1	2.2	68.4	20.6	11.0	10.8	0.2
Average by periods										
1945-49	100.0	84.9	15.1	14.3	0.8	68.7	21.0	10.3	9.8	0.5
1950-54	100.0	81.5	18.5	17.1	1.4	70.6	18.3	11.1	10.7	0.4
1955-61	100.0	79.0	21.0	18.7	2.3	69.4	18.9	11.7	11.3	0.4

SOURCE: ECLA, based on national statistics.

other hand, the import content of machinery and equipment in internal investment increased — as also did inputs of intermediate products and fuels — in relation to the aggregate internal product (see again table 108).

This analysis shows that the high elasticity in the growth of Central American imports during the period under review has been determined chiefly by durable consumer goods, intermediate products and fuels, and by capital goods.

Non-durable consumer goods and, to a certain extent, building materials had a lesser effect, inasmuch as the Central American countries taken as a whole are developing industries and activities for substitution in these sectors. By 1959, the structure of Central American imports showed a certain reduction in the proportion absorbed by non-durable consumer goods and building materials, while on the other hand registering an increased share of fuels and intermediate products.

All in all, non-durable consumer goods accounted for the high proportion of 29 per cent of total imports, compared with 8 per cent for fuels, 50 per cent for intermediate products and capital goods, and lastly 11 per cent for durable goods.[2]

[2] The remaining 2 per cent fall under the heading of "miscellaneous".

Chapter 4

COUNTRIES OF GROUP D: BRAZIL, MEXICO AND VENEZUELA

All three countries of this group experienced a faster economic growth in the post-war period than the average for Latin America. As in the case of the rest of the region, the external sector also affected their development, intensifying the rate of growth in the early post-war years and weakening it during the fifties.

Well-marked differences in their domestic economic structure and in that of foreign trade have impressed particular characteristics on the economic development of the three countries. Venezuela's economy is relatively more open to foreign trade than that of Brazil or Mexico, to judge from its high import coefficient which is double that of the other two countries. Moreover, the petroleum sector has predominated in the structure of Venezuela's production and economy, and agricultural and manufacturing activities in that of Brazil and Mexico. In 1960 petroleum represented 88 per cent of Venezuelan exports, whereas coffee accounted for 56 per cent of Brazilian exports. Mexican sales show a wider diversification, embracing cotton, coffee, silver, lead, shrimps, copper, sulphur, and so on.

Outlined below, in broad terms, are the essential aspects of the economic development process registered during the post-war period in each country of this group. Data relating to the development of the three countries of group D as a whole are contained in figures XXIX, XXX, XXXI and XXXII, and in table 110.

TABLE 110

Countries of group D: Evolution of the structure of supply and final demand as a percentage of the total

Year	Total supply					Total demand				
			Imports			Public and private consumption	Exports of goods and the tourist trade	Gross investment		
	Total	Domestic product	Total	Goods	Services			Total	Fixed	Changes in inventories
1945-49	100.0	88.2	11.8	10.2	1.6	66.3	18.2	15.5	16.1	−0.6
1950	100.0	88.1	11.9	9.9	2.0	72.0	15.3	12.7	13.4	−0.7
1951	100.0	86.2	13.8	11.7	2.1	69.4	15.2	15.4	14.0	1.4
1952	100.0	86.9	13.1	11.1	2.0	68.7	14.4	16.9	14.4	2.5
1953	100.0	88.3	11.7	9.5	2.2	71.3	15.0	13.7	13.5	0.2
1954	100.0	87.9	12.1	9.9	2.2	69.9	13.1	17.0	14.4	2.6
1955	100.0	89.4	10.6	8.5	2.1	70.2	14.6	15.2	13.5	1.7
1956	100.0	88.9	11.1	8.8	2.3	69.6	15.7	14.7	13.1	1.6
1957	100.0	87.5	12.5	9.9	2.6	69.7	15.6	14.7	12.6	2.1
1958	100.0	88.7	11.3	8.9	2.4	70.5	14.6	14.9	13.2	1.7
1959	100.0	89.0	11.0	8.5	2.5	69.0	15.2	15.8	13.5	2.3
1960	100.0	89.9	10.1	7.8	2.3	71.5	14.9	13.6	12.1	1.5
1961	100.0	90.9	9.1	7.0	2.1	71.2	15.2	13.6	12.0	1.6
Average by periods										
1945-49	100.0	88.2	11.8	10.2	1.6	66.3	18.2	15.5	16.1	−0.6
1950-54	100.0	87.5	12.5	10.4	2.1	70.3	14.5	15.2	14.0	1.2
1955-61	100.0	89.2	10.8	8.4	2.4	70.3	15.1	14.6	12.8	1.8

SOURCE: ECLA, based on national statistics.

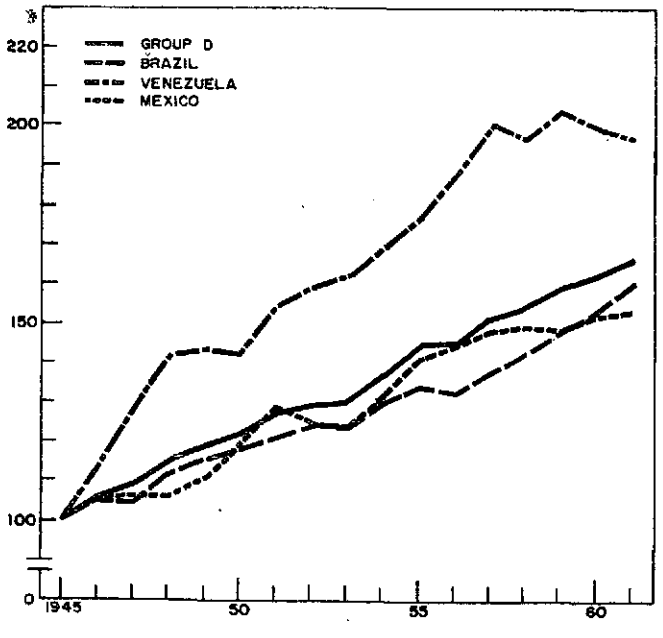
FIGURE XXIX

Countries of group D

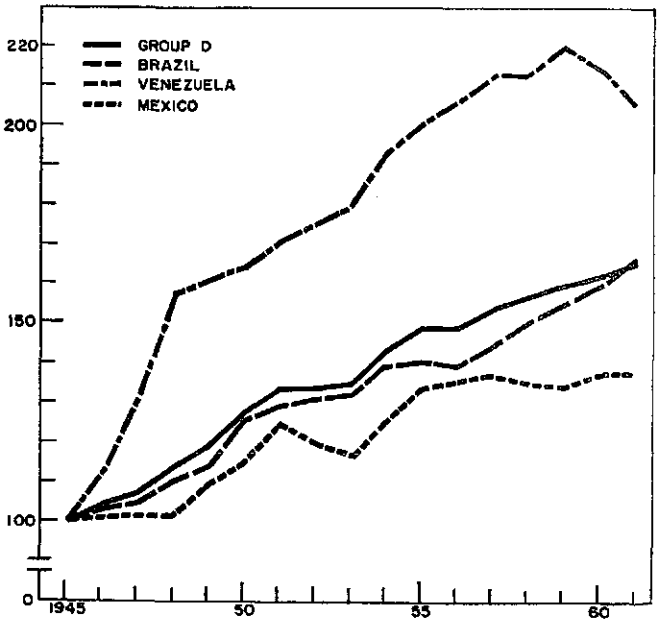
(INDICES 1945 = 100)

Natural scale

INDICES OF GROSS DOMESTIC PRODUCT PER CAPITA



INDICES OF GROSS INCOME PER CAPITA



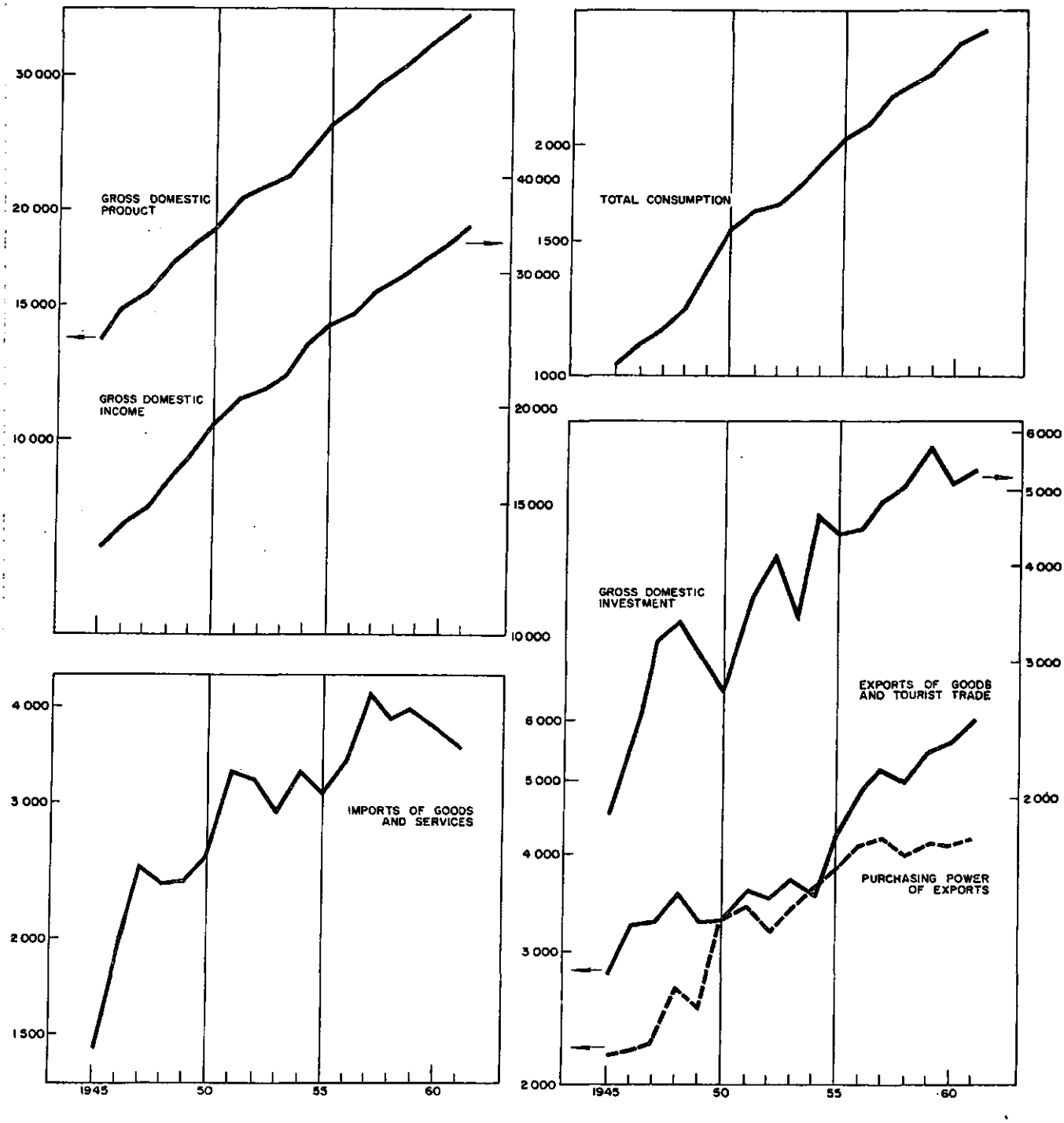
SOURCE: ECLA, based on national statistics.

FIGURE XXX

Countries of group D: Product, imports and final demand

(MILLIONS OF 1950 DOLLARS)

Semi-logarithmic scale



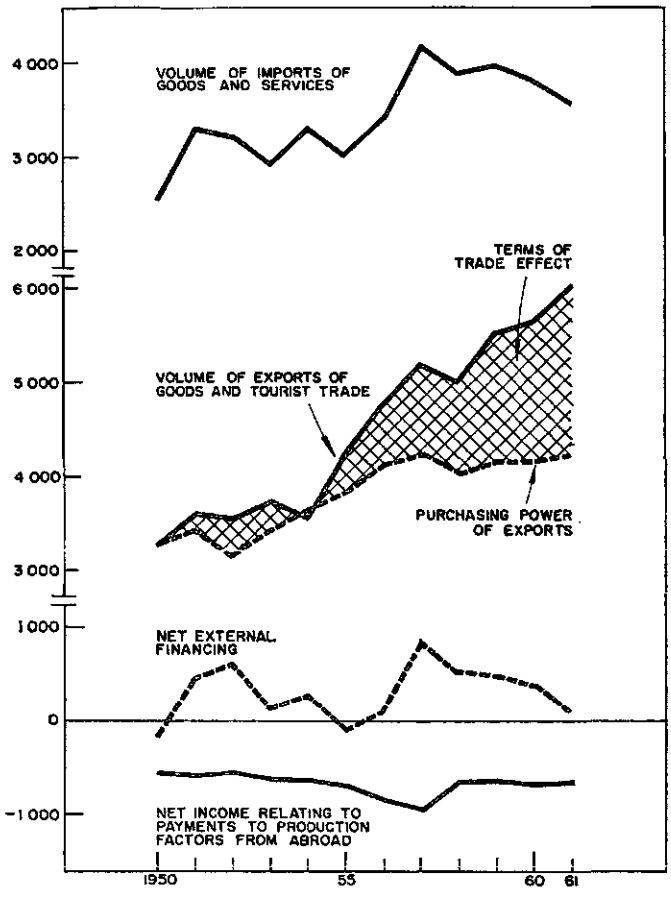
SOURCE: ECLA, based on national statistics.

FIGURE XXXI

Countries of group D: Evolution of the external sector in the period 1950-61

(MILLIONS OF 1950 DOLLARS)

Natural scale

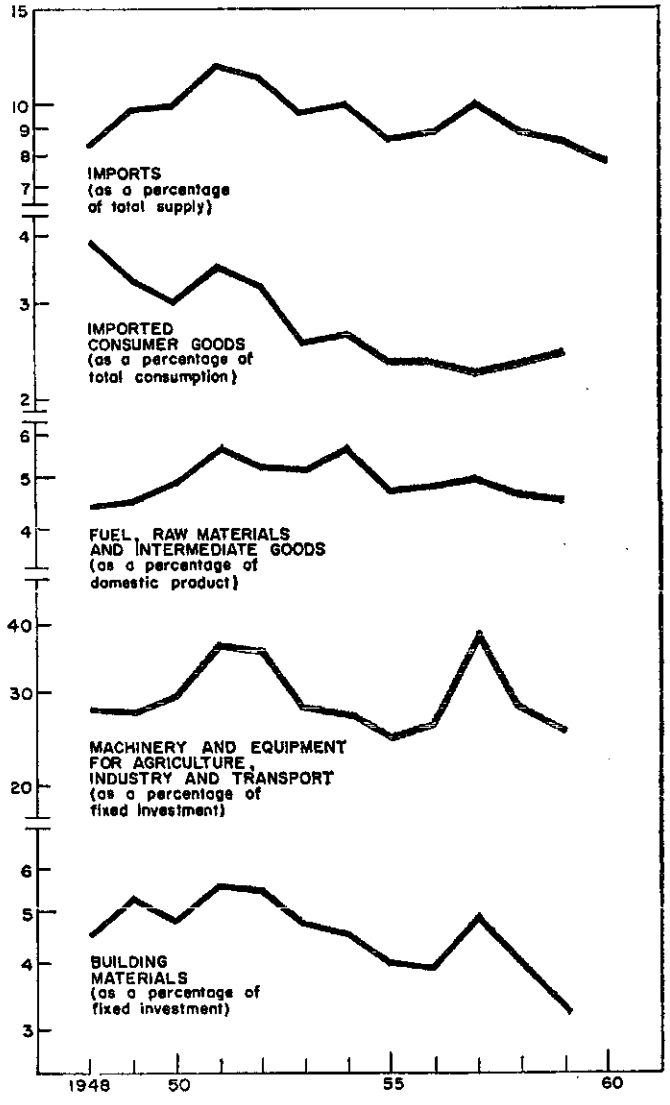


SOURCE: ECLA, based on national statistics.

FIGURE XXXII

Countries of group D: Evolution of the import coefficient, total and by kinds of goods

Semi-logarithmic scale



SOURCE: ECLA, based on national statistics.

1. BRAZIL

(a) *Product and income trends and impact of the external sector*

The average growth trend in Brazil during the post-war period is estimated at an annual rate of 5.7 per cent for the product and 6.3 per cent for income. The greater expansion of the latter is due to the fact that the terms of trade took a favourable turn for Brazil after the close of hostilities and the subsequent deterioration set in only after 1955 (see table 111).

The quantum of exports tended to remain stationary and even to contract, but their purchasing power increased at the rate of 1.9 per cent annually, thanks to the improved terms of trade just mentioned. In view of the fact that imports expanded at a higher rate (3.9 per cent), Brazil was compelled to have more extensive recourse to external financing. Nevertheless, the increment in imports was far below that of the domestic product, as a result of an intensive substitution process which was the pre-eminent feature of Brazil's economic development during the post-war period.[1]

It is worth while examining now the gradual development of the product and income in relation to the evolution of the external sector. In the early post-war years (1945-49) the domestic product rose at the rate of 6 per cent per annum, falling off slightly after 1950 to a level of 5.7 per cent. However, the rate of economic growth registered by the country was not as sustained as might have been inferred from those figures. It is in the movement of real income — which adds to the product the direct effect of the terms of trade — where the declining

[1] See table 114.

TABLE 111

Countries of group D: Evolution of gross product and real income, total and per capita, cumulative annual rates by periods

(Percentages)

Country and period	Total		Population	Per capita	
	Gross product	Real income		Gross product	Real income
Total:					
Brazil, Mexico and Venezuela					
1945-50	6.9	7.8	2.7	4.1	5.1
1950-55	6.6	6.2	3.1	3.4	3.1
1955-61	5.6	4.9	3.1	2.4	1.7
Brazil					
1945-50	6.1	7.4	2.6	3.4	4.7
1950-55	5.7	5.4	3.0	2.6	2.4
1955-61	6.1	5.9	3.1	3.0	2.8
Mexico					
1945-50	6.3	5.6	2.7	3.5	2.9
1950-55	6.7	6.3	3.1	3.6	3.1
1955-61	4.5	3.6	3.1	1.4	0.5
Venezuela					
1945-50	10.6	13.7	3.1	7.3	10.4
1950-55	8.7	8.4	4.0	4.6	4.3
1955-61	5.7	4.2	3.9	1.7	0.4

SOURCE: ECLA, based on national statistics.

rate is clearly manifested during the fifties. Whereas the rate of real income was 7.5 per cent annually in 1945-49, it was only 5.7 per cent in the following decade (see figure XXIX and tables 112 and 113).

As may be deduced from table 112, the average annual quantum of exports over the five years 1950-54 was 20 per cent less than in the previous five-year period but the improvement in the terms of trade signified a 31 per cent increment in their purchasing power. Thus, with a relatively extensive utilization of external financing, Brazilian imports averaged 1,420 million dollars, or 60 per cent over and above the volume registered in the preceding period. The domestic product increased by the relative proportion of 30 per cent between 1950-54 and the previous five-year period, and the import coefficient, which was 10.4 in 1945-49, rose to 12.6 in the first half of the decade. In short, as the product increased, so did imports, but on a larger scale (see table 112).

The volume of exports expanded in the years 1955-61. Their annual average was 14 per cent higher than that for the preceding period, but the decline in the terms of trade caused purchasing power to drop by 6 per cent, i.e., they then had a diametrically opposite effect to before. External financing showed an increment of 16 per cent, reaching an average of 239 million dollars annually, but imports were unable to recover. On the contrary, they were lower than in the previous period: 1,360 million

TABLE 112

Countries of group D: Product, real income, investment and external sector

(Millions of 1950 dollars)

Country and period	Gross product	Real income	Total investment	Total consumption	Volume of exports	External terms-of-trade effect	Payment to external production factors	Net external financing	Imports of goods and services
Total group D:									
Venezuela, Brazil and Mexico									
1945-49	15,741	14,895	2,768	11,833	3,240	−846	408 [a]	235 [a]	2,100
1950-54	21,364	21,209	3,720	17,154	3,550	−155	594	259	3,060
1955-61	30,757	29,665	5,036	24,221	5,210	−1,092	735	325	3,710
1958	30,554	29,552	5,133	24,277	5,022	−1,002	665	524	3,878
1959	32,420	31,060	5,765	25,114	5,532	−1,360	658	477	3,991
1960	34,094	32,585	5,149	27,100	5,668	−1,509	693	357	3,823
1961	25,936	34,137	5,386	28,112	6,026	−1,799	662	23	3,588
Brazil									
1945-49	8,552	7,924	1,189	6,607	1,644	−628	61 [a]	−5 [a]	888
1950-54	11,211	11,236	1,797	9,525	1,308	+25	120	206	1,419
1955-61	15,744	15,504	2,473	13,136	1,490	−240	131	239	1,355
1958	15,478	15,362	2,405	13,107	1,282	−116	106	257	1,316
1959	16,615	16,252	2,991	13,454	1,635	−363	147	340	1,465
1960	17,667	17,298	2,746	14,874	1,611	−369	187	509	1,564
1961	19,023	18,593	2,979	15,723	1,754	−430	130	240	1,433
Mexico									
1945-49	4,452	4,451	757	3,690	646	−1	74 [a]	117 [a]	641
1950-54	6,110	6,033	854	5,151	871	−77	85	59	766
1955-61	8,638	8,195	1,235	6,918	1,489	−443	109	67	1,004
1958	8,659	8,171	1,214	7,002	1,446	−488	107	152	1,003
1959	8,885	8,328	1,237	7,012	1,613	−557	117	38	977
1960	9,409	8,790	1,360	7,441	1,716	−619	127	138	1,108
1961	9,776	9,065	1,437	7,555	1,864	−711	128	55	1,080

TABLE 112 *(continued)*

Countries of group D: Product, real income, investment and external sector

Country and period	*Gross product*	*Real income*	*Total investment*	*Total consumption*	*Volume of exports a*	*External terms-of-trade effect*	*Payment to external production factors*	*Net external financing*	*Imports of goods and services*
Venezuela									
1945-49	2,737	2,519	823	1,536	949	−218	273 [a]	123 [a]	571
1950-54	4,043	3,340	1,070	2,474	1,372	−103	389	−7	873
1955-61	6,375	5,966	1,328	4,160	2,232	−409	495	18	1,345
1958	6,417	6,020	1,514	4,169	2,294	−397	452	116	1,560
1959	6,920	6,480	1,537	4,648	2,284	−440	394	99	1,549
1960	7,018	6,497	1,043	4,785	2,341	−521	380	−289	1,151
1961	7,137	6,480	970	4,834	2,408	−657	404	−272	1,075

SOURCE: ECLA, based on national statistics.

[a] 1946-49 average.

TABLE 113

Countries of group D: Real income, investment and external sector as a percentage of gross domestic product

Country and period	*Real income*	*Real investment*	*Total consumption*	*Volume of exports a*	*External terms-of-trade effect*	*Payment to external production factors*	*Net external financing*	*Imports of goods and services*
Total group D:								
Brazil, Mexico and Venezuela								
1945-49	94.6	17.6	75.2	20.6	−5.4	2.6 [b]	1.5	13.3
1950-54	99.3	17.4	80.3	16.6	−0.7	2.8	1.2	14.3
1955-61	96.4	16.4	78.7	16.9	−3.6	2.4	1.1	12.1
1958	96.7	16.8	79.5	16.4	−3.3	2.2	1.7	12.7
1959	95.8	17.8	77.5	17.1	−4.2	2.0	1.5	12.3
1960	95.6	15.1	79.5	16.6	−4.4	2.0	1.0	11.2
1961	95.0	15.0	78.2	16.8	−5.0	1.8	0.1	10.0
Brazil								
1945-49	92.7	13.9	77.3	19.2	−7.3	0.7 [b]	−0.1 [b]	10.4
1950-54	100.2	16.0	85.0	11.7	0.2	1.1	1.8	12.6
1955-61	98.5	15.7	83.4	9.5	−1.5	0.8	1.5	8.6
1958	99.3	15.5	84.7	8.3	−0.7	0.6	1.6	8.5
1959	97.8	18.0	81.0	9.8	−2.2	0.9	2.0	8.8
1960	97.9	15.5	84.2	9.1	−2.1	1.1	2.9	8.9
1961	97.7	15.7	82.6	9.2	−2.3	0.7	1.3	7.5
Mexico								
1945-49	100.0	17.0	82.9	14.5	—	1.7 [b]	2.6 [b]	14.4
1950-54	98.7	14.0	84.3	14.2	−1.3	1.4	1.0	12.5
1955-61	94.9	14.3	80.1	17.2	−5.1	1.2	0.8	11.6
1958	94.4	14.0	80.9	16.7	−5.6	1.2	1.7	11.6
1959	93.7	13.9	78.9	18.2	−6.3	1.3	0.4	11.0
1960	93.4	14.5	79.1	18.2	−6.6	1.3	1.4	11.8
1961	92.7	14.7	77.3	19.1	−7.3	1.3	0.6	11.0
Venezuela								
1945-49	92.0	30.1	56.1	34.7	−8.0	10.0 [b]	4.5 [b]	20.9
1950-54	97.5	26.5	61.2	33.9	−2.5	9.6	0.2	21.6
1955-61	93.6	20.8	65.3	35.0	−6.4	7.8	0.3	21.1
1958	93.8	23.6	65.0	35.7	−6.2	7.0	1.8	24.3
1959	93.6	22.2	67.2	33.0	−6.4	5.7	1.4	22.4
1960	92.6	14.9	68.2	33.4	−7.4	5.4	−4.1	16.4
1961	90.8	13.6	67.7	33.7	−9.2	5.7	−3.8	15.1

SOURCE: ECLA, based on national statistics.

[a] Including the tourist trade.

[b] 1946-49 average.

dollars as compared with 1,420 million, that is, a reduction of 4 per cent. Notwithstanding this severe contraction in the external sector, the domestic product rose at the rate of 6.1 per cent but this caused the import coefficient to shrink from 12.6 to 8.6.

The years 1959, 1960 and 1961 are highly illustrative years in which to observe the intensity of the impact of the terms of trade and the respective increment in financing channelled towards maintaining specific volumes of imports. Latest information appears to indicate that the coefficient touches very depressed levels and that the ultimate recovery of the product in 1959 and 1960 is no longer based on greater reductions in the import coefficient, but on maintaining it at the same level and even with a slightly upward trend. Data available for 1961, however, would show another drop of the coefficient, which reached 7.5.

Brazil thus presents the experience of a relatively intensive economic development which was stimulated in the early fifties, by an improvement in the terms of trade. By contrast, the import substitution process which took place in the second half of the decade was a decisively important factor, as revealed by the degree of compression of the coefficient. At the same time, Brazil made extensive and constant use of external financing. While practically nil at the end of the war, in the first half of the decade it represented 14 per cent of the value of imports, and in the period 1955-61 18 per cent. It rose even higher in 1960, exceeding 30 per cent, dropping to nearly 20 per cent in 1961.

Another factor which facilitated Brazil's economic development during the fifties seems to lie in the high productivity recorded in its economy, not only in relation to real capital, but also to all aspects concerning its capacity to carry on with the import substitution process. In this respect, it should be pointed out that the capital-product ratio of Brazil's economic development is relatively high in comparison with that shown by other Latin American countries.

(b) *Evolution of imports and changes in their composition*

Brazilian imports expanded at a rate of 3.9 per cent during the immediate post-war period, while the product increased at 5.7 per cent. Identical behaviour may be observed in the fifties. If a comparison is made between average imports during the periods 1948-49 and 1959-60, it will be seen that they increased at a rate of 4.1 per cent, while income and the product rose at 6.1 per cent (see table 114).

What changes have affected the various import items during this period in relation to domestic demand and the substitution process? According to customs statistics, imports went up by 490 million dollars (at 1955 prices), fuels increasing by 150 million, intermediate products by 250 million and capital goods by 165 million. On the other hand, the absolute values of durable consumer goods fell by 75 million, and building materials by 10 million. Non-durable consumer goods remained at the same level. These indices suffice to show that during the process of economic growth experienced by Brazil during that period, the substitution and restriction of imports

TABLE 114

Countries of group D: Rate of growth of final demand and available resources, annual cumulative rates between the periods 1945-49 and 1955-60

	Group D	*Brazil*	*Mexico*	*Venezuela*
Real income	6.5	6.3	5.7	8.2
Domestic product	6.3	5.7	6.2	8.0
Imports	5.3	3.9	4.2	8.1
Consumption	6.7	6.4	5.9	9.5
Private	6.8	6.4	5.9	10.2
Public	6.5	6.7	5.3	6.9
Exports				
Volume of goods and tourist trade	4.4	−0.9	7.9	8.1
Purchasing power	5.1	1.9	4.5	8.7
Total gross investment	5.6	6.9	4.5	4.5
Fixed investment	4.0	4.3	2.9	4.4
Public	13.0	9.1	7.7	11.2
Private	2.1	2.6	2.4	1.0

SOURCE: ECLA, based on national statistics.

were effective in the case of consumer goods and construction materials (see tables 115 and 116). With respect to the remaining items, it would be well to analyse their evolution in relation to that of the components of domestic demand. For this purpose, table 117 contains indices of import content, which have been prepared in accordance with techniques now being applied to the study of this question.

It is noted that import levels for consumer goods have been lower than that of aggregate consumption and, therefore, the coefficients of imports in relation to domestic consumption showed a declining trend. The same situation arises in the case of the import content of building materials in domestic investment.

The proportion of domestic investment represented by imported machinery and equipment increased considerably in 1950-54, when import figures were at their peak and the terms of trade were improving. Later, the coefficient decreased, affected in part by the substitution of this kind of goods and probably, too, by changes in the structure of investment.

A further highly interesting fact revealed by the figures in table 116 is that the coefficient of inputs of imported intermediate products appears to shrink — or at least to remain at 1948-49 levels — despite the heavy increment in the volume of imports in this sector. This shows that the substitution process in Brazil has also been extended on a significant scale to those products. By contrast, fuel imports show a rising trend, parallel with the high rate of increase registered by the domestic product.

As a result of these factors derived from changes in domestic demand and in the substitution process, the composition of Brazilian imports changed towards the end of the period. The share of goods destined for consumption dropped from 16 per cent to 6 per cent. This decline was especially notable in the case of durable goods

TABLE 115

Countries of group D: Composition of imports, annual averages

(Millions of 1955 dollars)

Sector	Total group D		Brazil		Mexico		Venezuela	
	1948-49	1959-60 a	1948-49	1959-60	1948-49	1959-60 a	1948-49	1959-60
Consumer goods	530.6	656.9	178.1	104.6	105.6	136.9	246.9	374.1
Non-durable	339.8	440.4	81.1	80.1	60.1	69.4	198.6	274.4
Durable	190.8	21.56	97.0	24.5	45.5	67.5	48.3	99.7
Fuels	165.2	331.9	130.4	282.6	25.0	50.0	9.8	9.1
Raw materials and intermediate goods	709.3	1,293.0	345.8	600.0	227.5	384.8	136.0	307.9
Metallic	184.3	273.5	72.2	99.8	66.4	100.8	45.7	72.1
Non-metallic	525.0	1,019.5	273.6	500.2	161.1	284.0	90.3	235.8
Capital goods	1,206.7	1,479.3	489.5	645.8	281.3	353.5	435.9	375.6
Building materials	180.9	179.4	44.2	34.0	53.0	52.7	83.7	78.8
Machinery and equipment for agriculture	102.4	98.1	45.6	55.9	31.9	31.5	24.9	25.5
Machinery and equipment for industry	666.5	696.5	233.9	244.6	174.0	215.6	258.6	192.9
Machinery and equipment for transport	256.9	505.3	165.8	311.3	22.4	53.7	68.7	77.4
Other	91.4	176.8	3.4	3.6	11.1	—	76.9	156.8
TOTAL	2,703.2	3,937.9	1,147.2	1,636.4	650.5	925.2	905.5	1,223.3

SOURCE: ECLA, based on national statistics.

a 1959.

TABLE 116

Countries of group D: Composition of imports as a percentage of total value

Sector	Total group D		Brazil		Mexico		Venezuela	
	1948-49	1959-60 a	1948-49	1959-60	1948-49	1959-60	1948-49	1959-60
Consumer goods	19.7	16.7	15.5	6.4	16.2	14.8	27.3	30.6
Non-durable	12.6	11.2	7.1	4.9	9.2	7.5	21.9	22.4
Durable	7.1	5.5	8.4	1.5	7.0	7.3	5.4	8.2
Fuels	6.1	8.4	11.4	17.3	3.8	5.4	1.1	0.7
Raw materials and intermediate goods	26.2	32.8	30.1	36.7	35.0	41.6	15.0	25.2
Metallic	6.8	6.9	6.3	6.1	10.2	10.9	5.0	5.9
Non-metallic	19.4	25.9	23.8	30.6	24.8	30.7	10.0	19.3
Capital goods	44.6	37.6	42.7	39.5	43.2	38.2	48.1	30.7
Building materials	6.7	4.6	3.9	2.1	8.1	5.7	9.2	6.5
Machinery and equipment for agriculture	3.8	2.5	4.0	3.4	4.9	3.4	2.7	2.1
Machinery and equipment for industry	24.7	17.7	20.4	14.9	26.7	23.3	28.6	15.8
Machinery and equipment for transport	9.4	12.8	14.4	19.1	3.5	5.8	7.6	6.3
Other	3.4	4.5	0.3	0.2	1.7	—	8.5	12.8
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: ECLA, based on national statistics.

a 1959.

TABLE 117

Countries of group D: Evolution of the import coefficient

Year or period	Imports of consumer goods (as a percentage of total consumption)		Imports of capital goods (as a percentage of total fixed investment)		Raw materials, intermediate goods and fuels (as a percentage of total gross product)	
	Durable	Non-durable	Building materials	Machinery and equipment	Raw materials and intermediate goods	Fuels
Total group						
1948-49	1.4	2.3	5.4	27.6	3.6	0.8
1950-54	1.2	1.9	4.9	31.3	4.2	1.1
1955-59	1.0	1.6	3.8	28.0	3.6	1.1
1959	0.8	1.6	3.3	25.0	3.6	0.9
1960	...	...	...	...	...	...
Brazil						
1948-49	1.2	1.0	2.6	26.5	3.3	1.2
1950-54	0.8	1.0	3.7	35.8	4.1	1.7
1955-61	0.2	0.6	1.3	21.9	3.1	1.6
1959	0.2	0.5	1.2	23.3	2.9	1.4
1960	0.1	0.5	1.3	22.4	3.2	1.5
1961	0.1	0.6	1.6	18.1	3.0	1.4
Mexico						
1948-49	1.0	1.4	5.4	22.1	4.2	0.5
1950-54	1.1	1.3	5.5	23.4	4.6	0.6
1955-59	1.2	1.0	4.5	25.2	4.4	0.8
1959	1.4	1.1	3.4	26.3	4.8	0.9
1960	...	...	...	...	...	...
Venezuela						
1948-49	2.8	9.2	5.2	30.6	3.5	0.3
1950-54	2.0	6.7	4.3	26.8	3.6	0.3
1955-61	2.1	5.1	4.7	29,7	3.6	0.2
1959	2.9	5.6	4.2	22.2	4.4	0.1
1960	1.7	4.5	3.9	18.9	3.1	0.1
1961	1.5	4.3	3.2	18.4	3.2	0.1

SOURCE: ECLA, based on national statistics.

which in 1959-60 registered little more than 1 per cent. The share of building materials also diminished. Capital goods, on the other hand, retained approximately the same percentage, but the proportion of imports of non-metallic intermediate products and fuels increased. Non-metallic products climbed from 24 to 31 per cent, and fuels from 11 to 17 per cent.

Thus Brazilian imports acquired a structure which is already highly inflexible, since 94 per cent are intermediate products, fuels and capital goods, and only 6 per cent are consumer goods.

(c) *Sectoral development and changes in the structure of production*

The accelerated rate of economic development and the substitution of imports introduced marked changes in the structure of Brazil's domestic production.

If a comparison is drawn between average indices for 1955-61 and those for the years 1945-50, it will be noted that the gross domestic product increased by 89 per cent. On the same basis, manufacturing output is estimated to have increased by 181 per cent, i.e., at an annual rate of 9.4 per cent, which is the highest recorded among the Latin American countries in the post-war period. Development of construction was likewise intensified, its estimated increase being 129 per cent, and that of mining 127 per cent. By contrast, agricultural production developed at a slower pace, since the total increment was only 50 per cent, and if coffee is excluded this percentage is still lower: 43 per cent.

2. MEXICO

(a) *Product and income trends and impact of the external sector*

The rate of increase of Mexico's domestic product during the post-war period was 6.2 per cent annually, and that of real income was slightly lower. The trend followed by exports — including tourism — was higher than that shown by the product (7.9 per cent), but their purchasing power was likewise slightly less. Both income and the purchasing power of exports were affected by the long-range deterioration of the terms of trade during the period considered. Mexican imports tended to increase less than the domestic product, revealing a lower than unity elasticity with respect to income (see again table 114).

Up to 1955, Mexico kept up a relatively sustained rate of growth, estimated at 6.5 per cent annually in both product and 6 per cent in real income; but it declined in the second half of the fifties; and if a comparison is made between the first and last years 1955 and 1961, the average annual growth obtained is 4.5 per cent in the product and 3.6 per cent in income. As during this period population was increasing at the rate of 3.1 per cent per annum, real per capita income increased at 0.5 per cent. This rate compared most unfavourably with that of 3.0 per cent in per capita income experienced by Mexico in the first ten years of the post-war period.

It will now be seen how the external sector developed in relation to the evolution of the product and of income in the fifties. Tables 112 and 114 contain the relevant information. During the period 1950-54 the volume of exports of goods and the tourist trade averaged 34 per cent more than in the preceding five-year period. The terms of trade began to deteriorate, but their repercussions were not yet significant. Mexico used a yearly average of 60 million dollars of net external financing and its imports were thus 770 million dollars, which implied an increment of 19 per cent with respect to the preceding period. A major reduction in the import coefficient (from 14.4 to 12.5) accompanied an increment of 37 per cent in the domestic product. In the years 1955-61, the volume of exports of goods and the tourist trade increased by 71 per cent, but the impact of the deterioration in the terms of trade was such that their purchasing power was only 31 per cent higher than in the previous five-year period. Little additional external financing was utilized during this period and the volume of imports expanded by 31 per cent. The domestic product rose by a higher proportion (41 per cent), which caused the import coefficient to shrink once more, from 12.5 to 11.6.

This brief analysis shows that Mexico's economic development has been characterized by a rapid expansion of exports of goods and services — in which tourism played an important part — and by a steady and gradual process of substitution. It is also clear that the declining growth rate over the past few years has been affected, in particular, by the deterioration of the terms of trade, whose negative impact was such as to represent 5 per cent of the product.

(b) *Evolution of imports and changes in their composition*

It will now be seen how the different import items developed within that steady and gradual substitution process referred to above. Tables 115, 116 and 117[2] have been prepared for the purpose, systematically following the method of analysis adopted for the study of other countries. Imports in 1959 exceeded the average recorded in 1948-49 by slightly under 40 per cent. In turn, both the product and income went up by between 80 and 90 per cent between the two periods.

According to statistics prepared by Mexican customs bodies, and absolute increment of 275 million dollars (at 1955 prices) was attained between 1948-49 and 1959. Intermediate products accounted for the largest increase in both relative and absolute terms, the difference with respect to the first period being 160 million dollars. Capital goods, for their part, rose by 70 million dollars; fuels by 25 million, thereby doubling the amount registered during the base period, and lastly, consumer goods increased by 30 million.

This shows that the total increment in the import trade was distributed primarily among intermediate products, fuels and capital goods, inasmuch as consumer goods actually absorbed a comparatively low proportion (16 per cent) of imports in the years 1948-49.

The evolution of the different groups of imported goods will be examined now in relation to the components of final demand and the domestic product. From 1948 on, imports of consumer goods of all kinds increased at a similar rate to that of domestic consumption. The import content of these goods in aggregate consumption registered an upward trend for durable goods and a downward trend for non-durable goods.

The coefficient of imports of building materials in relation to domestic investment also shows a reduction in the second half of the fifties. Imported machinery and equipment, on the other hand, have tended steadily to increase their share in domestic investment. Fuels, in turn, have gone up more than the domestic product, although they represent a relatively small absolute figure. Finally, intermediate products appear to have maintained a more stable relationship with respect to the domestic product in the period 1948-59. If this were so, the substitution process would be effected in Mexico on broader bases than in other countries, since it would also embrace intermediate products considered as a whole.

In short, the composition of Mexico's imports in 1959 differs essentially from that of ten years before in the smaller share of building materials which dropped from 8 to 6 per cent, in the proportion of capital goods which fell from 35 to 32 per cent, and in the increased percentage absorbed by intermediate products which rose from 35 to 42 per cent. On the other hand, the share of consumer goods remained virtually stationary, since it only dropped from 16 to 15 per cent.

(c) *Sectoral development and changes in the structure of production*

The evolution of Mexico's sectoral production presents marked characteristics which distinguish it from the other two countries of group D, as also from the general trend registered by Latin America. Among the different economic sectors, that showing the fastest rate of growth was agricultural production, which was channelled towards covering internal demand and exports, both of which increased considerably. The average index of agricultural output in the years 1955-61 registered an increment of 115 per cent with respect to the average for 1945-49, while the gross domestic product rose by 98 per cent. As far as the other sectors are concerned, attention should be drawn to the increase in building (90 per cent) and in the manufacturing industries (107 per cent). Consequently, the share of the agricultural product in the gross domestic product rose from 20 to 22 per cent in the post-war period, while that of manufacturing output remained unchanged at about 19 per cent.

[2] See heading 1 of this section above.

3. VENEZUELA

(a) *Product and income trends and impact of the external sector*

Venezuela registered the highest rate of growth of all the Latin American countries in the post-war period. The increment in the domestic product was 8.0 per cent annually and the rate of income growth was even higher.

The quantum of exports followed a parallel course to that of the product, and its purchasing power to that of real income, as the terms of trade developed favourably for the country in comparison with the average levels existing at the beginning of the post-war period. Consequently, the expansion of imports (8.1 per cent annually) kept pace with that of the product and income (see table 114).

Venezuela's development was based primarily on petroleum production for export, so that towards the end of the fifties the domestic product generated by oil-wells and mining still represented almost one-third of the gross product, whereas agricultural and manufacturing activities taken as a whole accounted for only 17 per cent. Thus it can be stated, in broad terms, that the behaviour of Venezuela's economy was compatible with the peculiar characteristics of an economy that is mainly dependent on the external sector. It should be borne in mind that the import coefficient was maintained at an average level of over 20 per cent during almost the whole period, although, as pointed out below, it dropped sharply from 1960 onwards.

In the early post-war years (see again table 110 and figure XXIX), the product and income increased at rates of over 10 per cent. These declined to approximately 8.5 per cent in the period 1950-55, and still further — to 5.7 per cent for the product and 4.2 per cent for real income — if the 1961 levels are compared with those of 1955. During the second half of the fifties, Venezuela's population increased at the rate of 4 per cent annually, owing to the combination of a high birth rate and the large influx of immigrants since the end of the war. In consequence, the per capita product rose at 1.7 per cent annually, and income at 0.4 per cent. This rate compares most unfavourably with that attained by Venezuela's economy up to 1955.

The impact of the external sector through the effect of the terms of trade developed along the same lines in Venezuela as in most other Latin American countries, the only difference being that it remained favourable for a longer period and did not suffer such violent fluctuations. It contributed to expediting growth in the early post-war years and to weakening it in the second half of the fifties. Added to this factor was a relative stagnation in the volume of exports towards the end of the post-war period, which helps to explain the lesser growth of the product and income in 1955-61.

Some figures grouped by five-year periods (see again tables 112 and 113) describe the evolution of the external sector during the post-war period. In the five years 1950-54 the quantum of Venezuelan exports averaged 1,370 million dollars annually, which represented an increment of 45 per cent with respect to the previous five-year period, but their purchasing power increased even further (75 per cent) by virtue of the improved terms of trade. At that time, returns on foreign investment averaged 390 million dollars annually and Venezuela's imports amounted to a value of 875 million, thereby maintaining the balance-of-payments equilibrium.

In 1950-54 the domestic product rose by 47 per cent, somewhat less than the increment in imports. The import coefficient rose slightly from 20.9 to 21.6 per cent between the two five-year periods considered.

In the period 1955-61 the quantum of Venezuelan exports amounted to 2,230 million dollars, or 62 per cent higher than the previous five-year level. However, as the terms of trade then showed an unfavourable trend, the purchasing power of those exports increased less (44 per cent) than their quantum. The larger volume exported likewise implied a higher return on foreign investment which averaged 500 million dollars for that period. The average external financing utilized was 20 million dollars annually and the volume of imports amounted to 1,350 million, that is, 54 per cent more than in the five years 1950-54. The product increased to a somewhat greater extent and the import coefficient showed a downward trend from 21.6 to 21.1

Figures for 1958, 1959, 1960 and 1961 (see again tables 112 and 113) show that the terms of trade continued to deteriorate and, further, that the quantum of exports tended to rise slowly. Imports contracted sharply from 1,550 million dollars in 1959 to 1,150 million in 1960 and to 1,075 in 1961. From 1955 to 1961 the rate of income growth declined a rate of 4.2 per cent annually.

(b) *Evolution of imports and changes in their composition*

It was stated earlier that Venezuelan imports tended to expand during the post-war period at the same high rate as the product and income, and at an even higher rate if the comparison excludes the three last years, when they dropped sharply as a result of import restrictions imposed by the Government.

Tables 115 and 116 contain information on the absolute and relative changes in the different groups of imported products between the periods 1948-49 and 1959-60. Actually, the figures for the latter period may not be sufficiently representative as regards some aspects of the new structure which Venezuelan imports may well acquire under its present economic policy. Nevertheless, they serve to illustrate the historical development of this economy.

At the end of the fifties, imports of consumer goods represented 31 per cent of total purchases abroad. Of these, the share of non-durable goods was 22 per cent; raw materials and intermediate products accounted for 25 per cent,[3] the share of building materials declined somewhat, and the same applied to capital goods whose proportion fell from 48 to 31 per cent.

[3] As distinct from the period 1948-49, in which they represented only 15 per cent of total imports, a particularly large proportion of the increment being absorbed by non-metallic intermediate products.

Thus, in contrast to the other countries belonging to this group, the structure of Venezuela's imports is characterized essentially by the larger share of consumer goods and the lesser proportion accounted for by raw materials and intermediate products.

Note should be taken of the course followed by these different kinds of imports in relation to the domestic product and demand. Imports of non-durable consumer goods tended to increase less than total consumption in the fifties, which indicates a process of substitution in this sector. A somewhat similar situation occurred in regard to building materials, to judge from the index of their content in domestic investment. It is impossible to draw immediate conclusions from the indices of the content of imported machinery and equipment in internal investment, as their fluctuations may be determined largely by changes in the composition of domestic investment. However, it will be seen that in 1955-59 imported machinery and equipment represented 30 per cent of domestic investment, whereas in the preceding years this ratio had dropped from 31 to 27 per cent. The behaviour of imports of intermediate goods was similar to that in the majority of the Latin American countries, since the input coefficient in relation to the domestic product followed an upward trend during the decade. The coefficient dropped in 1960, but as that year witnessed a sharp contraction of imports, domestic demand could be met from the stocks of imported goods in the country.

(c) *Sectoral development and changes in the structure of production*

Reference has been made to the salient features of Venezuela's economic structure. This picture should now be completed by examining the evolution of that structure during the post-war period. Average indices for 1955-61 indicate that the gross domestic product increased by 136 per cent over the average levels for 1945-49. On the basis of the same periods, it is estimated that the production of oil wells, quarries and mines went up by 155 per cent. The manufacturing industry registered the same increase (157 per cent), and construction approximately the same (125). On the other hand, agricultural production increased by only 69 per cent.

As is only natural, such changes in sectoral production should be considered in relation to original levels and to the relative importance of those sectors in the Venezuelan economy. The output of oil wells, quarries and mines represented 31 per cent of the gross product in the early post-war years, rising to more than 33 per cent at the end of the fifties. The share of the agricultural product diminished from 10.1 to 7.3 per cent and that of the manufacturing industries rose from 9.3 to 10.1 per cent. It is interesting to note that the volume of building in Venezuela was relatively larger than in most other Latin American countries and its share in the gross product rose from 6.9 to 7.8 per cent in the first ten years of the post-war period. However, in the second half of the fifties it was reduced to 6.6 per cent.

Part IV

LATIN AMERICAN EXPORTS

A. GENERAL CONSIDERATIONS AND SUMMARY OF THE ANALYSIS

In parts I and III, the evolution of exports and of their purchasing power in Latin America as a whole and in the various groups of countries was considered in relation to its effects on imports and on the rate of economic development.

Export trends in themselves must now be analysed, as a variable of external demand and of world market conditions, with respect to the different Latin American countries, the products of the region, their prices, and foreign purchasers.[1]

A summary of the most significant conclusions reached in this chapter may serve a useful purpose by indicating them in advance and affording a general picture of the subjects of discussion. The conclusions in question may be outlined as follows:

(*a*) The value of Latin America's exports rose very little between 1948 and 1960. Moreover, about 90 per cent of the small increment registered was attributable to Venezuela, and, in particular, to petroleum, which represented nine-tenths of that country's exports;

(*b*) Latin America's share in world trade contracted, since its exports and imports tended to expand less than those of the world as a whole;

(*c*) If Venezuela is excluded, it will be seen that Latin America's external sales and purchases show a persistent deficit. As a result of this trend, the monetary reserves of the Latin American countries, and, therefore, their measure of international solvency, decreased;

(*d*) The quantum of exports also failed to expand over the long term (1948-60), but better progress was made during the five-year period 1955-60, when they increased by 26 per cent;

(*e*) The increment in the quantum of exports registered in the latter period was largely offset by the 14 per cent decline in their unit values between 1955 and 1960;

(*f*) Because of the unfavourable terms of trade in 1948-60, the increase in the quantum did not carry as much weight as it should have in the total value of exports; thus, in 1955-60, the purchasing power of exports rose by only 12 per cent;

(*g*) Between the three-year periods 1950-52 and 1958-60 the value of Latin America's exports increased by 1,220 million dollars (17 per cent), and 70 per cent of this increment was due to external sales of fuels and mineral ores effected mainly by Venezuela, and in a smaller proportion by Chile, Mexico and Peru;

(*h*) Of the above-mentioned increment, 42 per cent represented the increase in sales to western Europe, and particularly to the States members of the European Common Market. The United States absorbed 22 per cent, while 12, 10 and 8 per cent of the additional exports went to the countries of eastern Europe, Latin America itself, and Japan, respectively;

(*i*) The share of western Europe, Japan and eastern Europe in Latin American exports followed an upward trend, partly on account of the high rates of economic development achieved by the countries concerned;

(*j*) Because of this dependent situation, Latin America's exports to western Europe might lose the momentum gained in the second half of the fifties, if the latter region's rate of economic development were to decrease, and the adverse effects of such a turn of events might be still further aggravated if the European countries were to adopt individual or collective protectionist measures, or were to extend yet more favourable treatment to their associated territories;

(*k*) The United States has absorbed 44 per cent of Latin America's total exports in recent years. It is being partly superseded, however, by the European countries and Japan. In fact, by 1961 Latin America's sales to the United States had contracted to a little under 40 per cent of the region's total exports;

(*l*) Several of Latin America's staple export commodities — petroleum, tin, coffee, wheat, cacao and wool — witnessed a reduction of their share in world trade. This fact is strongly indicative of the difficulties on the supply side, to which must be added the well-known factors limiting world demand for primary commodities;

(*m*) In Latin America as a whole, there has been no marked trend towards the diversification of the export

[1] It would have been desirable for this analysis to cover the whole period from the end of the war to the present time. But owing to the lack of detailed and complete basic data, and because the aim was to deal systematically with the largest possible number of countries and commodities, the period under study had to be confined to more recent years, 1948 being taken as a starting-point in some instances and 1950 in others. Despite this reservation, however, the analysis was extended to longer over-all trends when it was deemed expedient.

trade, which is still based on the traditional primary commodities;

(*n*) There are signs of a certain amount of competition among the Latin American countries to acquire an increasing share in the world market for the region's traditional commodities. The geographically smaller countries seem to be securing some advantages in this respect, especially where tropical agricultural commodities are concerned;

(*o*) The prospects for Latin America's traditional exports are not satisfactory as regards the probable evolution of either demand or prices;

(*p*) Even to maintain the weak rate of economic development attained in the fifties, Latin America would have to incorporate new commodities in its export trade, and its diversification effort will have to be greater still if the rate of development is to be accelerated;

(*q*) The Latin American countries which registered the most rapid rate of economic development during the post-war period were those that showed the greatest expansion of their exports. Conversely, the countries in which the rates of growth of the gross domestic product were lowest, were, as a rule, those whose external sales expanded least.

B. EVOLUTION OF LATIN AMERICA'S FOREIGN TRADE

During the post-war period, the growth rate of Latin America's exports was about 2.9 per cent, whereas the domestic product developed more rapidly, at an annual rate of 4.6 per cent. Consequently, despite the additional external financing received towards the second half of the fifties, imports necessarily expanded less than the product in Latin America as a whole, increasing at an annual rate of 3.9 per cent. This evolution was not of course uniform throughout all the countries of the region.

Latin America continued to base its export trade on primary commodities, demand for which, although occasionally expanding, tended to contract somewhat over the long term. This circumstance was accompanied by very violent price fluctuations. The terms of trade developed favourably for Latin America during the early years of the post-war period, but subsequently followed so sharp a downward trend that the purchasing power of Latin America's exports increased at an annual rate of only 2.7 per cent over the whole period. As early as 1948, the fall in prices had already affected Argentina and Uruguay, and from 1955 onwards its influence spread throughout the region. As Latin America's gross income rose at an approximate annual rate of 4.7 per cent during the post-war period, external purchases had to be so severely restricted and the import substitution process so intensively promoted that the proportion of the gross product represented by imports dropped from an average of 14.5 per cent in 1945-48 to only 12.9 per cent in 1959-60. It might be pointed out that in 1930 the proportion was 29 per cent.

To sum up, while no essential changes took place in the structure of Latin America's export trade, which remained fundamentally dependent upon primary commodities, imports had to be adapted to the slow upward trend of purchasing power by means of changes in their

TABLE 118

Latin America: Value of exports, imports and trade balances

(Millions of dollars)

Year	Exports (f.o.b.)		Imports (c.i.f.)		Balance	
	Total	Excluding Venezuela	Total	Excluding Venezuela	Total	Excluding Venezuela
1948	6,458.6	5,418.5	6,194.0	5,359.7	+264.6	+58.9
1949	5,597.4	4,594.5	5,518.3	4,721.3	+79.1	−126.8
1950	6,585.6	5,424.9	5,407.2	4,738.4	+1,178.4	+686.5
1951	7,805.1	6,451.9	7,804.0	7,041.1	+1.1	−589.2
1952	7,051.5	5,601.3	7,682.5	6,835.1	−631.0	−1,233.8
1953	7,593.1	6,147.9	6,539.8	5,620.8	+1,053.3	+527.1
1954	7,862.3	6,172.6	7,396.1	6,367.1	+466.2	−194.5
1955	7,991.2	6,079.1	7,533.3	6,441.1	+457.9	−362.0
1956	8,502.0	6,378.4	7,923.7	6,674.7	+578.3	−296.3
1957	8,641.3	6,274.7	9,318.4	7,450.3	−677.1	−1,175.6
1958	8,165.5	5,844.1	8,519.5	6,920.4	−354.0	−1,076.3
1959	8,284.6	5,915.1	7,989.9	6,410.0	+294.7	−494.9
1960	8,655.6	6,118.3	8,202.4	7,008.4	+453.2	−890.1

SOURCE: ECLA, *Economic Bulletin for Latin America*, vol. IV, No. 2, V, VI, and VII, No. 2, Statistical Supplement.

TABLE 119

Latin America: Export, import and gross domestic product indices [a]

(1948 = 100)

Year	Exports	Imports	Gross domestic product	
			Per capita	Total
1948	100	100	100	100
1949	87	89	101	103
1950	102	87	104	110
1951	121	126	116	125
1952	109	124	117	130
1953	118	106	119	135
1954	122	119	125	146
1955	124	122	131	157
1956	132	128	135	167
1957	134	150	145	184
1958	126	138	148	194
1959	128	126	150	203
1960	134	132	161	215

SOURCES:

1. For exports and imports, see table 82.
2. Gross domestic product: the series estimated by ECLA in 1950 dollars were converted to current values by applying the over-all United States price index.

[a] These indices were calculated on the basis of current values.

TABLE 120

Latin America: Per capita exports and imports

(Dollars)

Year	Exports		Imports	
	Totals	Excluding Venezuela	Totals	Excluding Venezuela
1948	43.5	37.7	41.7	37.3
1949	36.8	31.2	36.3	32.1
1950	42.2	35.9	34.6	31.3
1951	48.7	41.6	48.7	45.4
1952	42.9	35.2	46.7	42.9
1953	44.9	37.6	38.7	34.4
1954	45.2	36.7	42.6	37.9
1955	44.7	35.2	42.2	37.3
1956	46.2	35.9	43.1	37.6
1957	45.6	34.3	49.2	40.8
1958	41.9	31.1	43.7	37.8
1959	41.3	30.6	39.9	33.1
1960	42.0	30.8	39.8	35.2

SOURCE: ECLA, *Economic Bulletin for Latin America*, vol. IV, No. 2, V, VI and VII, No. 2, Statistical Supplement.

TABLE 121

World and Latin American foreign trade

(Millions of dollars)

Year	Exports			Imports		
	World [a] (1)	Latin America (2)	Latin America, excluding Venezuela (3)	World [a] (4)	Latin America (5)	Latin America, excluding Venezuela (6)
1928	32,615	2,954.0	2,838.0	35,483	2,453.0	2,372.0
1935	19,025	1,673.0	1,492.0	21,042	1,177.0	1,131.9
1938	21,917	1,736.0	1,468.0	24,583	1,558.0	1,452.0
1948	52,800	6,458.6	5,418.6	58,400	6,194.0	5,359.7
1949	53,700	5,597.4	4,594.5	58,500	5,518.3	4,721.3
1950	55,400	6,585.6	5,424.9	58,200	5,407.2	4,738.4
1951	82,400	7,805.1	6,451.9	87,200	7,804.0	7,041.1
1952	80,000	7,051.5	5,601.3	86,400	7,682.5	6,835.1
1953	82,000	7,593.1	6,147.9	83,700	6,539.8	5,620.8
1954	85,500	7,862.3	6,172.6	87,900	7,396.1	6,367.1
1955	93,100	7,991.2	6,079.1	97,800	7,533.3	6,441.1
1956	103,100	8,502.0	6,378.4	107,900	7,923.8	6,674.8
1957	111,100	8,641.3	6,274.7	118,700	9,318.4	7,450.3
1958	107,300	8,165.5	5,844.0	112,600	8,519.5	6,920.4
1959	115,100	8,284.6	5,915.1	120,300	7,789.9	6,410.0
1960	127,500	8,655.6	6,118.3	134,300	8,202.4	7,008.4

SOURCES: Columns 1, 2, 3, 4 and 5: 1928, 1935, 1938: League of Nations, *The network of world trade*, 1942 (page 99) and columns 2 and 5, 1943, ECLA, *Economic Bulletin for Latin America*, vol. V. Column 1, 1949, ECLA, *Economic Bulletin for Latin America*, vol. 17, No. 2. 1950 to 1960: ECLA, *Economic Bulletin for Latin America*, vol. VI. Columns 1 and 4: 1948 to 1950, United Nations, *Yearbook of International Trade*, 1952. 1951 to 1960, United Nations, *Yearbook of International Trade*, 1960.

[a] 1948 to 1950, excluding exports and imports of Albania, Bulgaria, Mainland, China, Czechoslovakia, East Germany, Hungary, Poland, Romania and the Soviet Union. The years 1951 to 1960 exclude trade between Mainland China, Mongolia North Viet-Nam and North Korea.

TABLE 122

Indices of world and Latin American foreign trade

(1948 = 100)

Year	Exports			Imports		
	World	Latin America	Latin America, excluding Venezuela	World	Latin America	Latin America, excluding Venezuela
1928	62	46	52	61	40	44
1935	36	26	28	36	19	21
1938	42	27	27	42	25	27
1948	100	100	100	100	100	100
1949	102	87	85	100	89	88
1950	105	102	100	100	87	88
1951	156	121	119	149	126	131
1952	152	109	103	148	124	128
1953	155	118	113	143	106	105
1954	162	122	114	151	119	119
1955	176	124	112	167	122	120
1956	195	132	118	185	128	125
1957	210	134	116	203	150	139
1958	203	126	108	193	138	129
1959	218	128	109	206	126	120
1960	241	134	113	230	132	131

SOURCE: See table 121.

TABLE 123

Latin America: Share of total world trade

(Percentages)

Year	Exports		Imports	
	Latin America	Latin America excluding Venezuela	Latin America	Latin America excluding Venezuela
1928	9.1	8.7	6.9	6.7
1935	8.8	7.8	5.6	5.4
1938	7.9	6.7	6.3	5.9
1948	12.2	10.3	10.6	9.2
1949	10.4	8.6	9.4	8.1
1950	11.9	9.8	9.3	8.1
1951	9.5	7.8	8.9	8.1
1952	8.8	7.0	8.9	7.9
1953	9.3	7.5	7.8	6.7
1954	9.2	7.2	8.4	7.2
1955	8.6	6.5	7.7	6.6
1956	8.2	6.2	7.3	6.2
1957	7.8	5.6	7.9	6.3
1958	7.6	5.4	7.6	6.1
1959	7.2	5.1	6.6	5.3
1960	6.8	4.8	6.1	5.2

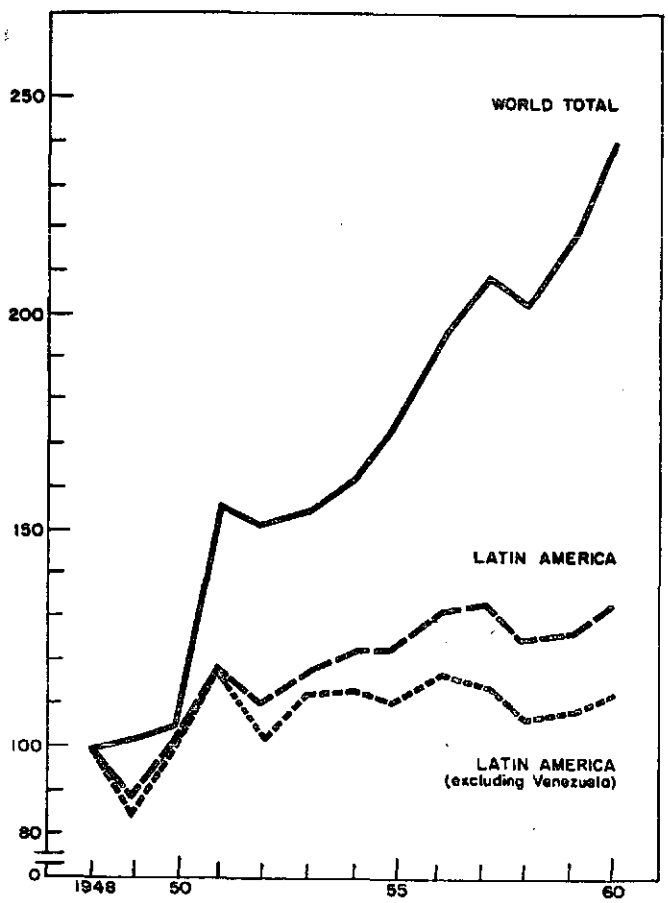
SOURCE: See table 121.

FIGURE XXXIII

World and Latin American exports

(INDICES CALCULATED ON CURRENT DOLLARS)

Natural scale



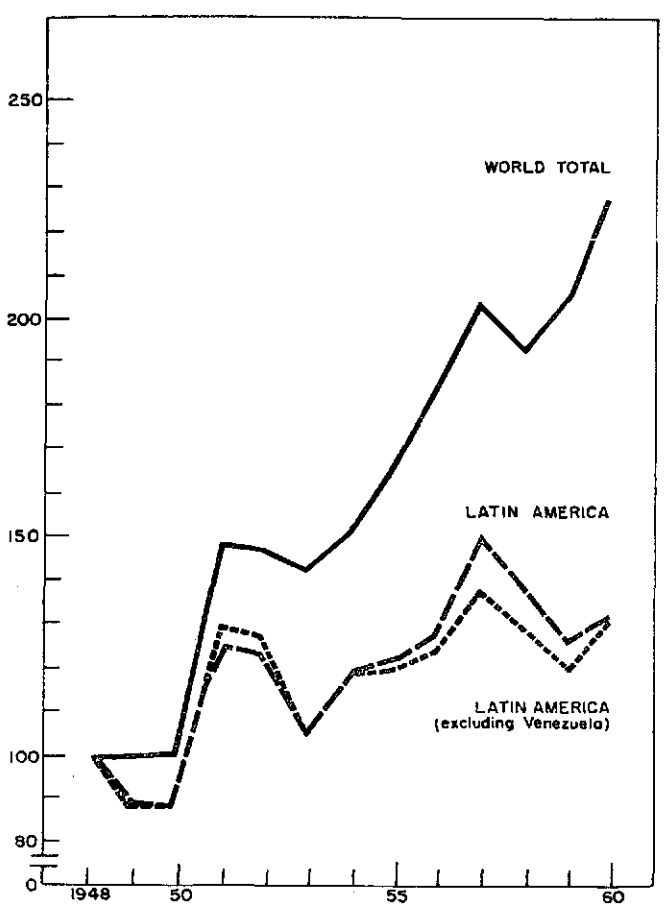
SOURCES: United Nations, *Yearbook of International Trade; Economic Bulletin for Latin America*, Statistical Supplement.

FIGURE XXXIV

World and Latin American imports

(INDICES CALCULATED ON CURRENT DOLLARS)

Natural scale



SOURCES: United Nations, *Yearbook of International Trade; Economic Bulletin for Latin America*, Statistical Supplement.

composition. In the last analysis, this implied that the margin for import substitution became progressively narrower, and that the Latin American economies were increasingly restricted to external purchases of intermediate products, fuels and capital goods; and it is a truism that the adequacy of the supply of goods in these categories conditions the current level of activity and the capacity for future development.

This raises the question of how far it is rational and possible to promote a satisfactory development process along such lines, and suggests the necessity of deciding upon a policy that will determine a different structure of exports within a framework of optimum utilization of Latin America's resources.

Another characteristic aspect of the evolution of Latin America's foreign trade during the post-war period is that relating to the contraction of its sales on the world market and the minimal increase in its foreign exchange export earnings. This can be demonstrated by a few data relating to recent years. Between 1948 and 1960, total exports from Latin America, in terms of dollars at current prices, expanded by only about 30 per cent, a rate which slightly exceeded that of population growth, but fell far short of the increase in its gross product, likewise measured in terms of current prices (see tables 118, 119 and 120).

Most of this small increment was concentrated in a single country — Venezuela — which contributed about 90 per cent of the increase in the value of Latin America's exports, and in a single product — petroleum. If the figures for Venezuela are excluded from the total so that the evolution of the other countries can be accurately determined, it will be seen that Latin America's exports expanded by only 10 per cent over a period of twelve years. In other words, the per capita value of exports from the remaining nineteen Latin American countries is lower than in 1948.

This development pattern contrasts very unfavourably with that of world trade. By 1960 world exports and imports were more than double those registered in 1948. Consequently, Latin America's share in world trade declined (see tables 121, 122 and 123 and figures XXXIII and XXXIV). In 1948-50, the external sales effected by Latin America had represented 11.5 per cent of world exports, whereas by 1959-60 their share was only 7 per cent.

C. TRENDS IN THE VOLUME OF EXPORTS AND EVOLUTION OF THE TERMS OF TRADE IN 1955-60

1. Volume and purchasing power of exports

The slowness of the rise in the value of exports, expressed in terms of dollars at current prices, was partly imputable to the fall in world market prices. In the later years of the period under review, the quantum of exports followed an upward trend, especially from 1954 onwards, but the unit value of the commodities exported declined (see figure XXXV). The increase in the volume of exports was common to almost all the countries of the region, the exceptions being Bolivia, Cuba, Panama and Uruguay, which did not contribute to the increment (see table 124). Concurrently with this increased in their quantum (26 per cent), the unit value of exports decreased by 14 per cent,[1] thus offsetting more than half of the purchasing power that might have been acquired through the expansion of the volume exported.

[1] See table 128.

TABLE 124

Latin America: Volume of exports

(Indices: 1955 = 100)

Country	*1948*	*1949*	*1950*	*1951*	*1952*	*1953*	*1954*	*1955*	*1956*	*1957*	*1958*	*1959*	*1960*
Argentina	144	96	118	93	65	105	113	100	119	112	129	131	131
Bolivia	116	109	103	113	113	111	97	100	100	104	74	71	71
Brazil	126	122	100	108	91	99	88	100	108	99	95	121	119
Chile	104	94	90	93	98	85	96	100	104	111	108	124	115
Colombia	92	91	80	87	89	113	100	100	92	87	96	111	109
Ecuador	62	61	79	69	89	83	95	100	103	120	123	129	150
Paraguay	113	130	136	115	96	112	102	100	128	120	128	120	124
Peru	57	58	69	70	77	85	93	100	112	114	120	136	197
Uruguay	97	106	130	89	104	135	126	100	126	73	97	74	78
Venezuela	63	61	69	78	83	82	88	100	115	129	124	132	140
TOTAL	98	89	90	90	85	95	95	100	110	112	112	124	129

TABLE 124 *(continued)*

Latin America: Volume of exports

Country	*1948*	*1949*	*1950*	*1951*	*1952*	*1953*	*1954*	*1955*	*1956*	*1957*	*1958*	*1959*	*1960*
Costa Rica	94	89	84	84	103	106	98	100	76	100	130	119	135
Cuba	108	92	98	107	98	110	90	100	113	115	121	109	99
Dominican Republic	67	77	76	80	93	94	92	100	108	113	111	118	168
El Salvador	84	95	90	85	89	91	86	100	102	128	130	151	149
Guatemala	108	94	93	86	93	98	92	100	105	107	118	141	148
Haiti	125	130	125	123	126	102	124	100	123	98	136	103	120
Honduras	151	148	157	156	142	143	108	100	146	137	157	165	163
Mexico	56	63	72	75	76	80	81	100	102	94	101	119	107
Nicaragua	40	32	51	51	64	70	69	100	79	95	106	122	97
Panama	78	78	70	71	67	77	84	100	87	109	105	115	101
TOTAL	82	80	85	89	88	94	87	100	105	106	114	119	115
TOTAL, Latin America	94	87	88	86	86	95	93	100	109	110	112	123	125

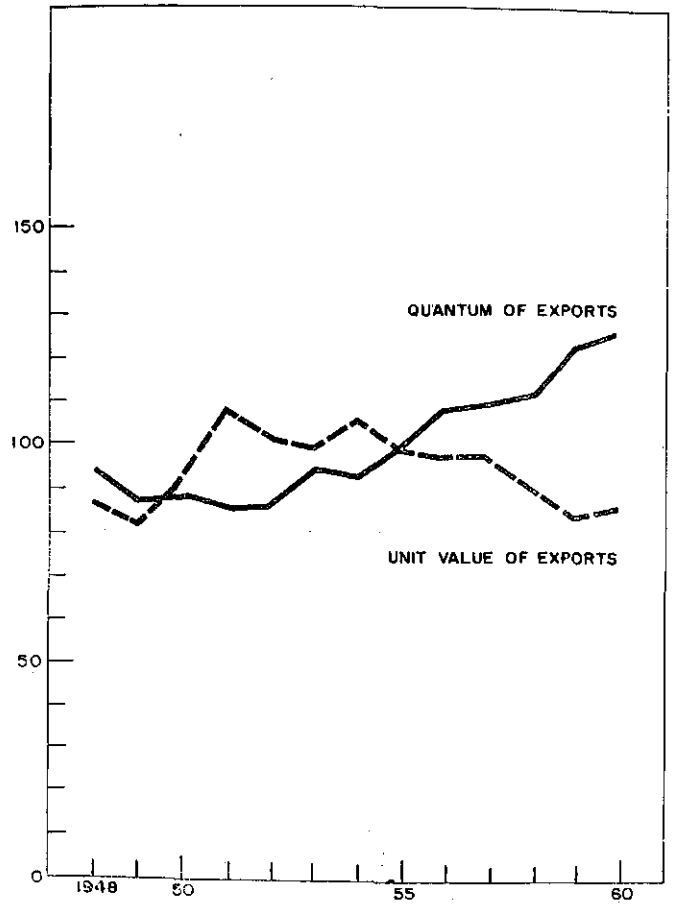
SOURCE: ECLA, *Economic Bulletin for Latin America*, vols. V and VI, Statistical supplements, and unpublished figures.

FIGURE XXXV

Latin America: Quantum and unit value indices of exports

(INDICES 1955 = 100)

Natural scale



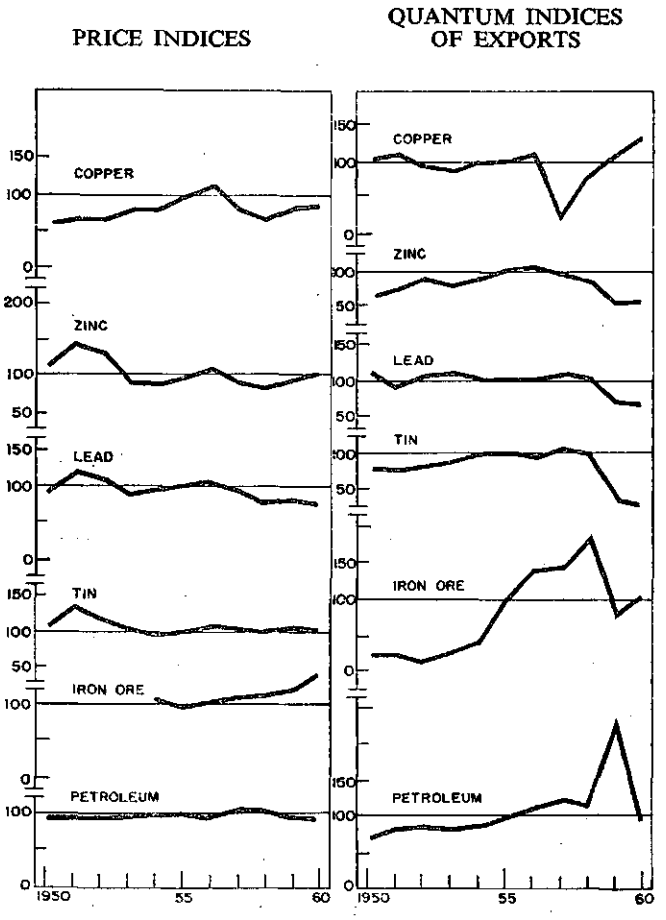
SOURCE: Data from tables 124 and 127.

FIGURE XXXVI

Latin America: Price and quantum indices of exports

(INDICES 1955 = 100)

Natural scale



SOURCE: Data from table 126.

TABLE 125

Latin America: Price indices for agricultural export commodities, 1950-60

(1955 = 100)

Commodity	*1950*	*1951*	*1952*	*1953*	*1954*	*1955*	*1956*	*1957*	*1958*	*1959*	*1960*
Sugar	154	175	129	105	101	100	107	159	108	92	96
Bananas	97	97	98	98	101	100	101	107	99	88	86
Coffee	88	95	95	101	138	100	102	100	85	65	64
Cacao	81	97	99	96	154	100	70	84	120	98	74
Cotton	...	149	116	101	105	100	91	91	87	76	78
Meat	...	...	...	87	87	100	80	84	92	100	100
Wheat	103	100	108	106	100	100	107	99	92	91	92
Maize	95	145	146	109	100	100	111	104	81	81	83
Hides	178	258	135	137	117	100	99	106	102	151	118
Quebracho	71	88	98	98	99	100	100	85	85	84	84
Wool	134	218	108	108	112	100	92	120	91	87	82
Linseed oil	130	171	154	96	72	100	132	109	108	99	103

SOURCE: United Nations, *Monthly Bulletin of Statistics*, October 1962; International Monetary Fund, *International Financial Statistics*, November 1962; ECLA, *Economic Survey for Latin America*, 1957.

Note: The various market quotations for these commodities are as follows:

Sugar (cents per pound): Export price, *f. o. b.* Cuban port; New York quotations for exports to free market, raw sugar.

Bananas (cents per pound).

Coffee (cents per pound): Domestic/import price ex-dock New York, spot price.

Cacao (cents per pound): Domestic/import price, ex-warehous New York, Bahia cacao.

Cotton (cents per pound): Domestic/import price, *c. i. f.* Liverpool, Matamoros Mexican cotton SM-I-1/32.

Meat (per pound): Domestic/import price, London, chilled Argentine kinds.

Wheat (£ per long ton): Domestic/import price, *c. i. f.* United Kingdom, Argentine wheat, up-river, sales outside the International Wheat Agreement.

Maize (£ per long ton): Domestic/import price, *c. i. f.* London, La Plata maize.

Hides: Argentine ox, from packing house, United Kingdom port.

Quebracho (cents per pound): Ex-dock, New York, free of customs duties.

Wool (dollars per pound): Import price at Boston, United States, Montevideo wool 58-60, clean basis.

Linseed oil: £/London, United Kingdom and Continental Europe, *c. i. f.:* European import price, European ports, in bulk, from Argentina and Uruguay.

TABLE 126

Latin America: Export volume and prices for staple mining commodities, 1950-60

(Indices: 1955 = 100)

Year	*Copper*	*Zinc*	*Lead*	*Tin*	*Iron ore*	*Petroleum*	*Year*	*Copper*	*Zinc*	*Lead*	*Tin*	*Iron ore*	*Petroleum*
	Volume							*Prices*					
1950	105	61	106	79	20	70	1950	57	113	88	101	...	92
1951	109	74	93	78	20	81	1951	65	146	116	135	...	92
1952	93	89	104	84	14	85	1952	65	132	109	120	...	92
1953	87	77	107	87	26	83	1953	77	89	89	101	...	96
1954	98	86	102	97	40	89	1954	79	89	93	97	109	100
1955	100	100	100	100	100	100	1955	100	100	100	100	100	100
1956	108	102	101	96	138	115	1956	111	110	106	106	105	98
1957	20	95	110	103	141	125	1957	79	93	97	101	112	106
1958	79	83	103	100	184	116	1958	69	88	80	100	113	106
1959	109	54	69	32	77	231	1959	83	97	81	107	121	99
1960	132	55	66	26	102	95	1960	86	109	79	106	143	98

SOURCE: Volume: 1950 to 1958, ECLA, *Economic Bulletin for Latin America*, vol. V, 1959; vol. VI, 1960; vol. VII, No. 2.

Prices: ECLA, *Economic Survey of Latin America*, 1957 (E/CN.12/489), United Nations publication, Sales No.: 59.II.G.1; United Nations, *Monthly Bulletin of Statistics*, October, 1962.

Note: Quotations for these commodities in various markets are as follows:

Copper (cents per pound): Domestic price, *f. o. b.* refinery, New York, electrolytic wire and ingots.

Tin (dollars per pound): Domestic/import price, *c. i. f.* New York, Straits tin.

Lead (cents per pound): Domestic price, New York, common lead.

Zinc (cents per pound): Domestic price delivered New York, Prime Western Zinc.

Iron ore: Unit value of Venezuelan imports, 64 per cent Fe, *f. o. b.* Venezuela.

Petroleum (dollars per barrel): Export price, *f. o. b.* Puerto La Cruz, Venezuela, 35-35-9, API gravity.

The price decline was common to all the region's staple export commodities (see tables 125 and 126 and figures XXXVI and XXXVII). In contrast, the prices of the goods imported by Latin America followed a rising trend (see table 127), thus helping to reduce the purchasing power of exports still further.

Various factors exerted pressure on Latin American trade, causing the terms of trade to deteriorate from 1948 onwards. World demand conditions changed for the better in 1950-51, when hostilities in Korea boosted the prices of raw materials and foodstuffs. Once again, in 1953-54, frosts considerably reduced the supplies of Brazilian coffee available for export. But as from 1955, the terms of trade steadily declined (see table 129 and figure XXXVIII).

Thus Latin America's effort to expand the volume of its exports was thwarted by the unfavourable trends in world prices, to such an extent that the region's purchasing power increased by only 12 per cent in the last five years of the period under review (see table 130 and figure XXXVIII).

It might be argued that Latin America's export prices seem simply to be veering in the direction of a " normal " adjustment, after the boom caused by the Korean war. However, such a statement would require a larger analysis in which an appreciation of present levels could be made in the light of more extensive historical experience. Moreover, these facts raise the question as to the extent to which such future increases in the quantum of exports might again produce a fall in prices. In that case, Latin America would be confronted with the prospect of an extremely slow increase, or none at all, in the value of its traditional exports, which could be raised only by the launching of new export lines on the world market.

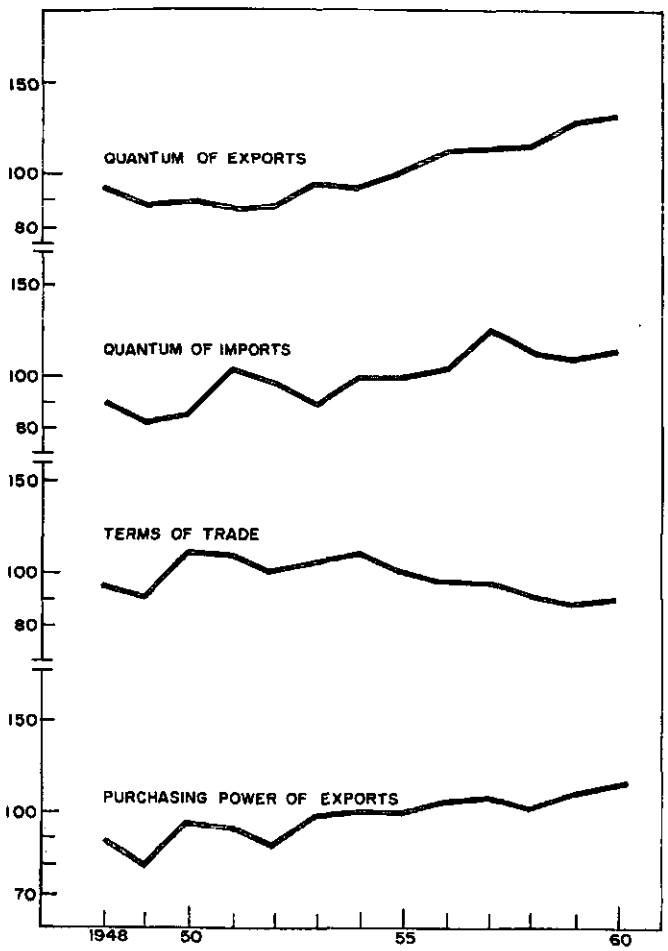
At all events, stress must be laid on the fact that in the last five years of the period under study, Latin America succeeded in expanding its export quantum by one-fourth. This is particularly laudable inasmuch as world demand for the commodities concerned does not as a rule increase very rapidly.

FIGURE XXXVII

Latin America: Quantum of exports and imports, terms of trade and purchasing power of exports

(INDICES 1955 = 100)

Semi-logarithmic scale



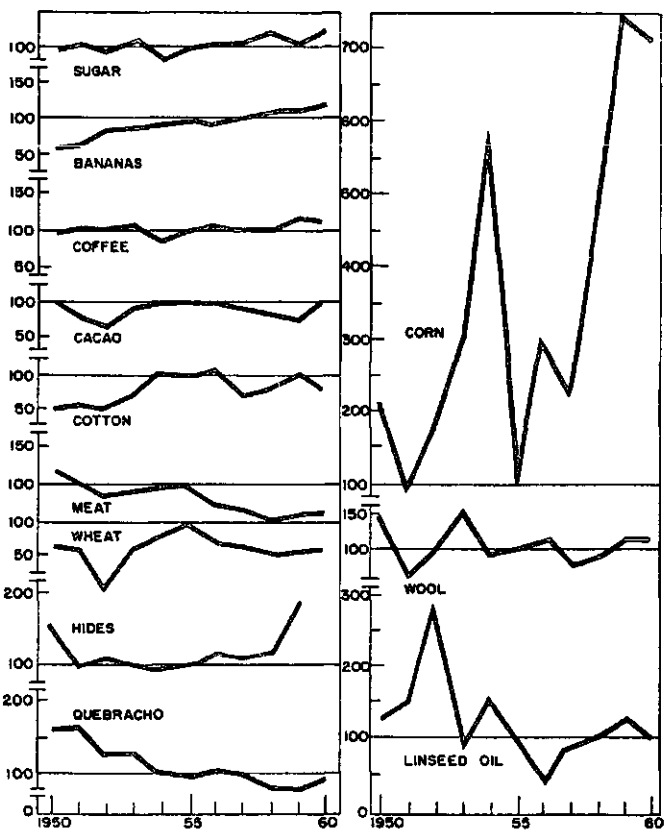
SOURCES: ECLA, *Economic Bulletin for Latin America*, various statistical bulletins and published official data. Data from tables 9, 10, 13, and 14.

FIGURE XXXVIII

Latin America: Quantum indices of exports (calculated on volume in tons)

(INDICES 1955 = 100)

Natural scale



SOURCE: Data from table 130.

TABLE 127

Latin America: Unit value of imports

(Indices: 1955 = 100)

Country	*1948*	*1949*	*1950*	*1951*	*1952*	*1953*	*1954*	*1955*	*1956*	*1957*	*1958*	*1959*	*1960*
Argentina	82 [a]	88 [a]	80 [a]	102	107	92	97	100	100	95	91	82	82
Bolivia	96	103	104	113	120	113	107	100	102	89	86	86	84
Brazil	98	98	84	102	107	96	96	100	96	95	91	86	87
Chile	76	73	79	91	102	97	98	100	100	98	97	101	93
Colombia	83	80	84	102	100	95	102	100	108	103	103	97	95
Peru	106	91	89	93	104	99	98	100	103	103	100	102	105
Uruguay	98	98	90	104	111	91	88	100	98	100	96	94	87
Venezuela	90	90	86	96	101	99	100	100	106	117	114	111	116
TOTAL [b]	89	90	84	100	105	96	93	100	102	102	99	95	93
Costa Rica	104	99	93	98	105	96	99	100	100	104	99	101	98
Cuba	112	99	94	107	108	104	100	100	96	90	99	98	...
Dominican Republic	90	85	79	88	92	98	95	100	98	98	104	113	109
El Salvador	103	98	67	74	80	102	99	100	102	104	104	100	101
Guatemala	103	96	86	101	102	100	100	100	105	100	102	96	95
Honduras	86	87	86	87	95	94	100	100	93	98	95	96	98
Mexico	86	73	83	95	93	99	97	100	105	109	112	109	115
Nicaragua	122	110	100	109	109	97	103	100	111	122	115	110	117
Panama	96	94	93	101	101	100	93	100	105	105	98	98	104
TOTAL [c]	98	87	83	99	99	100	98	100	101	101	105	103	107 [d]
TOTAL, Latin America [b c]	91	89	85	100	103	97	98	100	102	102	101	97	97
WORLD TOTAL	106	89	89	110	108	101	99	100	102	105	100	97	98

SOURCE: ECLA, *Economic Bulletin for Latin America*, vols. V and VI, Statistical Supplement, and unpublished figures, United Nations, *Yearbook of International Trade*, 1960.

[a] Preliminary data.

[b] Including estimates for Ecuador and Paraguay.

[c] Including estimates for Haiti.

[d] Including estimates for Cuba.

TABLE 128

Latin America: Unit value of exports

(Indices: 1955 = 100)

Country	*1948*	*1949*	*1950*	*1951*	*1952*	*1953*	*1954*	*1955*	*1956*	*1957*	*1958*	*1959*	*1960*
Argentina	118 [a]	114 [a]	104 [a]	135	112	112	98	100	91	88	83	83	88
Bolivia	97	93	91	134	125	101	100	100	107	93	87	93	93
Brazil	65	63	94	115	109	109	125	100	96	99	92	74	75
Chile	67	66	66	84	98	102	89	100	110	87	76	84	90
Colombia	54	60	85	91	91	90	113	100	101	101	81	72	73
Ecuador	84	73	93	94	100	102	120	100	102	93	89	85	79
Paraguay	71	72	69	94	93	64	95	100	82	78	76	74	62
Peru	104	95	104	132	113	93	98	100	103	104	88	86	82
Uruguay	100	99	107	144	109	109	108	100	91	95	78	72	90
Venezuela	86	86	89	91	92	92	100	100	97	96	98	94	94
TOTAL	84	80	92	108	101	101	106	100	97	95	90	84	86

TABLE 128 *(continued)*

Latin America: Unit value of imports

Country	*1948*	*1949*	*1950*	*1951*	*1952*	*1953*	*1954*	*1955*	*1956*	*1957*	*1958*	*1959*	*1960*
Costa Rica	60	65	80	94	88	94	107	100	109	102	87	79	75
Cuba	110	106	111	124	116	101	102	100	100	120	104	102	102
Dominican Republic	108	82	100	129	108	97	113	100	99	124	106	95	94
El Salvador	50	53	71	93	92	92	114	100	103	101	83	70	73
Guatemala	59	64	79	92	96	96	107	100	109	100	86	72	76
Haiti	72	69	86	115	115	104	122	100	95	97	80	75	77
Honduras	69	74	85	88	90	97	107	100	103	97	91	84	79
Mexico	101	84	92	107	111	93	99	100	101	99	92	81	91
Nicaragua	64	69	72	100	92	90	110	100	102	93	84	74	79
Panama	78	82	89	94	89	91	103	100	98	92	89	86	78
TOTAL	94	86	96	112	108	96	104	100	101	107	95	86	90
TOTAL, Latin America	86	81	93	109	103	100	106	100	98	98	91	84	86
WORLD TOTAL	103		89	109	106	101	100	100	102	104	101	99	100

SOURCE: See table 127.

[a] Preliminary data.

TABLE 129

Latin America: Terms of trade, 1948-60

(Indices, 1955 = 100)

Country	*1948*	*1949*	*1950*	*1951*	*1952*	*1953*	*1954*	*1955*	*1956*	*1957*	*1958*	*1959*	*1960*
Argentina	143 [a]	129 [a]	130 [a]	133	105	123	101	100	90	92	90	101	107
Bolivia	101	91	87	119	104	89	94	100	105	104	101	108	111
Brazil	66	64	113	113	102	114	131	100	100	104	101	86	86
Chile	88	91	84	92	96	105	90	100	110	89	78	83	97
Colombia	65	75	102	89	92	95	110	100	93	98	79	74	77
Peru	97	104	116	142	109	96	100	100	100	102	88	84	66
Uruguay	102	102	119	138	98	120	122	100	92	95	80	77	106
Venezuela	95	96	103	95	91	94	100	100	91	82	86	85	81
TOTAL [b]	94	89	111	115	96	106	109	100	95	93	91	88	90
Costa Rica	58	66	86	96	84	98	108	100	109	98	88	78	77
Cuba	98	107	118	116	107	97	102	100	104	133	105	104	...
Dominican Republic	120	97	127	147	117	99	119	100	101	127	102	84	86
El Salvador	49	54	106	126	115	90	115	100	101	97	80	70	72
Guatemala	57	67	92	91	94	96	107	100	104	100	84	75	80
Honduras	80	85	99	101	95	103	107	100	111	99	96	88	81
Mexico	117	115	111	113	119	94	102	100	96	91	82	74	79
Nicaragua	52	63	72	92	84	93	107	100	92	76	73	67	68
Panama	81	87	96	93	88	91	111	100	93	88	91	88	75
TOTAL	96	99	109	113	109	96	106	100	100	106	90	83	84 [c]
TOTAL, Latin America [d]	94	91	109	109	100	103	108	100	96	96	90	87	89 [c]
WORLD TOTAL	97	100	100	99	98	100	101	100	100	99	101	102	102

SOURCE: See table 127.

[a] Preliminary data.

[b] Including estimates for Ecuador and Paraguay.

[c] Including estimates for Cuba.

[d] Including estimates for Haiti.

TABLE 130

Latin America: Purchasing power of exports, 1948-60

(Indices, 1955 = 100)

Country	*1948*	*1949*	*1950*	*1951*	*1952*	*1953*	*1954*	*1955*	*1956*	*1957*	*1958*	*1959*	*1960*
Argentina	206	123	154	124	68	129	114	100	101	110	116	132	140
Bolivia	117	99	90	134	118	99	91	100	105	108	75	87	79
Brazil	84	78	113	108	93	113	115	100	108	103	96	104	102
Chile	92	86	76	86	95	89	87	100	114	99	84	103	112
Colombia	60	69	81	77	82	108	111	100	85	85	76	82	84
Peru	56	61	80	100	84	83	93	100	112	116	106	114	153
Uruguay	99	108	155	123	102	162	154	100	116	70	79	57	80
Venezuela	60	58	71	74	75	77	88	100	105	106	107	112	113
TOTAL [a]	92	79	100	103	82	100	103	100	105	104	102	109	118
Costa Rica	54	59	72	81	87	104	106	100	83	98	114	93	104
Cuba	106	98	116	124	105	107	92	100	118	153	127	113	...
Dominican Republic	80	75	97	118	109	93	109	100	109	144	113	99	144
El Salvador	41	51	95	107	102	82	99	100	103	124	104	106	107
Guatemala	62	63	86	78	87	94	98	100	109	107	99	106	118
Honduras	121	127	155	158	135	147	116	100	162	136	151	145	132
Mexico	65	22	80	85	90	75	83	100	98	86	83	88	85
Nicaragua	21	20	37	47	54	65	74	100	73	72	77	82	66
Panama	63	68	67	66	59	70	93	100	81	96	96	101	76
TOTAL [b]	79	79	93	101	96	90	92	100	105	112	103	99	97
TOTAL, Latin America [a b]	88	79	96	94	86	98	100	100	105	106	101	107	111 [c]

SOURCE: See table 127.

[a] Including estimates for Ecuador and Paraguay.

[b] Including estimates for Haiti.

[c] Including estimates for Cuba.

2. Countries and commodities which contributed to the expansion of the volume of exports in 1955-60

Only four countries — Bolivia, Cuba, Nicaragua and Uruguay — played no part in the expansion of the volume of exports achieved during the five-year period 1955-60. All the rest increased the volume of their sales on the world market in the following proportions: by more than 100 per cent, Peru; by 50 to 100 per cent, Dominican Republic, Honduras and Ecuador; by 30 to 49 per cent, El Salvador, Guatemala, Venezuela, Costa Rica and Argentina; by 10 to 29 per cent, Paraguay, Haiti, Brazil and Chile; and by 1 to 9 per cent, Colombia, Mexico and Panama.

Tables 126 and 131, like figures XXXVI and XXXVII, show the movement of the volume of exports of the eighteen most important Latin American commodities, which, in the aggregate, represent about three-fourths of total exports (see table 132). Of these commodities, petroleum and petroleum products, coffee, sugar, cotton and copper account for nearly 60 per cent of the total in question.

Among the products of the extractive industries, petroleum and iron registered more favourable trends, despite the marked decline undergone by these two commodities in 1960 and 1959 respectively. Copper exports showed a marked recovery from 1956 onwards, notwithstanding the equally pronounced slump which had occurred in 1955. Exports of zinc, lead and tin, on the other hand, showed signs of falling off in the second half of the decade, and the rise in their prices failed to compensate for the contraction in the volume exported. Copper quotations improved in the later years of the period under review, thus helping to increase the purchasing power of the exporting countries; prices for petroleum remained relatively stable, and those of iron ore even registered increases.

Among agricultural commodities, sugar, bananas and maize were those whose export volumes expanded most; hides followed suit, although in lesser measures. The volume of exports of meat, quebracho, wool and linseed oil contracted; the two last-named commodities, however, show a marked recovery in recent years. Lastly, sales of coffee and cacao remained stationary on the whole.

Figure XXXIX, reflects the fact that agricultural prices in general followed a downward trend, or, at best, remained relatively constant. Meat was the only commodity which enjoyed the benefit of a rise in prices, but this improvement implied only some degree of recovery from an earlier decline.

To sum up, the commodities which made the biggest contribution to the increase in the quantum of Latin America's exports in 1955-60 were petroleum, iron and copper, among the products of the extractive industries,

TABLE 131

Latin America: Export volumes of staple agricultural commodities, 1948-60 [a]

(Indices: 1955 = 100)

Commodity	1948	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
Sugar	112	95	100	95	107	84	100	104	112	120	108	128
Bananas	63	63	66	85	87	94	100	99	108	115	116	124
Coffee	107	94	100	102	109	86	100	108	100	100	120	118
Cacao	70	105	83	66	92	101	100	101	94	88	78	109
Cotton	53	56	58	54	73	102	100	110	74	85	106	84
Meat	159	125	108	88	92	97	100	166	182	198	171	139
Wheat	54	69	62	3	63	77	100	73	69	59	61	63
Maize [b]	700	219	82	180	299	604	100	294	218	464	742	710
Hides	123	161	100	114	102	95	100	118	114	119	194	...
Quebracho	107	164	169	127	135	102	100	103	101	89	85	99
Wool	152	144	62	97	152	96	100	113	80	91	114	111
Linseed oil	41	128	155	291	83	156	100	42	93	102	132	105

SOURCE: ECLA, *Economic Bulletin for Latin America*, vols. V and VI, Statistical Supplement.

[a] Calculated on the basis of tonnage.
[b] Argentina only.

TABLE 132

Latin America: Exports of selected commodities as a percentage of total exports [a]

(Percentages)

Commodity	Average 1950-51	Average 1955-56	Average 1959-60
Cotton	5.5	5.1	4.0
Sugar	9.6	6.7	7.6
Bananas	1.9	2.1	1.8
Coffee	21.5	22.0	17.2
Cacao	1.7	1.5	1.4
Chilled and frozen meat	1.6	1.8	2.1
Wheat	2.9	2.7	1.7
Maize	0.5	0.5	1.5
Hides	2.6	1.2	1.1
Quebracho	0.5	0.4	0.2
Wool (clean and semi-washed basis)	4.3	2.6	2.1
Linseed oil	1.2	0.3	0.5
Iron ore	0.1	1.4	2.0
Copper	3.3	5.3	5.0
Lead	1.3	1.1	0.7
Zinc	0.6	0.6	0.5
Tin	0.9	0.7	0.6
Petroleum and derivatives	19.5	25.4	23.6
TOTAL	*79.5*	*81.4*	*73.6*
Other commodities	20.5	18.6	26.4
TOTAL	100.0	100.0	100.0

SOURCE: ECLA, *Economic Bulletin for Latin America*, vols. VI and VII, No. 2, Statistical Supplement.

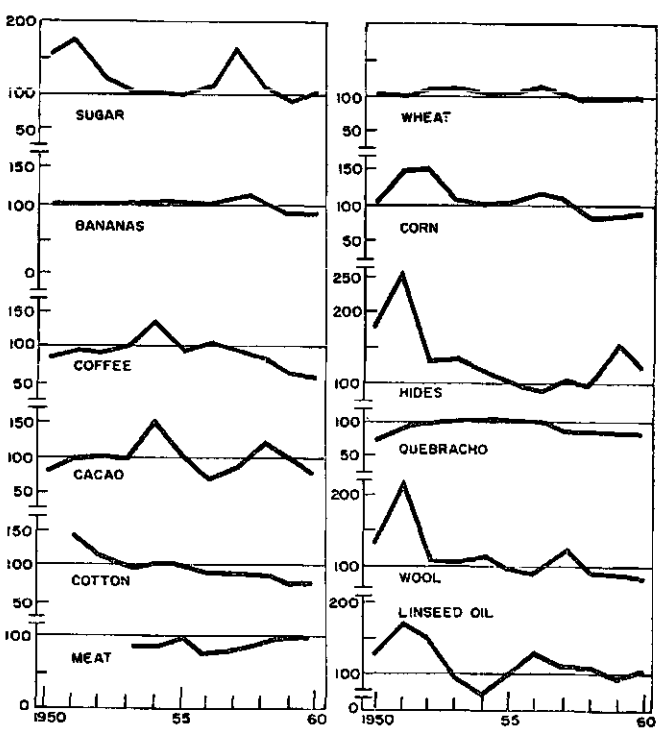
[a] Estimated at current dollar prices.

FIGURE XXXIX

Latin America: Price indices for export commodities

(INDICES 1955 = 100)

Natural scale



SOURCE: Data from table 125.

and sugar, bananas and maize, among agricultural commodities. Other goods whose sales also tended to expand in the later years of the period include meat, hides, wool, quebracho and linseed oil. It was this last group of commodities which, together with maize, accounted for the recovery in Argentina's exports during the second half of the decade.

If this analysis of the commodities which contributed to the expansion of Latin America's exports is related to the trends pursued by each individual country's sales, a fact emerges which is of great significance for a diagnosis of Latin America's export trade. There are cases in which the behaviour pattern of exports of a given commodity from a given country largely accounts for the evolution of the region's sales of the commodity concerned. This is the position, for example, with respect to tin in Bolivia, maize in Argentina and petroleum in Venezuela. But, at the same time, there are countries which registered substantial increases in their exports of commodities whose aggregate volume remained stationary or even decreased in Latin America as a whole. This was true, for example, of coffee and cotton in most of the Central American countries. In other words, some degree of inter-Latin American competition was observable in world trade in the region's "traditional" commodities.

This over-all picture of a widespread increment in the quantum of exports undergoes a gloomy change when their values in dollars at current prices are analysed. The value of Latin America's total exports rose by about 1,220 million dollars during the interval between the three-year periods 1950-52 and 1958-60 (see table 133). Of this amount, the fuels exported by Venezuela and, on a smaller scale, by Colombia, alone absorbed 885 million dollars, i.e., 72 per cent. The share of the mining products exported by Chile, Bolivia, Peru and Mexico was 80 million dollars, or 7 per cent.

Outstanding among the traditional agricultural commodities were sugar and cotton. In contrast, the value of the staple agricultural commodities of the leading exporting countries — Argentina, Brazil, Colombia, Mexico and Peru — registered a decline. An upward trend was followed by the value of traditional exports of agricultural commodities from the Central American and Caribbean countries and Ecuador, all of which had formerly played but little part in Latin America's export trade in such commodities.

If the contribution made by the different countries to the increase in the value of Latin American exports is assessed (see table 134), it will be seen that Venezuela accounted for the bulk of it. In fact, out of the increment of 2,155 million dollars recorded, 62 per cent can be ascribed to the expansion of Venezuela's exports. Other contributions that were substantial, although much smaller than Venezuela's, were made by Mexico, Peru, Chile and Colombia with 14, 8, 7 and 6 per cent respectively. The shares of the remaining countries whose exports rose in value ranged from 1 to 3 per cent. There is, however, a group of countries whose exports declined

TABLE 133

Latin America: Changes in total value of exports, averages 1950-52 to 1958-60

Country	*Value of exports (millions of dollars)*		*Changes between 1950-52 and 1958-60*		*Percentage of total increase for Latin America*
	1950-52	*1958-60*	*Millions of dollars*	*Percentages*	
Total Latin America	*7,147*	*8,369*	*1,222*	*17*	*100*
Argentina	997	1,027	30	3	2
Bolivia	128	68	−60	−47	−5
Brazil	1,504	1,265	−239	−16	−20
Chile	371	459	88	24	7
Colombia	443	462	19	4	2
Ecuador	67	99	32	48	3
Paraguay	34	31	−3	−10	—[a]
Peru	226	343	117	52	10
Uruguay	233	122	−111	−48	−9
Venezuela	1,321	2,409	1,088	82	89
Costa Rica	63	83	20	32	2
Cuba	723	685	−38	−5	−3
Dominican Republic	107	147	40	37	3
El Salvador	80	115	35	44	3
Guatemala	76	111	25	29	2
Haiti	47	33	−14	−30	−1
Honduras	61	66	5	8	—[a]
Mexico	603	749	146	24	12
Nicaragua	35	65	30	86	2
Panama	21	30	9	43	1

SOURCE: ECLA, *Economic Bulletin for Latin America*, vol. IV, No. 2, vols. V, VI and VII, No. 2, Statistical Supplement.

[a] Less than 1 per cent variation.

in value, and which as a result tended to offset the increment in the over-all figure for Latin America. Prominent in this group are Argentina and Uruguay, both exporters of temperate-zone agricultural commodities, but Bolivia, Haiti and Panama, although carrying relatively less weight on the negative side, also belong to it.

TABLE 134

Latin America: Changes in total value of exports, averages 1948-50 to 1958-60

Country	Value of exports (millions of dollars)		Changes between 1948-50 and 1958-60		Percentage of total increase for Latin America
	1948-50	1958-60	Millions of dollars	Percentages	
Total Latin America	*6,214*	*8,369*	*2,155*	*35*	*100*
Argentina	1,244	1,027	−217	−17	−10
Bolivia	102	68	−34	−33	−2
Brazil	1,203	1,265	62	5	3
Chile	303	459	156	51	7
Colombia	335	462	127	38	6
Ecuador	48	99	51	106	2
Paraguay	31	31	—	—	—
Peru	168	343	175	104	8
Uruguay	208	122	−86	−41	−4
Venezuela	1,068	2,409	1,341	126	62
Costa Rica	49	83	34	69	2
Cuba	662	685	23	3	1
Dominican Republic	80	147	67	84	3
El Salvador	56	115	59	105	3
Guatemala	70	111	41	59	2
Haiti	35	33	−2	−6	—[a]
Honduras	55	66	11	20	1
Mexico	456	749	293	64	14
Nicaragua	20	65	45	225	2
Panama	21	30	9	43	—[a]

SOURCE: ECLA, *Economic Bulletin for Latin America*, vol. 4, No. 2, vols. V, VI and VII, No. 2, Statistical Supplement.

[a] Less than 1 per cent variation.

D. DISTRIBUTION OF EXPORTS BY GEOGRAPHICAL DESTINATION

One of the salient features of the evolution of Latin America's foreign trade during the last few years has been the trend towards an increase in the relative importance of western Europe as a purchaser of Latin America's exports, although it is still far from regaining its pre-war position. Similarly, the larger proportions shipped to Japan and the countries of eastern Europe should be noted (see tables 135 and 136).

The value of Latin America's exports rose by more than 1,220 million dollars between the three-year periods 1950-52 and 1958-60. The countries of western Europe absorbed 42 per cent of this increment, i.e., over 500 million dollars; and pre-eminent among them were the members of the European Common Market, which expanded their purchases from Latin America by a sum total of 450 million dollars. In other words, the States signatories of the Rome contributed 38 per cent to the increase in the value of Latin America's exports during the fifties. A much smaller proportion — only 4 per cent, or 50 million dollars — corresponded to the countries members of the European Free-Trade Area (EFTA). The eastern European countries accounted for 12 per cent, that is, over 140 million dollars, about half of which represented the share of the USSR. Again, outstanding among the Asian countries was Japan, which contributed 8 per cent (63 million dollars) of the increment in Latin America's exports.

The United States, which is still the region's leading customer, also increased its exports during the period analysed, but its share in the expansion of Latin America's export trade, although considerable (22 per cent), was equivalent to only a little over half that of western Europe. From 1960 onwards, the decline in the relative importance of the United States in relation to Latin America's export trade was aggravated, chiefly owing to the rechannelling of Cuba's external sales. Lastly, it should be pointed out that inter-Latin American trade transactions also expanded during the fifties, and accounted for 10 per cent of the total increment in the region's exports (116 million dollars).

The marked expansion of trade between the States members of the European Common Market and Latin

TABLE 135

Latin America: Absolute and relative changes in the value of exports to selected areas and countries

(Averages 1950-52 and 1958-60)

Market of destination	Exports (millions of dollars)		Increase in the value of exports between 1950-52 and 1958-60		Percentage share of the different countries and areas in Latin America's total exports
	1950-1952	1958-1960	Millions of dollars	Percentage	
World, total	7,153	8,350	1,197	17	100
United States	3,370	3,637	267	8	22
Canada	118	145	27	23	2
Latin America	607	723	116	19	10
Western Europe, total	2,043	2,550	507	25	42
(Countries members of the European Economic Community)	(990)	(1,440)	(450)	(45)	(38)
European free-trade area, total	920	970	50	5	4
(United Kingdom)	(623)	(707)	(84)	(13)	(7)
Eastern Europe, total	40	182	142	355	12
(Soviet Union)	(0.3)	(70)	(69.7)	(2,333)	(6)
(Other countries of Eastern Europe)	(4.0)	(112)	(72)	(180)	(6)
Japan	143	233	90	63	8

SOURCE: See table 134.

TABLE 136

Latin America: Exports by areas of destination

(F.o.b. values in millions of dollars)

Country or area	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
United States	3,120	3,480	3,510	3,610	3,440	3,510	3,860	3,850	3,660	3,670	3,580
Canada	120	105	130	130	105	120	160	130	140	155	140
Latin America	540	670	610	725	710	765	665	760	760	715	695
Western Europe											
Total	2,030	2,350	1,750	2,070	2,280	2,290	2,660	2,740	2,430	2,520	2,700
European Economic Community	900	1,150	920	1,050	1,270	1,240	1,490	1,460	1,320	1,430	1,570
Free-trade area											
Total	1,000	1,070	690	890	835	865	995	1,090	950	950	1,010
United Kingdom	680	805	385	600	535	560	670	800	670	710	740
Eastern Europe											
Soviet Union	1	—	—	11	65	75	30	60	50	45	115
Others [a]	60	40	20	25	80	100	75	60	100	105	130
Middle East											
Sterling area	2	1	5	3	2	—	1	1	32	27	38
Others	38	44	44	30	30	30	30	30			
Australia, New Zealand, Union of South Africa	26	39	19	24	23	19	26	21	22	22	27
Asia											
Japan	90	185	155	245	270	230	300	230	210	250	240
Sterling area	46	70	16	31	60	25	22	17	17	20	24
Others	4	13	29	9	9	8	11	6	17	15	18
Mainland China [b]	9	1	—	1	10	6	2	4	12	2	18
Sterling area	805	980	490	730	690	680	805	925	795	860	905
Africa	65	70	60	65	55	48	60	85	75	70	80
World [c]	6,800	7,800	7,060	7,630	7,880	7,970	8,650	8,650	8,200	8,320	8,530
Total [d]	6,086	6,998	6,288	6,914	7,084	7,178	7,842	7,909	7,450	7,546	7,725
Others	714	802	772	716	796	792	808	841	750	774	805

SOURCE: United Nations, *Yearbook of International Statistics*, 1959 and 1960.

Note: The data on the destination of Latin American exports are compiled on the basis of the customs records of each exporting country. Actually, goods originating in Latin America may be sent to countries or areas other than those shown in the records.

[a] Albania, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania.

[b] Mainland China, Mongolia, North Korea, North Viet-Nam.

[c] Data on aggregate exports include some which could not be determined because of their destination and were therefore not included elsewhere in the table.

[d] This line excludes the sterling area and Africa.

America was undoubtedly attributable to the high rates of economic development which were achieved by the former group of countries in the last few years of the period under review, and which generated an increase in their demand for imports of primary commodities. According to estimates, between 1948 and 1960 the gross domestic product of the countries members of the European Economic Community rose, in the aggregate, at a cumulative annual rate of 6.6 per cent.[2] This circumstance, in combination with the rapid economic growth of Japan, would seem largely to account for the increase in the volume of Latin America's exports during more recent years. A similar explanation applies, in part, to the expansion of sales to the countries of eastern Europe, since there too the rate of economic growth was greatly accelerated.

If the rates of development of western Europe and of Japan were to slacken, as some indices are beginning to suggest, Latin America's exports would tend to lose the momentum they acquired in 1955-60, unless Latin America were able to introduce new export lines or international trade were to open its gates more widely to traditional commodities, through the elimination of those trade conditions and practices which raise barriers or set limits to development on such lines.

With the more active participation of western Europe in Latin America's foreign trade during the past decade, there has been a tendency towards a change in the geographical distribution of Latin America's exports. The United States and western Europe have continued to absorb three-fourths of Latin America's total sales, just as they did in the early fifties. But while the proportion shipped to the United States dropped from 47 per cent in 1950-52 to 44 per cent in 1958-60 and less than 40 per cent in 1961, the share of western Europe rose from 28 to 31 per cent between the two three-year periods referred to, and reached 32 per cent in 1961 (see table 137). Western Europe's recovery as a purchaser of Latin American commodities was due to the more active part played by the countries members of the European Economic Community, whose share in Latin America's exports increased from 13 to 17 per cent between 1950-52 and 1958-60 (19 per cent in 1961). On the other hand, the proportion sold to the members of the European Free-Trade Area remained constant at about 12 per cent,

[2] OEEC, *Statistical Bulletin, General Statistics*, No. 4, July 1961, p. III.

TABLE 137

Latin America: Exports by area of destination

(Percentages)

Area of destination	*1950*	*1951*	*1952*	*1953*	*1954*	*1955*	*1956*	*1957*	*1958*	*1959*	*1960*
United States	45.9	44.6	49.7	47.3	43.7	44.0	44.6	44.5	44.6	44.1	42.0
Canada	1.8	1.3	1.8	1.7	1.3	1.5	1.8	1.5	1.7	1.9	1.6
Latin America	7.9	8.6	8.6	9.5	9.0	9.6	7.7	8.8	9.3	8.6	8.1
Western Europe											
Total	29.9	30.1	24.8	27.1	28.9	28.7	30.8	31.7	29.6	30.3	31.7
European Economic Community	13.2	14.7	13.0	13.8	16.1	15.6	17.2	16.9	16.1	17.2	18.4
Free-trade area											
Total	14.7	13.7	9.8	11.7	10.6	10.9	11.5	12.6	11.6	11.4	11.8
United Kingdom	10.0	10.3	5.5	7.9	6.8	7.0	7.7	9.2	8.2	8.5	8.7
Eastern Europe											
Soviet Union	—	—	—	0.1	0.8	0.9	0.3	0.7	0.6	0.5	1.3
Others	0.9	0.5	0.3	0.3	1.0	1.3	0.9	0.7	1.2	1.3	1.5
Middle East											
Sterling area	—	—	0.1	—	—	—	—	—	—	0.3	0.4
Others	0.6	0.6	0.6	0.4	0.4	0.4	0.4	0.3	0.4		
Australia, New Zealand, Union of South Africa	0.4	0.5	0.3	0.3	0.3	0.2	0.3	0.2	0.3	0.3	0.3
Asia											
Japan	1.3	2.4	2.2	3.2	3.4	2.9	3.5	2.7	2.6	3.0	2.8
Sterling area	0.7	0.9	0.2	0.4	0.8	0.3	0.3	0.2	0.2	0.2	0.3
Others	—	0.2	0.4	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2
Mainland China	0.1	—	—	—	0.1	0.1	—	0.1	0.1	—	0.2
Sterling area	11.8	12.6	6.9	9.6	8.8	8.5	9.3	10.7	9.7	10.3	10.6
Africa	1.0	0.9	0.8	0.9	0.7	0.6	0.7	1.0	0.9	0.8	0.9
World [a]	100.0	100.0	100.0	100.0	99.9	100.0	100.0	100.0	99.9	100.0	99.8
Others	10.5	10.3	11.0	9.6	10.1	10.0	9.3	8.6	9.1	9.3	9.4

SOURCE: See table 134.

[a] Not including the sterling area or Africa.

within which, however, the percentage corresponding to the United Kingdom contracted slightly.

The importance of the eastern European countries and Japan in Latin America's export trade followed an upward trend, but continued to represent a very small fraction of the total — in both cases about 3 per cent in 1958-60 and just over 4 per cent in 1961. The same may be said of inter-Latin American trade transactions. Although they expanded slightly during the last three years of the period under review, they still accounted for less than 9 per cent of the value of the region's total exports.

E. LATIN AMERICA'S SHARE IN WORLD EXPORTS

1. Relative position of Latin American exports in the world market

Latin America's share in world trade declined continuously during the fifties, once the effects of the post-war trade boom had worn off. This development, while consistent with the trend observable in international trade towards more rapid expansion in respect of manufactured and semi-manufactured goods than in respect of primary commodities [3] — also implies that a change took place in the geographical direction of world trade flows which adversely affected Latin America. In some markets, supplies from Latin America are apparently being partly superseded by similar goods — or substitutes — from other parts of the world, in consequence of possible competitive advantages, but mainly as a result of the deliberate extension of preferential trade treatment to the European countries' dependent or associated territories.

Latin America's foreign trade has undoubtedly been affected by the weakness of world demand for primary commodities in general and for those of agricultural commodities in particular. Nevertheless, some influence must be imputed — in greater or lesser degree, according to the countries concerned — to the obstacles existing on the supply side, which have limited the potential expansion of Latin America's traditional exports. Among these factors, the following are worth mentioning: (*a*) internal inflation and over-valuation of the exchange rate; (*b*) internal distortions of relative prices as a result of inflation itself and of price-control systems; (*c*) the expansion of domestic consumption, which reduced exportable surpluses; (*d*) forms of structural rigidity of an economic and institutional type which hampered the expansion of production; and (*e*) the absence of a clearly defined export diversification policy in the Latin American countries.

These limiting factors — on both the international demand and the supply side in respect of Latin America's traditional export commodities — operated to varying extents during the post-war period. Only detailed research could provide the requisite background data for an evaluation of the relative importance of each.

In any event, the loss of relative importance in world trade suffered by Latin America was substantial. In the closing years of the decade the region's share in world exports and imports was smaller than in 1928, 1935 and 1938 (see table 123).

2. Contribution (by country) to the region's exports

Considerable variations are observable in the contribution made by each of the Latin American countries to the region's total export trade. The most striking case, of course, is that of Venezuela, whose share in Latin America's external sales almost doubled between 1948 and 1960. The increase would be tenfold if the period taken for purposes of comparison were the interval between 1928 and 1960 (see table 138). The main reason

[3] See the annual reports issued by GATT, and United Nations, *World Economic Survey 1958*, New York, 1959.

TABLE 138

Share of each Latin American country in the aggregate exports of the region

(Percentages)

Country	*1928*	*1935*	*1938*	*1948*	*1949*	*1950*	*1951*	*1952*	*1953*	*1954*	*1955*	*1956*	*1957*	*1958*	*1959*	*1960*
Argentina	34.5	29.9	25.2	24.4	18.1	17.4	15.0	9.6	14.5	13.1	11.6	11.1	11.3	12.2	12.2	12.5
Bolivia	1.4	2.2	2.0	1.7	1.8	1.4	1.9	2.0	1.5	1.2	1.2	1.3	1.1	0.8	0.9	0.8
Brazil	16.1	16.3	17.0	18.2	19.5	20.4	22.5	20.0	20.2	19.9	17.8	17.4	16.1	15.2	15.5	14.7
Chile	8.0	5.7	8.0	5.1	5.3	4.3	4.8	6.5	5.4	5.1	6.0	6.4	5.3	4.8	6.0	5.7
Colombia	4.3	4.2	4.7	4.5	5.7	6.0	5.9	6.7	7.8	8.4	7.3	6.3	5.9	5.6	5.6	5.4
Ecuador	0.6	0.6	0.6	0.7	0.6	1.0	0.7	1.1	1.0	1.3	1.1	1.1	1.1	1.2	1.2	1.2
Paraguay	0.5	0.5	0.5	0.4	0.6	0.5	0.5	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.3
Peru	4.2	4.5	4.4	2.5	2.7	2.9	3.2	3.3	2.9	3.1	3.4	3.6	3.7	3.5	3.8	5.0
Uruguay	3.5	4.5	3.5	2.8	3.4	3.9	3.0	3.0	3.6	3.2	2.3	2.5	1.5	1.7	1.2	1.5
Venezuela	3.9	10.8	15.4	16.1	17.9	17.6	17.3	20.5	19.0	21.5	24.0	25.0	27.4	28.4	28.6	29.3

TABLE 138 *(continued)*

Share of each Latin American country in the aggregate exports of the region

Country	*1928*	*1935*	*1938*	*1948*	*1949*	*1950*	*1951*	*1952*	*1953*	*1954*	*1955*	*1956*	*1957*	*1958*	*1959*	*1960*
Costa Rica	0.6	0.4	0.5	0.7	0.8	0.8	0.8	1.0	1.1	1.1	1.0	0.8	1.0	1.1	0.9	0.9
Cuba	9.4	7.7	8.2	11.2	10.6	10.1	10.3	10.0	8.8	7.1	7.6	8.1	9.8	9.3	8.1	7.1
Dominican Republic	1.0	1.0	0.9	1.3	1.3	1.3	1.5	1.6	1.4	1.5	1.4	1.4	1.8	1.6	1.5	2.1
El Salvador	0.8	0.7	0.6	0.7	1.0	1.0	1.1	1.2	1.2	1.3	1.3	1.3	1.6	1.4	1.4	1.3
Guatemala	0.9	0.7	0.9	1.0	1.1	1.2	1.1	1.3	1.3	1.3	1.3	1.4	1.3	1.3	1.3	1.4
Haiti	0.7	0.4	0.4	0.5	0.6	0.6	0.7	0.7	0.5	0.7	0.5	0.5	0.4	0.5	0.3	0.4
Honduras	0.7	0.5	0.3	0.8	1.0	0.8	0.8	0.9	0.9	0.7	0.6	0.9	0.7	0.8	0.8	0.7
Mexico	8.2	8.8	6.3	6.8	7.3	7.9	8.1	9.3	7.7	8.0	9.8	9.4	8.4	9.0	9.1	8.8
Nicaragua	0.4	0.3	0.2	0.3	0.3	0.4	0.5	0.6	0.6	0.7	0.9	0.7	0.7	0.8	0.8	0.6
Panama	0.1	0.2	0.2	0.3	0.4	0.3	0.3	0.3	0.3	0.4	0.4	0.3	0.4	0.4	0.4	0.3

SOURCE: See table 134.

for this expansion was that world market conditions were much more favourable for Venezuela's exports of petroleum and petroleum products than for other primary commodities.

Two points emerge from table 138: the considerable increase in the relative share of some countries — and the sharp drop in that of others — in the total value of Latin America's exports. Prominent in the first group are the Dominican Republic, El Salvador and Nicaragua and, to a lesser extent, Costa Rica, Guatemala, Mexico and Peru. The second group includes Argentina, Brazil, Uruguay and, in lesser measure, Paraguay. The share of the other countries remained constant on the whole. It is interesting to note that the countries whose share of total exports rose are generally the smaller Latin American countries which carry less weight in the over-all volume of exports.

3. Proportions represented by staple commodities

(*a*) MINING PRODUCTS

During the fifties Latin America was able to improve its position in the world market for copper and lead, but the reverse was true with regard to tin and petroleum (see tables 139 and 140). The increments in copper exports were attributable to Chile and Peru. The latter country was also responsible for Latin America's larger contribution to world sales of lead. In the case of both these commodities, Mexico's share contracted.

The decline of Latin America's relative importance in the world tin market was attributable entirely to Bolivia, whose exports represent virtually the whole of the region's sales of tin. Similarly, Latin America's share in world sales of petroleum decreased as, notwithstanding the expansion in the exports of other Latin American countries, that registered in other parts of the world was even greater.

Lastly, although the available data are incomplete, it seems that Latin America succeeded in increasing its share in world trade in iron ores, thanks to the expansion of exports from Brazil, Chile, Peru and Venezuela.

TABLE 139

Share of selected minerals exported by Latin American countries in regional and world totals

	Percentage of exports			
	From Latin America average		*World average*	
Commodity and country	*1951-52*	*1959-60*	*1951-52*	*1959-60*
1. *Copper*				
Chile	76.1	78.8	22.1	26.9
Mexico	16.6	5.7	4.8	1.9
Peru	7.3	15.5	2.1	5.3
Latin America	100.0	100.0	29.1	34.1
2. *Lead*				
Mexico	69.1	54.9	30.3	24.5
Peru	30.9	45.1	13.5	20.0
Latin America	100.0	100.0	43.8	44.5
3. *Tin*				
Bolivia	100.0	100.0	28.4	14.0
Latin America	100.0	100.0	28.4	14.0
4. Zinc				
Mexico	74.6	57.2	40.2	23.2
Peru	23.6	42.8	12.4	17.3
Latin America	100.0	100.0	52.6	40.5

SOURCE: United Nations, *Commodity Trade Statistics*, D 10; D vol. II, 4.

(*b*) AGRICULTURAL PRODUCTS

During the period 1948-60 the proportion of world trade in agricultural commodities represented by Latin America's exports declined (see table 141). Of the ten main commodities, only cotton and maize showed an upward trend — although with marked fluctuations — in their share in world exports. In contrast, the percentages corresponding to coffee, wheat, cacao and wool decreased in greater or lesser degree. A third group of commodities formed by sugar, meat and linseed oil showed signs of

TABLE 140

Latin America and Venezuela: Share in total world petroleum exports

Year	World total		Latin America		Venezuela	
	Thousands of barrels daily	Per cent	Thousands of barrels daily [a]	Per cent	Thousands of barrels daily	Per cent
1938	955	100	...	...	543	58.9
1948	2,399	100	1,382	57.6	1,285	53.6
1958	6,785	100	2,542	37.4	2,440	36.0
1959	7,303	100	2,644	36.2	2,512	34.4
1960 [b]	8,150	100	2,811	34.4	2,670	32.8

SOURCE: Ministry of Mines and Petroleum, Division of Petroleum Economics, *Apéndice estadístico*, offprint from *Memoria de 1960*, Caracas, Venezuela, 1961.

[a] Obtained residually on the basis of Venezuela's participation in Latin American petroleum exports; 1948: 93 per cent; 1950: 96 per cent; 1960: 95 per cent.

[b] Estimate.

improving its relative position in the later years of the decade, after the contraction previously registered. Lastly, the share of bananas remained relatively constant.

A comparison of the relative importance of Latin America's staple agricultural export commodities on the world market at the present time and in 1928 shows that of the ten commodities considered, only three — cotton, sugar and bananas — improved their position during those thirty-two years, whereas the remainder were partly superseded by similar products from other areas.

To sum up, most of Latin America's traditional export lines may be said to have lost ground in the world market.

F. STRUCTURE OF EXPORTS

Almost all Latin America's exports consist of raw materials, foodstuffs and semi-manufactured primary commodities, of which four — cotton, sugar, coffee and petroleum — alone account for more than half the value of the region's sales on the world market (see table 132). This proportion is generally higher still in most of the individual Latin American countries where exports are less diversified.

Latin America does not seem to have succeeded in substantially modifying this situation during recent years. On the contrary, as is shown by the analysis of a group of ten countries,[4] the trend pursued would seem to lean towards even greater concentration on the traditional commodities. The contribution of these latter to each country's total exports in the periods analysed was as follows:

Country	Beginning of period	End of period
	(Percentages)	
Argentina	66	72
Brazil	62	81
Chile	72	85
Colombia	91	93
Ecuador	92	98
Mexico	49	59
Paraguay	68	81
Peru	45	86
Uruguay	84	92
Venezuela	99	96

[4] See the statistical annex to the present chapter, tables 145 to 154.

In most cases, however, the commodities concerned, while only recently included in the exports of some countries, already constitute " traditional " items in Latin American exports. This applies to cotton, coffee and sugar in several Central American and Caribbean countries, to bananas in Ecuador and even to ores and some agricultural commodities in Peru.

It will nevertheless be seen from the above table that a relatively large share of exports from a number of Latin American countries relate to items which are not traditional in the region. This group of items is larger in Argentina, Brazil, Chile, Mexico and Peru, where its relative share of the total value of exports amounted to 28, 19, 15 and 41 per cent, respectively, at the end of the period considered.

Two interesting points emerge from tables 142, 143 and 144 on the share of each Latin American country in the region's traditional exports. The tables show a certain amount of competition among the Latin American countries in the world markets for the items concerned, particularly with respect to agricultural and tropical items and, to a lesser extent, ores. Moreover, it appears that such competition is to the advantage of the smaller countries. Some examples of this trend are Ecuador (bananas and cacao), Dominican Republic (coffee), Costa Rica (cacao), El Salvador, Guatemala and Nicaragua (cotton) and, lastly, Paraguay (quebracho). Likewise, Peru has made substantial gains, not only in respect of certain tropical items, such as sugar, coffee and cotton, but also for wool and some ores.

TABLE 141

Latin America: Exports of staple commodities as a percentage of world total

(Volume in thousands of tons)

	1938	1948	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
Cotton													
Latin America	363.40	371.10	384.40	400.36	370.74	501.02	696.40	685.49	756.13	508.65	578.92	724.52	573.50
World total	2,777.40	2,070.50	2,971.00	2,892.90	2,931.60	2,613.20	2,940.70	2,708.20	2,843.60	3,501.00	3,106.70	2,951.20	3,806.10
Latin American exports as percentage of world total	13.10	17.90	12.90	13.80	12.60	19.20	23.70	25.30	26.60	14.50	18.60	24.60	15.10
Wheat													
Latin America	3,285.30 [a]	2,182.50	2,769.40	2,497.90	117.20	2,527.20	3,103.80	4,028.20	2,944.40	2,795.80	2,377.80	2,458.20	2,485.80
World total	13,950.00 [a]	18,650.00	17,300.00	24,500.00	22,900.00	21,150.00	19,400.00	20,367.00	27,004.00	24,556.00	22,348.00	24,173.00	27,761.00
Latin American exports as percentage of world total	23.60	11.70	16.00	10.20	0.50	11.90	16.00	19.80	10.90	11.40	10.60	10.20	9.00
Maize													
Latin America	6,526.80	2,533.70	793.60	297.90	652.03	1,083.10	2,184.80	362.40	1,065.20	788.60	1,678.70	2,686.00	2,569.90
World total	10,200.00 [a]	4,900.00	4,600.00	4,500.00	4,600.00	5,150.00	5,600.00	4,851.00	6,010.00	7,206.00	8,894.00	10,145.00	11,691.00
Latin American exports as percentage of world total	64.00	51.70	17.30	6.60	14.20	21.00	39.00	7.50	17.70	10.90	18.90	26.50	22.00
Meat													
Latin America	715.90	614.20	482.90	414.20	337.70	354.90	374.90	385.10	640.70	702.20	761.20	657.00	537.00
World total	1,825.00	1,780.00	1,800.00	1,695.00	1,725.00	1,925.00	2,070.00	2,262.00	2,616.00	2,799.00	3,042.00	3,271.00	3,199.00
Latin American exports as percentage of world total	39.20	34.50	26.80	24.40	19.60	18.40	18.10	17.00	24.50	25.10	25.00	20.10	16.80
Bananas													
Latin America	1,140.30 [a]	1,256.30	1,255.10	1,315.30	1,683.90	1,739.30	1,878.70	1,991.60	1,980.80	2,154.20	2,286.00	2,302.00	2,463.60
World total	2,500.00 [a]	2,200.00	2,150.00	2,250.00	2,610.00	2,740.00	2,964.00	3,170.00	3,029.00	3,461.00	3,565.00	3,885.00	3,963.00
Latin American exports as percentage of world total	45.60	57.10	58.40	58.50	64.50	63.50	63.40	62.80	65.40	6.20	64.10	59.20	62.20
Sugar													
Latin America	3,327.90 [a]	6,990.20	5,899.90	6,230.30	5,909.80	6,683.20	5,235.90	6,232.00	6,468.60	6,983.70	7,469.40	6,707.70	7,991.20
World total	11,500.00 [a]	12,400.00	13,600.00	13,400.00	13,050.00	15,450.00	14,809.00	13,809.00	13,673.00	14,880.00	14,621.00	13,648.00	16,409.00
Latin American exports as percentage of world total	28.90	56.40	43.40	46.40	45.30	43.30	35.40	45.10	47.30	47.00	51.10	49.10	48.70

Coffee													
Latin America	1,424.50 [a]	1,656.90	1,454.90	1,556.10	1,590.60	1,697.20	1,340.50	1,553.80	1,673.90	1,553.90	1,552.20	1,861.80	1,837.60
World total	1,668.40 [a]	1,827.20 [b]	1,753.70	1,910.40	1,931.10	2,059.70	1,735.10	2,010.50	2,303.60	2,163.40	2,193.10	2,555.20	2,584.70
Latin American exports as percentage of world total	85.40	90.70	83.00	81.50	82.40	82.40	77.30	77.30	72.70	71.80	70.80	72.90	71.10
Cacao													
Latin America	179.60 [a]	136.34	204.60	160.52	127.51	179.92	196.93	194.71	197.36	182.72	170.99	152.14	211.80
World total	690.00 [a]	590.00	770.00	710.00	655.00	755.00	718.00	721.00	766.00	806.00	659.00	777.00	902.00
Latin American exports as percentage of world total	26.00	23.10	26.60	22.60	19.50	23.80	27.40	27.00	25.80	22.70	25.90	19.60	23.50
Wool													
Latin America	307.70 [a]	419.40	398.20	169.70	268.10	419.50	266.10	275.60	312.10	219.80	251.30	315.40	305.20
World total	1,760.00 [a]	2,020.00	2,060.00	1,490.00	1,800.00	1,980.00	1,750.00	1,916.00	1,995.00	2,024.00	1,905.00	2,311.00	2,194.00
Latin American exports as percentage of world total	17.50	20.80	19.30	11.40	14.90	21.20	15.20	14.40	15.60	10.90	13.20	13.60	13.90
Linseed oil													
Latin America	49.00 [a]	73.10	229.50	278.40	52.30	148.40	279.40	179.40	75.10	166.40	179.50	235.60	188.20
World total	112.00 [a]	126.00	304.00	362.00	155.00	249.00	520.00	358.20	232.00	304.00	242.00	280.00	246.00
Latin American exports as percentage of world total	43.80	58.00	75.50	76.90	33.70	59.60	53.70	50.10	32.40	54.70	74.20	84.10	76.50

SOURCE: Latin America: ECLA, *Economic Bulletin for Latin America*, selected issues.
World total: FAO, *Trade Yearbook*.

[a] Average 1934-38.
[b] Average 1948-49.

TABLE 142

Latin America: Exports of staple agricultural commodities

Commodity and exporting country	Averages (volume in thousands of tons)		Percentage of total	
	1948-51	1958-60	1948-51	1958-60
Bananas				
Brazil	168.3	242.2	13.2	10.3
Colombia	129.3	205.4	10.1	8.7
Costa Rica	209.5	262.4	16.4	11.2
Ecuador	171.9	851.2	13.5	36.2
Guatemala	185.9	150.7	14.6	6.4
Honduras	260.1	366.1	20.4	15.6
Panama	150.6	272.8	11.8	11.6
TOTAL	1,275.6	2,350.8	100.0	100.0
Sugar				
Brazil	134.7	714.6	2.1	9.7
Cuba	5,502.2	5,406.0	86.3	73.1
Dominican Republic	434.7	797.3	6.8	10.8
Peru	301.9	471.5	4.8	6.4
TOTAL	6,373.5	7,389.4	100.0	100.0
Coffee				
Brazil	973.7	942.8	62.6	53.9
Colombia	297.3	355.9	19.1	20.3
Costa Rica	20.5	45.2	1.3	2.6
Dominican Republic	12.9	25.7	0.8	1.5
Ecuador	18.8	28.8	1.2	1.6
El Salvador	65.2	84.4	4.2	4.8
Guatemala	51.2	78.7	3.3	4.5
Haiti	24.8	25.3	1.6	1.4
Honduras	5.6	14.0	0.3	0.8
Mexico	43.0	78.7	2.8	4.5
Nicaragua	17.2	20.3	1.1	1.2
Peru	1.4	21.2	0.1	1.2
Venezuela	24.5	29.5	1.6	1.7
TOTAL	1,556.1	1,750.5	100.0	100.0
Cacao				
Brazil	99.9	102.8	59.7	57.6
Costa Rica	4.0	10.3	2.4	5.8
Dominican Republic	24.8	24.0	14.8	13.5
Ecuador	22.5	29.1	13.5	16.3
Venezuela	16.0	12.1	9.6	6.8
TOTAL	167.2	178.3	100.0	100.0
Meat				
Argentina	365.2	540.3	72.5	82.9
Brazil	26.6	43.5	5.3	6.7
Mexico	26.0	26.9	5.2	4.1
Uruguay	85.9	51.1	17.0	6.3
TOTAL	503.7	651.7	100.0	100.0
Cotton				
Brazil	177.0	71.1	45.9	11.4
El Salvador	3.5	35.8	0.9	5.7
Guatemala	—	10.6	—	1.7
Mexico	129.8	354.3	33.7	56.6
Nicaragua	2.6	43.1	0.7	6.9
Paraguay	10.0	5.3	2.6	0.8
Peru	62.4	105.6	16.2	16.9
TOTAL	385.3	625.8	100.0	100.0
Wheat				
Argentina	2,465.3	2,332.5	99.3	95.6
Uruguay	18.0	108.1	0.7	4.4
TOTAL	2,483.3	2,440.6	100.0	100.0
Hides				
Argentina	151.4	160.5	60.9	73.9
Brazil	54.7	25.1	22.0	11.5
Paraguay	9.2	10.5	3.7	4.8
Uruguay	33.4	21.2 [a]	13.4	9.8
TOTAL	248.7	217.3	100.0	100.0
Quebracho				
Argentina	185.5	106.8	84.3	78.0
Paraguay	34.5	30.2	15.7	22.0
TOTAL	220.0	137.0	100.0	100.0
Linseed oil				
Argentina	170.1	182.8	87.8	90.9
Uruguay	23.6	18.3	12.2	9.1
TOTAL	193.7	201.1	100.0	100.0
Wool				
Argentina	209.6	214.1	63.7	73.7
Brazil	4.9	5.0	1.5	1.7
Chile	13.1	10.2	4.0	3.5
Peru	3.1	4.0	0.9	1.4
Uruguay	98.4	57.4	29.9	19.7
TOTAL	329.1	290.7	100.0	100.0

SOURCE: ECLA, *Economic Bulletin for Latin America*, vols. IV, No. 2, V, VI, VII, No. 2.

[a] Averages 1958-59.

TABLE 143

Latin America: Exports of iron ore from selected countries as a percentage of total exports

(Volume in thousands of tons)

Country	1950		1951		1958		1959		1960	
	Volume	Percentage	Volume	Percentage	Volume	Percentage	Volume	Percentage	Volume	Percentage
Brazil	890	24	1,310	27	2,823	11	3,958	14	5,160	15
Chile	2,596	71	2,687	55	3,638	15	4,261	15	5,191	15
Mexico	192	5	175	4	224	1	116	—	156	—
Peru	—	—	—	—	2,510	10	3,320	11	5,171	15
Venezuela	—	—	693	14	15,572	63	17,379	60	19,320	55
Latin America	3,678	100	4,865	100	24,767	100	29,034	100	34,998	100

SOURCE: ECLA, on the basis of national statistics.

TABLE 144

Latin America: Share of selected countries in total petroleum exports [a]

(Thousands of tons)

Year	Colombia	Ecuador	Mexico	Peru	Venezuela	Total	Year	Colombia	Ecuador	Mexico	Peru	Venezuela	Total
1948	3.5	0.3	3.3	0.4	92.5	100.0	1955	3.1	0.2	3.5	0.3	92.9	100.0
1950	4.8	0.2	2.8	0.5	91.7	100.0	1956	3.0	0.1	2.9	0.3	93.7	100.0
1951	4.9	0.2	2.5	0.4	92.1	100.0	1957	2.8	0.1	1.6	0.3	95.2	100.0
1952	4.5	0.1	2.2	0.4	92.7	100.0	1958	2.6	0.1	1.5	0.2	95.6	100.0
1953	4.8	0.2	2.4	0.3	92.3	100.0	1959	2.8	—	1.5	0.2	95.4	100.0
1954	4.2	0.2	3.3	0.3	92.1	100.0	1960	3.9	—	1.2	0.3	94.5	100.0

SOURCE: ECLA, *Economic Bulletin for Latin America*, Statistical Supplements (selected issues).

[a] Original data.

G. RELATION BETWEEN THE GROWTH OF EXPORTS AND THE PRODUCT

In parts I and II attention was devoted to the relation between variations in exports, their purchasing power and external financing, on the one hand, and the rate of growth of the product and income on the other. It was thus possible to show the changes that took place in imports in each case, and modifications in the coefficient of imports in relation to the product.

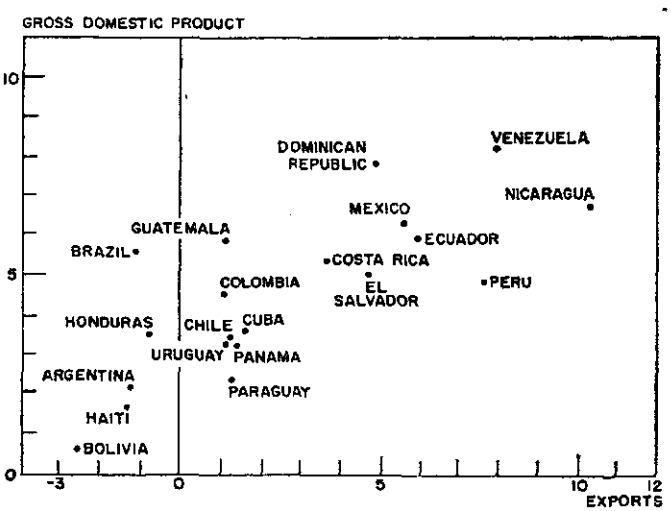
An aspect of this process relating to the evolution of exports and of the domestic product is illustrated below. The historical growth rates of these two variables during the post-war period are given for each of the Latin American countries in figure XL. In general, it is understandable that the countries whose gross product increased more rapidly should be among those which also achieved the greatest expansion of their exports. In turn, the lowest rates of increase of the domestic product are found in countries where exports expanded more slowly. The fact also emerges, as analysed in parts I and II, that the rate of growth of the product has tended to be higher than that of exports. Figure XL emphasizes a special position with respect to Peru and Brazil. In Peru, the rate of growth of exports is relatively high and the long-term rate of increase of the product is comparatively slow; whereas in Brazil the product is seen to

FIGURE XL

Latin America: Annual rates of growth of gross domestic product and exports in the period 1945-49/1955-60

(PERCENTAGE)

Natural scale



NOTE: The rates were calculated on dollar values of 1950, based on data from ECLA published in the Statistical Supplement of the *Economic Bulletin for Latin America*.

increase relatively fast, while a contraction is registered in the volume of exports. Peru thus appears as an example of a Latin American economy which behaved according to the characteristics of an open growth process, whereas Brazil is a typical example of the exact opposite.

In any case, it must be recalled that the volume of exports is only one of the factors that should be taken into account in interpreting these relations between the external sector and the product. Although in the case of Brazil the volume in question contracted at an annual rate of 1 per cent, it must not be forgotten that the purchasing power of exports rose by over 2 per cent. If to this is added the use of external financing, it is readily understandable that Brazil should have been able to expand its imports at a rate of nearly 4 per cent — a trend which differs considerably from the evolution of its exports. Furthermore, Brazil's import substitution process enabled the country to increase its domestic product more rapidly than its imports, so that the corresponding percentage relation fell from the level of 11 to 12 per cent of the product registered up to 1954 to about 9 per cent in 1955-60.

STATISTICAL ANNEX

Table A

ARGENTINA: COMPOSITION OF EXPORTS AS PERCENTAGE OF TOTAL VALUE

Product	Averages 1946-47	1950-51	1958-60
Fresh and frozen meat	10.9	8.7	20.8
Tanned and untanned hides	8.3	10.8	6.5
Meat extract	0.6	0.4	1.3
Edible animal fats	1.8	1.0	0.4
Cheese and butter	1.5	1.0	1.6
Greasy, washed and combed wool	7.3	15.7	11.8
Wheat, unmilled	14.4	15.2	13.1
Maize	11.4	3.3	10.7
Linseed oil	7.3	7.0	4.0
Quebracho	2.0	3.0	1.7
TOTAL	65.5	66.1	71.9
Other products	34.5	33.9	28.1
TOTAL	100.0	100.0	100.0

SOURCE: *Anuario del Comercio Exterior de la República Argentina.*

Table B

BRAZIL: COMPOSITION OF EXPORTS AS PERCENTAGE OF TOTAL VALUE

Product	Averages 1945-47	1950-52	1958-60
Tobacco	2.19	1.30	1.29
Cotton	13.79	7.66	2.79
Coffee (beans)	36.04	65.36	56.23
Cacao	3.76	4.17	5.75
Carnauba wax	2.24	1.13	1.35
Pinewood	3.13	2.49	3.46
Iron ore	—	0.93	3.59
Manganese ore	0.25	0.22	2.38
Sugar	0.41	0.26	4.16
TOTAL	61.81	83.52	81.00
Other	38.19	16.48	19.00
TOTAL	100.00	100.00	100.00

SOURCE: Banco do Brasil, *Comercio Exterior*; ECLA, *Economic Bulletin for Latin America*, Statistical Supplements (selected issues).

Table C

COLOMBIA: COMPOSITION OF EXPORTS [a] AS PERCENTAGE OF TOTAL VALUE, 1937-60

Year and average	Total exports [b]	Bananas	Coffee	Petroleum	Total three commodities
1937	100	4.6	65.2	23.1	92.9
1938	100	6.2	62.5	25.1	93.8
Average 1937-38	*100*	*5.4*	*63.9*	*24.1*	*93.4*
1945	100	0.8	73.9	15.8	90.5
1946	100	1.1	76.7	11.9	89.7
1947	100	1.8	76.6	14.6	93.0
Average 1945-47	*100*	*1.2*	*75.7*	*14.1*	*91.0*
1950	100	2.4	77.8	16.4	96.6
1951	100	1.9	77.7	15.9	95.5
1952	100	2.0	80.3	15.1	97.4
Average 1950-52	*100*	*2.1*	*78.6*	*15.8*	*96.5*
1958	100	1.7	77.1	14.5	93.3
1959	100	2.1	77.2	15.5	94.8
1960	100	2.1	71.5	17.3	90.9
Average 1958-60	*100*	*2.0*	*75.3*	*15.8*	*93.1*

SOURCE: *Revista del Banco de la República.*

[a] Estimates based on current peso values.

[b] Excluding gold.

Table D

CHILE: COMPOSITION OF EXPORTS AS PERCENTAGE OF TOTAL VALUE

Product	Average 1945-47	1950-52	1958-60	Product	Average 1945-47	1950-52	1958-60
Wool, greasy basis	2.23	4.09	1.33	Iron and steel bars	0.12	0.25	1.02
Electrolytic copper ingots	31.71	19.70	19.22	Iron and steel plates	—	0.52	1.82
Standard copper	20.77	7.00	12.26	Copper wire, uncoated	0.79	2.96	1.73
Refined copper	—	20.36	8.66				
Melydenum ore	0.39	0.82	1.08	TOTAL	71.82	78.36	84.78
Iron ore	0.63	2.05	6.41	Other	28.18	21.64	15.22
Nitrate	15.18	17.68	7.56				
Blister copper	—	2.94	23.69	TOTAL	100.00	100.0	100.00

SOURCE: ECLA, *Economic Bulletin for Latin America*, Statistical Supplements (selected issues).

Table E

ECUADOR: COMPOSITION OF EXPORTS

Product	Thousands of dollars 1945-47	1950-52	1958-60	Percentage of total 1945-47	1950-52	1958-60
Rice	11,373	6,864	3,191	33.7	10.4	3.3
Balsawood	700	942	1,477	2.1	1.4	1.5
Bananas	831	13,495	41,125	2.5	20.5	41.9
Cacao	8,022	17,749	21,186	23.8	27.0	21.6
Coffee	2,965	18,276	21,907	8.8	27.8	22.3
Rubber	977	173	10	2.9	0.3	—
Pharmaceutical products	222	588	772	0.7	0.9	0.8
Panama hats	4,955	3,252	920	14.7	4.9	0.9
Tagua	770	540	113	2.3	0.8	0.1
Other	2,883	3,959	7,468	8.5	6.0	7.6
TOTAL	33,698	65,842	98,169	100.0	100.0	100.0

SOURCE: *Boletín del Banco Central del Ecuador*, January and February.

Table F

MEXICO: COMPOSITION OF EXPORTS AS PERCENTAGE OF TOTAL VALUE

Product	Average 1945-47	1950-52	1958-60	Product	Average 1945-47	1950-52	1958-60
Coffee beans	4.5	7.30	7.75	Cotton textiles	11.69	1.94	0.29
Sugar	—	0.19	3.77	Copper bars	3.50	3.76	2.68
Beef cattle (on the hoof)	1.86	—	2.75	Lead bars	9.34	11.06	4.05
Frozen shrimp	0.50	1.61	4.66	Zinc bars and plates	2.20	2.51	0.92
Zinc ore	2.70	9.23	1.71	Refined, unprocessed silver	0.06	3.88	5.61
Sulphur in its natural state	—	0.03	3.35				
Fuel oil	0.07	0.39	2.42	TOTAL	48.53	64.63	58.59
Unginned cotton	6.92	19.55	17.83	Other	51.47	35.37	41.41
Henequen	3.50	2.18	0.58				
Lumber	1.69	1.00	0.22	TOTAL	100.00	100.00	100.00

SOURCE: ECLA, based on national statistics and *Anuario Estadístico del Comercio de los Estados Unidos Mexicanos* (selected issues); *Revista de Economía*, February 1953.

Table G

PARAGUAY: COMPOSITION OF EXPORTS AS PERCENTAGE OF TOTAL VALUE

Product	*1937*	*1958*	*1959*	*1960*	*Product*	*1937*	*1958*	*1959*	*1960*
Lumber	3	29	13	19	Hides	9	6	11	8
Cotton	37	11	7	1	TOTAL	68	84	78	81
Quebracho	19	10	11	11	Other	32	16	22	19
Oilseed	...	4	5	6	TOTAL	100	100	100	100
Meat	...	24	31	26					

SOURCE: International Monetary Fund, *International Financial Statistics.*

Table H

PERU: COMPOSITION OF EXPORTS AS A PERCENTAGE OF TOTAL VALUE

Product	*Averages*			*Product*	*Averages*		
	1945-47	*1950-52*	*1958-60*		*1945-47*	*1950-52*	*1958-60*
Sugar	30.3	14.2	11.3	Crude petroleum	1.4	2.4	1.8
Fishmeal fertilizer	—	0.2	8.1	Coffee beans	0.3	0.9	4.8
Refined silver ingots	0.3	2.4	2.7	Cotton	2.6	34.3	20.4
Unrefined iron ore	—	—	6.7	Salt fish	0.2	—	2.4
Copper concentrates	1.0	1.2	1.9	Alpaca wool	1.4	2.4	1.4
Lead concentrates	1.5	4.2	4.9				
Zinc concentrates	2.6	6.1	2.9	TOTAL	45.2	78.5	86.3
Blister copper bars	—	0.2	8.0				
Electrolytic copper plates	—	4.6	3.7	Other	54.8	21.5	13.7
Refined lead bars or ingots	3.5	5.2	3.8				
Refined zinc bars or ingots	0.1	0.2	1.5	TOTAL	100.0	100.0	100.0

SOURCE: ECLA, based on national statistics and *Anuarios de Comercio Exterior del Perú,* selected issues.

Table I

URUGUAY: COMPOSITION OF EXPORTS AS A PERCENTAGE OF TOTAL VALUE

Product	*1937*	*1958*	*1959*	*1960*	*Product*	*1937*	*1958*	*1959*	*1960*
Wool	46	58	55	52	Linseed oil	—	3	4	4
Meat	20	11	19	24	TOTAL	84	90	91	92
Hides	14	6	10	12	Other products	16	10	9	8
Wheat	4	12	3	—	TOTAL	100	100	100	100

SOURCE: International Monetary Fund, *International Financial Statistics.*

Table J

VENEZUELA: COMPOSITION OF EXPORTS AS A PERCENTAGE OF TOTAL VALUE

Product	*1950*	*1951*	*1952*	*1958*	*1959*	*1960*
Petroleum and petroleum derivatives	97.2	96.9	95.4	91.2	90.5	87.7
Iron ore	—	0.3	1.0	5.0	5.4	6.5
Other minerals	0.2	0.1	0.1	0.1	0.0	0.1
Agricultural and forestry products	2.5	2.5	3.4	2.1	1.4	1.2
TOTAL	99.9	99.8	99.9	98.4	97.3	95.5
Other products	0.1	0.2	0.1	1.6	2.7	4.5
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: *Memoria del Banco Central de Venezuela,* 1960.

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