CYCLES OF BOOM AND BUST IN LATIN AMERICA:

A QUARTER CENTURY PROFILE OF SOCIAL AND ECONOMIC INEQUALITY

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CDE Working Paper 87-27

Draft, March 1987
Rev., May 1987

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This research was supported by the College of Agricultural and Life Sciences, the University of Wisconsin-Madison, and the Graduate School Research Committee. In addition, computational work was carried out (in part) using facilities of the Center for Demography and Ecology at the University of Wisconsin-Madison which receives core support for Population Research from the National Institute of Child Health and Human Development (grant number P30 HD05876). We gratefully acknowledge technical assistance from Susan J. Walsh, Sarah Rudolph and Saragale Tucker.

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INTRODUCTION

Cycles of boom and bust are the defining feature of Latin American economic history during the Twentieth Century. Although the specific factors which set in motion each cycle of economic rise and decline differ by country and period, the 1970s and 1980s have witnessed the emergence of a new set of structural arrangements--predominantly financial in character--which maintain Latin America's dependence on the industrialized market economies as primary product dependence did previously. Both external and internal forces are responsible for Latin America's roller-coaster economic performance over the past quarter century.[1] Favorable demand conditions for the region's primary products and a strong international economy combined to yield a period of strong economic growth during the 1950s and 1960s, bolstered by the ready availability of foreign capital in the form of low interest loans, direct investment, and aid.[2] Together, these conditions set the stage for employment creation, capital investment and overall economic expansion.

This period of relative prosperity ended in 1973, when the first oil price shock stymied the world economy and set in motion a phase of debt-led growth among the oil-importing Latin American countries. With the exception of two major oil-exporting nations--Venezuela and Mexico--the economies of Latin America were hit hard by the ensuing slowdown in economic growth. Not only did import bills skyrocket, but

worldwide demand for Latin American exports fell abruptly as their main trading partners--the industrialized countries--recoiled from the shock. A second price shock ensued before full recovery from the first, triggering a deep recession almost as serious as that which occurred in 1930 -- 50 years prior.

For the oil-importing countries, borrowing provided a temporary escape from the constraints imposed by spiraling inflation and declining export revenues. Overflowing with petro-dollars, the banks were quite willing to meet Latin America's increased demand for fresh loans, especially in view of their heightened credit-worthiness--a carry over from the boom of the 1960s. For the next five years or so, Latin America struggled to recover and managed modest growth, but only at the expense of an unprecedented foreign debt. This marked a new phase in Latin America's economic history--debt-led growth[3]--and illustrates how conjunctural circumstances, namely the oil price shocks, modify the structural linkages of dependency from import-export imbalances to borrowing-lending imbalances.

A second oil price shock in 1979 fostered another sudden downturn in worldwide economic activity. The deep recession experienced by the industrial countries reached depression proportions in many Latin American countries. The sources of the crisis were multiple: higher oil prices combined with falling world market prices for the region's chief exports; the drying up of foreign capital as international lenders refused Latin America new loans; and rising real interest rates, which were placing an enormous strain on the region's ability to repay its debt (World Bank, 1986:4-5).[4] In short, two decades of growth and social prosperity had come to an end.

The scenario described above is, of course, a very general one, useful mainly for understanding what has happened to the region as a whole. But to assess and understand the social consequences of the cycle of growth and decline, it is necessary to examine the experiences of specific countries in some detail. Our primary objective is to establish links between economic performance and social well-being as indexed by changes in real wage rates, income inequality, employment rates and social expenditures. We focus on the period 1960 to 1985 because it encompasses the phase of economic history called the "development era" and extends to the present.

Our macrosocial approach uses comparative historical data (Skocpol and Somers, 1980) to illustrate differences in the pursuit of social goals among the seven largest Latin American nations during times of economic expansion and contraction.[5] Although the chronicles of Latin America's development era testify that the benefits of economic growth were never shared equally by all segments of the population, and that some economic strategies exacerbated social inequalities more than others, there is widespread agreement that appreciable improvements in social conditions accompanied the economic prosperity of the 1960s (World Bank, 1986). However, the austerity programs undertaken in response to the debt crisis of the 1980s dim the prospects of maintaining expenditures on social programs at the levels reached during the period of rapid economic growth and shortly afterward.

To organize our analysis of the relationship between social progress and economic cycles, we first present a framework specifying relationships among key independent and dependent variables. This framework is sufficiently broad to permit consideration of country- and

period-specific circumstances, such as differences in social and political events. Our empirical analysis of the relationship between social progress and economic cycles begins with changes in per capita Gross Domestic Product (GDP) between 1960 and 1985.

Because the development decade was accompanied by rapid population growth, a focus on problems of labor absorption enables us to establish a link between demographic and economic changes. The expansion and contraction of job opportunities during periods of prosperity and recession form the most direct connection between the economic health of a nation and the material conditions of its population. Trend data on changes in employment, unemployment, and informal sector employment illustrate problems of labor absorption. Additional consequences of economic decline which are filtered through the labor market are changes in real wages, income shares received by the poorest segments of the society, and expenditures on social programs, all of which we investigate as data availability permits.

We conclude our analysis by drawing comparisons and contrasts among various nations, attempting to isolate factors which might help explain how the social consequences of the most recent economic downturn have been filtered through highly unequal social structures. In making sense of diversity, we attempt to separate the country-specific circumstances from the common experiences that permit regional generalizations, and also the conjunctural from the structural dimensions of the economic positioning of Latin America in the world system.

CONCEPTUAL FRAMEWORK

Our analysis of the social consequences of economic cycles is guided by the heuristic framework depicted in Figure 1. The schematic consists of three sets of variables which we separate into exogeneous and endogeneous.[6] Exogeneous variables are taken as given, and serve to contextualize the experiences of the seven countries, and as a guide to interpreting the changing relationships among the endogeneous variables. For example, a critical distinction for understanding the ramifications of oil price shocks is between oil-exporting and oil-importing states. In the area of labor absorption, comparisons between countries that experienced rapid population growth during the 1960s (e.g., Mexico, Venezuela, Peru) and those with moderate to low growth (e.g., Chile and Argentina) also proves helpful in understanding variation in the social consequences of economic cycles.

(Figure 1 About Here).

World positioning and class structure are the most abstract of the exogeneous constructs, and serve to introduce the importance of inequality among and within countries in filtering the effects of economic cycles. When the benefits of development are not shared uniformly within countries, income distributions become more skewed. At the international level, countries are ranked in a system of stratification defined by market shares, commodity specialization, income levels, standards of living and political (including military) power.[7]

The crux of our analysis focuses on what diverse economic development and adjustment strategies portend for social well-being when filtered through the unequal social structures prevailing in Latin

America throughout the 1960s and 1970s. Economic performance is based on measures of aggregate growth in per capita gross domestic product. The social consequences of rapid population growth are determined both by labor market dynamics, and by the strategies pursued by the state to satisfy rising social aspirations. Our general assumption is that the association between indicators of economic performance and changes in social and economic well-being is positive, but may be stronger or weaker depending on the ability of the labor market to absorb workers, and of hegemonic classes to protect their interests.

These outcomes will be revealed, to varying degrees, by the time trends in four dependent variables indexing social and economic well-being: real wages; unemployment; social expenditures; and changes in income distribution (where available). Real wages measure purchasing power, which in turn is related to changes in material well-being. Although spotty, data about income distributions permit us to establish whether the social inequalities so pervasive at the start of the period have changed appreciably. A rise in open unemployment and the expansion of the informal sector brings into focus the labor market distortions produced by capital-intensive industrialization strategies and the social aberrations produced by uneven development. Finally, changes in social expenditures will index the ability and willingness of the state to satisfy rising social aspirations during periods of boom and bust. Although we will not measure economic strategies directly, we will attempt to isolate the influence of political factors by plotting our outcome variables against time, noting the correspondence between changes in regimes and changes in the indicators of economic and social well-being.

Economic Performance: 1960-85

During the twenty-five year period from 1960-85, all seven Latin American countries in our sample registered real increases in their Gross Domestic Products (IDB, 1986, Table 3). But while the net change in GDP was in every case positive, the magnitude of that increase varied tremendously. In Brazil and Mexico, for example, real GDP more than tripled during the period, while in Argentina, the net increase was considerably less, about 70 percent (IDB, 1986, Table 3).

Because aggregate rates of change ignore the high (and variable) rates of population growth during the period, it is more meaningful to analyze changes in GDP on a per capita basis. Table 1 presents GDP per capita over the 1960-85 period (in constant $ 1984), along with corresponding rates of change. While the average growth in GDP per capita continued to show a gain over the 1960-85 period, the rates of increase are much less than those based on GDP alone (42% vs. 289%, for the sample as a whole).[8] Venezuela provides the most dramatic example of the effect of population growth: its 151 percent growth rate in absolute GDP over the twenty-five year period drops to 15 percent after adjusting for contemporaneous increases in population.

(Table 1 About Here)

In addition to Venezuela, three countries can be considered "slow growers" according to Table 1: Argentina, Chile and Peru. In every instance, per capita growth rates averaged less than one percent per year between 1960 and 1985, suggesting only a slowly growing "economic pie." The rates of growth for Mexico, Colombia and Brazil, by contrast, were much more substantial, averaging closer to 3-4 percent per year.[9]

The quarter-century change in Table 1 masks two subperiods: first a boom and then a precipitous decline. In general, every country experienced rapid per capita growth rates during the 1960s, ranging from a high of 43 percent for Mexico to a low of 23 percent for Chile. However, the early 1970s witnessed a slowdown in the rate of growth for the region as a whole, and for all countries except Brazil. Chile's negative growth resulted, in part, from the political turmoil associated with Allende's redistributive agenda and the ensuing military coup. By the early 1980s, virtually every country experienced stagnation, as evidenced by the negative growth rates. Least affected by the crisis was Colombia, whose 1980-85 per capita growth rate remained positive.[10]

Also evident in Table 1 is the degree of variation in per capita GDP, reflecting wide differences among countries in the economic positioning at the start of the period. Specifically, in 1960 Venezuela, Argentina and Chile all had per capita GDPs significantly above the mean of $1,275, while Peru and Brazil had below average per capita GDPs. The poorest member of the group in 1960 was Colombia, with a per capita GDP just over half the regional average.

At the bottom of Table 1 are shown two summary measures of variation in GDP, allowing us to consider temporal trends in cross-country inequalities. The first is a simple ratio of GDP per capita in the richest country to that of the poorest; the second is the coefficient of variation (C.V.). According to both of these measures, the gap in per capita GDP across countries has narrowed slowly over time--at least at the country level. Whereas the ratio of GDP per capita between the richest and poorest countries was about 3.2 to 1 in 1960, by 1985 this ratio had closed to 2.3 to 1. The degree of variation around the mean

has also been decreasing, as evidenced by a declining C.V. (from 1.03 to .68). It is important to keep in mind, however, that despite this trend towards convergence, large absolute differences in GDP per capita remain: Peru's 1985 GDP of $1,055 per capita is a long way from Venezuela's $2,451. Table 1 also shows a repositioning in the economic hierarchy between countries. Peru, for instance, slipped from its fifth ranked position in 1960 to being the poorest country on a GDP per capita basis twenty-five years later; Brazil surpassed Chile and Peru during the same period.

High growth in average (or per capita) GDP, while a necessary condition for development, does not automatically ensure equivalent amounts of social progress, for this depends on how the benefits of growth are distributed among increasing numbers. To begin addressing this question, we turn first to aggregate indicators of social and demographic change during the past quarter century, and subsequently examine in greater depth the equity implications of the phases of expansion and contraction on a country-by-country basis.

SOCIAL PROGRESS IN LATIN AMERICA: 1960-85

That Latin America has prospered socially since 1960 is evident in various social and demographic indicators correlated with material well-being. Improvements in living standards manifest themselves in declining infant mortality, rising life expectancy, higher levels of urbanization, increases in educational attainment, and higher rates of female labor force participation. Each of these indicators is presented in Table 2 for our seven Latin American countries and for the United States. The latter provides a benchmark for assessing the "development gap" remaining as of 1985, and progress toward closing it since 1960.

Social Indicators

Over the past quarter century, progress in the educational sphere has been truly remarkable. As shown in Table 2, all countries experienced appreciable improvements in literacy, although as recently as 1980, illiteracy rates among persons aged 15 and over exceeded 10 percent in Mexico and Brazil despite their "miraculous" economic performance. In the United States, illiteracy was virtually nonexistent by 1960. As of 1980 only Argentina exhibited rates of illiteracy close to those prevalent in the United States at the start of the developmental decade.

(Table 2 About Here)

Enrollment data, which provide a less coarse measure of educational gains, also reveal substantial improvements. Primary school enrollment was virtually universal in Argentina by 1970, in Chile by 1980, and in Mexico by 1985. However, only 75 percent of primary-school-aged Colombian children were enrolled in school as recently as 1985. Primary school enrollment rates for Peru and Venezuela were intermediate between these extremes, at approximately 86 percent in 1985. Despite these gains in primary school enrollment, the development gap between Latin America and the United States is much wider at the secondary schooling levels. Only Chile came close to the U.S. standard of adolescent enrollment in middle and secondary schools by 1985, whereas the comparable enrollment rates for other countries ranged between 62 percent (Brazil) to 86 percent (Peru).

Higher rates of female labor force participation usually accompany rising educational levels, and Latin America generally conforms to this pattern. Women's labor force participation rates more than doubled in Mexico and Brazil and increased by 25 to 30 percent in Chile and

Argentina. By 1980, women's labor force activity rates hovered around 30 percent in all countries except Colombia. In the United States, over half of all women over 15 years of age were economically active by 1980.

In sum, during the past quarter century Latin American youth benefited from widespread educational gains. However, the greatest improvements did not always correspond to those countries experiencing the fastest economic growth. As we later discuss, this is because domestic economic growth policies did not place equal importance on social investment during periods of prosperity. The significance of educational improvements for the long term social well-being of the Latin American population cannot be understated. Although imperfect as an allocative mechanism, educational attainment is a defining feature of all stratification regimes in that it serves as a screening device for prospective labor market entrants, and for structuring economic rewards over the long term. To the extent that educational opportunities remain unevenly distributed, progress toward more equal income distributions will be stymied.

Demographic Change

Discussions of the relationship between population and development have polarized the community of demographic and development analysts into neo-Malthusian and structural camps, the former arguing that fertility control was a necessary condition for development, and the latter insisting that unequal distribution of wealth rather than demographic increase was the fundamental obstacle to development. The 1980s witnessed the rise of an intermediate position which recognizes the obstacles to development posed both by institutional inequalities and rapid population growth (Merrick, 1986), but does not pretend that

fertility control is sufficient to promote development. Also included in the "middle view" is the tenet that population growth may aggravate the problems of development by increasing the challenges of providing social amenities to larger numbers. It does not, however, cause underdevelopment, as argued by the neo-Malthusian fertility regulation advocates of the 1960s and early 1970s.[11]

Table 2 provides some perspective on the rates of population growth for the seven countries in our study. During the past quarter century the populations of the highest growth countries (Mexico, Peru and Venezuela) approximately doubled, while those of the low growth countries (Argentina and Chile) increased by at least 50 percent. Brazil and Colombia's populations, whose growth rates were intermediate to those of Mexico and Venezuela on the one hand, and Argentina and Chile on the other, increased by a staggering 86 and 70 percent, respectively.

Rapid population growth in Latin America was accompanied by an equally fast process of urbanization and by major shifts in the structure and composition of the labor force. In part, the postwar acceleration of population growth which coincided with the diversification of employment produced by import-substituting industrialization facilitated the rapid growth of cities. Population redistribution from rural to urban areas was all the more important because the archaic land tenure patterns prevailing in most countries coupled with urban biases in economic development strategies prohibited rural areas from absorbing their growing populations. Our data show that by 1985, between 67 and 84 percent of persons in each of these countries resided in urban areas.[12]

As an indicator of improvements in living conditions, Latin America's mortality decline is as impressive as the dramatic GDP growth

achieved by most countries during the 1960s. The largest improvements in life expectancy, which resulted primarily from the precipitous drop in infant mortality, were achieved between 1945 and 1965, and extended into the period of economic boom (Merrick, 1986). However, since that time, the mortality decline has slowed considerably (Palloni, 1981; Gwatkin, 1980) and, at least in one case (that of Brazil), actually reversed itself (World Bank, 1986:21).[13]

While continuing to fall in the aggregate, the slowdown in the pace of decline has caused some concern about the role of living conditions in maintaining mortality differentials within and between countries. In general, the link between per capita income and mortality was weaker in 1960 than in 1930, but the "persistence of mortality differences between high and low-income countries suggests that medical interventions and innovations have benefited the rich more than the poor" (Merrick, 1986: 13). This generalization obtains for within as well as between country differences.

The fact that future gains in life expectancy will depend more on improvements in living standards than on medical technology underscores the importance of investments in health and sanitation programs and other social policies which improve living standards, such as adult education programs, rural infrastructure, low cost housing, and the like. Whether this is feasible when the rate of economic growth slows as it has recently remains to be seen. For the present, the social development gap reflected in differences in average life expectancy ranges from 5 years between Argentina and the United States, to 18 years between Peru and the United States.

In summary, if Latin America's economic growth during the 1960's was unprecedented, so also was its rate of demographic increase. In 1950 the Latin American population was approximately equal to that of North America (circa 166 million), but owing to higher rates of growth during the 1960s and early 1970s, by 1985 Latin America's population exceeded that of North America by a factor of .5 (Merrick, 1986). Although growth rates have slowed appreciably in all countries, by the time the Latin American population stabilizes in the 21st century, it is projected to reach one billion (Merrick, 1986). But progress toward closing the social development gap depends on how increasing numbers are incorporated into each society's stratification regime.

Generally, but not always, the shift of population from rural to urban areas implied improvements in living standards, but as the pace of urbanization accelerated, the ability of these economies to absorb rapidly increasing numbers of workers failed to keep pace with the number of job seekers. Also, the inability of state and local governments to meet sharply rising demands for housing, social services and urban amenities meant that living conditions for thousands of city dwellers were not much better than those prevailing in the countryside. The problems of social marginalization resulting from the demographic and economic changes transpiring during the 1960s can be illustrated through the problems of labor absorption, to which we now turn.

Labor Absorption in Latin America: A Contradiction of Economic Progress

By emphasizing labor-saving technology, Latin America's postwar industrialization exacerbated the challenges of achieving sustained,

autonomous economic growth while satisfying rising social demands in urban and rural areas. Of these demands, jobs were the most important. It was not that job creation did not occur, but that it did not occur fast enough. Consequently, surplus workers from rural areas encountered frustration and economic despair in the rapidly growing cities.

The employment impacts of rapid urbanization manifest themselves most starkly in the industrial composition of employment, and in the rise of informal economic pursuits. According to the 1986 World Development Report (IBRD, 1986:Table 30), between 1965 and 1980 agricultural employment declined precipitously among our sample of countries, ranging from 47 percent in Venezuela to 20 percent in Peru. Of course, the rate at which the agricultural sector declines partly depends on its employment shares at the start of the period. By this standard, Argentina and Chile were the most industrialized economies in 1965, with, respectively, 18 and 27 percent of total employment engaged in agricultural activities. This contrasts with Mexico, Brazil, Peru and Colombia, whose agricultural labor force comprised approximately half of the total during the 1960s. In 1980, fully 40 percent of all Peruvian workers were still involved in agriculture, and approximately one-third of all Colombian, Brazilian and Mexican workers were so employed. At the other end of the spectrum, fewer than one-fifth of Venezuelan, Argentine and Chilean workers were involved in agriculture by 1980. Agricultural employment in the United States was 3 percent in 1980, a striking contrast to the Latin American economies.

Despite their massive and deliberate efforts to industrialize, the shares of manufacturing employment in most of our sample countries did not change greatly between 1965 and 1980 (IBRD, 1986:Table 30). Partly

this results from the adoption of labor-saving technology, and partly it reflects the substantial growth in the absolute size of the labor force resulting from rapid population growth during the postwar period. Nevertheless, with the exception of Chile and Argentina, whose industrial sectors were relatively larger in 1965 than those of other countries,[14] manufacturing employment shares rose modestly. Mexico and Brazil registered the largest increases in manufacturing, rising over 30 percent in just 15 years!

The tension created by massive labor displacement in rural areas combined with the limits on the absorptive capacity of the capital-intensive urban industrial sector was largely accommodated by expansion of service employment. Over half of all workers in Chile, Argentina, and Venezuela were engaged in service jobs in 1980 (IBRD,1986:Table 30). Service employment was lowest in Mexico in 1980, yet even there one in three Mexican workers secured employment in the service sector. Although Brazil and Peru experienced the fastest growth in service employment between 1965 and 1980, the relative sizes of their service sectors (42 percent) remained smaller than those of Argentina and Chile (53 and 58 percent, respectively).

The labor-absorptive capacity of the service sector partly reflects its diversity. Service employment includes a broad spectrum of activities, ranging from petty street vending to public administration. The heterogeneity of service employment--a subject of study in its own right--is pertinent to our concern with the social consequences of economic cycles in that it reduces the tension between massive labor displacement in rural areas, restricted absorptive capacity of

capital-intensive industrial technologies, and the rising numbers of first-time job seekers.

Increasingly, explanations of how poor and unskilled workers survive on the margins of modern urban economies, and of what urban economic activities absorb the waves of rural migrants in the absence of labor-intensive industrial growth, have focused on informal employment (Portes, 1983; Tokman, 1978). Despite persisting disagreements over the precise size and evolution of the informal sector (Portes, Blitzner and Curtis, 1986),[15] in the Latin American context there is some agreement that informal sector jobs account for a large share of total employment. Definitional issues notwithstanding, inter-decade changes in informal employment illustrate one mechanism used to resolve acute labor absorption problems faced by Latin American countries striving to achieve growth through industrialization, while providing employment opportunities for the expanding labor force.

Diversity is the most salient message conveyed by the employment trends reported in Table 3. Consistent with the urbanization trends identified in Table 2, urban employment increased while that in agriculture decreased, although at differential rates in the modern and traditional sectors. But increases in urban employment between 1960 and 1980 varied widely, from less than 10 percent in Argentina to over 40 percent in Peru and Colombia.

(Table 3 About Here)

Mexico and Peru experienced rapid growth in informal employment during the two decade period, and by 1980 also had the highest shares of total employment engaged in urban informal pursuits (18 and 20 percent,

respectively). Colombia stands as a close second, based on the rate of urban informal employment growth between 1960 and 1980, and the relative size of its informal sector (16 percent) in 1980. Although informal activity expanded also in Argentina and to a lesser extent Chile, the growth of informal employment and the sectoral share of total employment in these countries was well below that witnessed in Mexico, Peru, or Colombia.

Two countries at the other extreme--Brazil and Venezuela--registered negligible or negative growth in informal urban employment between 1960 and 1980. In Brazil, this may be explained partly by the small decline in informal employment during the booming 1960s. Thereafter, when the rate of industrial growth slowed, informal employment expanded in response to shrinking job opportunities. These two offsetting tendencies produced negligible change between 1960 and 1980. Venezuela, on the other hand, was the only country where the relative size of the informal sector declined. After rising a modest 13 percent during the 1960s, the prosperity associated with Venezuela's privileged position as an oil-exporting country permitted a 24 percent decrease in informal employment. However, the sharp fall in oil prices since 1980 undermined the stability of Venezuela's economy, and it remains to be seen whether informal employment will expand once again, and by how much.

On balance, these changes in employment reflect the inability of a capital-intensive urban growth strategy coupled with a neglect of the rural economy to accommodate rising numbers of workers into the formal market economy. While informal employment has played a role in absorbing the growing masses of job hunters in urban Latin America--and in this sense, has functioned as a critically important "safety net"--the

socioeconomic implications of the observed trends are far from clear. That productivity and earnings are usually lower in informal concerns means that the proliferation of informal employment may offset any tendencies towards income equality at best, or may contribute to the polarization of the income distribution at worst. Unfortunately none of the existing studies on informal employment have established direct links between trends in income inequality and the proliferation of informal jobs.

We would be remiss if we failed to emphasize that our previous discussion, which is based on employment statistics, excludes individuals who are unable to secure employment. Labor economists have established the close connection between unemployment and economic cycles, but unfortunately data on joblessness rates for Latin America are spotty and grossly inaccurate. However, as a barometer of the intensity of economic stagnation, recent urban unemployment data furnished by the Inter-American Development Bank (1985:86) reaffirm this correlation, and they illustrate differences in the severity of the recession across countries.[16]

As conservative estimates of open unemployment, the double-digit rates observed in 1983 and 1984 by four of the seven countries (Chile, Columbia, Peru and Venezuela) can only signal a decline in the economic well-being of the population. Low-skill segments of the population are more vulnerable to job loss during economic downswings, and this exacerbates the deterioration of their living standards. Equally impressive is the pace at which these changes took place. In Chile and Venezuela, open unemployment doubled in just three years, for example.

Oscillations in unemployment were less extreme for other countries, but impressive by any standard.

Whether the deterioration in employment conditions will continue throughout the remainder of the 1980s, or whether some recovery will be possible depends on many unknowns, including progress made in financing the external debt as well as the performance of export markets. However, in addition, much depends on the social and economic adjustment policies pursued to recover from the stagnation, and the impact of these policies on different segments of the workforce. To be sure, individuals and groups unable to secure jobs will experience the greatest deterioration in their living conditions, but high rates of inflation, particularly in the costs of basic commodities, will almost certainly ensure declines in living standards for people with jobs as well. It is to these concerns that we now turn our attention.

SOCIAL CONSEQUENCES OF ECONOMIC DECLINE

In this section we investigate empirically the performance of two "outcome" measures of social well-being: real wages and social expenditures. While our main focus will be on the social impact of the crisis, we have assembled data for as much of the past quarter century as possible to provide a basis for historical comparison. More importantly, by tracing real wage and social expenditure trends throughout the period, we will be able to discern the effects first of "boom," and then "bust."

Because of the diverse political experiences of these countries, for this part of the analysis we emphasize the experiences of particular countries over time, reserving for the concluding section the drawing of parallels and contrasts between countries, and the making of broad

generalizations. Also, since the relationship between the economy and social well-being is mediated by the state through its choice of social and economic policies (see Figure 1), we have charted changes in political regimes against our indicators of well-being. In some cases, and for certain variables, our ability to do this is significantly limited by data quality.[17]

One mediating factor which we are unable to measure directly, but which deserves mention nevertheless, is the importance of a stratification regime in allocating material goods. Like the state, the class structure of a society acts as a filter through which investment and consumption decisions impact upon social well-being. The most obvious vehicle for this is through the demand for labor. *Ceteris paribus*, a class structure which is highly unequal will result in more luxury import consumption--and hence less demand for locally produced goods--than one which is characterized by greater equality, for example. Similarly, inequities in the ownership and control of capital may result in investment decisions which are less optimal for labor than others might be (e.g., capital-intensive or foreign investment). While we have no way of capturing such influences directly, we rely on secondary sources in interpreting the trend data.

In the following pages, we consider trends in two measures of real wages and several types of social expenditures from approximately 1960 to 1985. Our real wage series correspond to minimum wages and industrial wages. The first reflects the buying power of the most marginal workers, and the second, the buying power of workers in the formal sector. Because both series are in index form (1970=100), they are not directly

comparable, but it is legitimate to compare trends in the two streams of wage data.

Owing to discrepancies in the available data, our measures of social expenditures differ slightly across countries. We present three different indicators of social spending: health, education, and housing. All are expressed in real (1970=100) terms on a per capita basis.[18] Several caveats regarding these expenditure data are warranted. The first, and most important, has to do with their overall quality. Because these data are government-reported, they are subject to manipulation by various government agencies and will approximate reality with variable precision. This is especially a problem for the price index data with which expenditures were converted into real terms.[19] Since governments may have a political interest in making inflation appear low, it is possible that they systematically underestimate price increases in certain years.[20]

A second problem has to do with their comparability over time. To chart social expenditures over a twenty-five year period, we have had to rely on several sources of data which are not generally comparable over time.[21] Therefore, we have clearly indicated all series breaks on our graphs.

A final consideration has more to do with what these data represent than a measurement problem *per se*. Ideally we would like to measure the provision of social *services and goods*, but the available data measure social *expenditures*, which are inconsistent in their treatment of capital investment. To take an extreme case, it is impossible to separate money spent on primary health care for the poor from that spent on building high-technology urban hospitals. A second, related concern is that these

data are limited to central government expenditures only, and exclude state and/or local spending. For a country like Brazil, where primary education is financed largely out of state revenues rather than by the central government, this can lead to fairly serious underestimates. Unfortunately, to our knowledge, no better data are available, so we must deal with these limitations as best we can. The importance of restricting cross-country comparisons should be evident.

Argentina.

In the wake of Peron's first administration, the Argentine military-sponsored elections were won by Arturo Frondizi (1958-1962), a former economics professor and a candidate from one faction of the Radical Party.[22] Although Frondizi had been elected on a left-of-center platform, once in power his policies shifted towards the right (di Tella, 1983:23). Departing from Peron's policy of encouraging light industries with few foreign capital requirements, Frondizi supported a policy of heavy industrialization that depended largely on foreign capital. Seeking to promote Argentina's creditworthiness and attractiveness to foreign investors, Frondizi signed an agreement with the IMF stipulating a currency devaluation; cuts in public spending; elimination of government price controls and subsidies; and commitment to an open economy (Skidmore and Smith, 1984:97-8). While these policies benefited businesses linked to foreign capital and international markets, they took a considerable toll on the living standards of the working class and the poor.

Economic growth ensued in the aftermath of Frondizi's "shock treatment," but he had lost most of his political support before these gains were reaped. Both organized labor and the business community

withdrew their support. In 1962, after the Peronists made a strong showing in congressional and local elections, the military removed Frondizi from office.[23] Between 1962 and 1966 two members of the other faction of the Radical Party, Jose Maria Guido and Arturo Illia, held the presidency in succession.[24] During their successive terms of office, real per capita expenditures in education rose, but subsequently tapered off, while investment in health services was more erratic (Figure 2-a).

(Figure 2-a About Here)

From 1966 to 1970, an autocratic military government, headed by General Juan Carlos Ongania, assumed power. Ongania shut down Congress, banned political parties, and postponed elections indefinitely (Kaufman, 1979:176). Opposition was stifled and labor repressed (Skidmore and Smith, 1984:101). Like Frondizi before him, Ongania followed a program of economic stabilization, designed to control inflation. Wages were frozen for two full years, import duties lowered, taxes increased and the peso devalued by 40 percent (Kaufman, 1971:176). The impact on labor, particularly in the more marginalized sectors, was disastrous: real minimum wages fell close to 45 percent between 1966 and 1968, recovering only slightly during the last half of Ongania's term (Figure 2-a). Industrial wages fell less precipitously, reflecting Ongania's bias towards modern industrial enterprise and foreign capital (di Tella, 1983: 34-5), but the general pattern of change was similar. Investment in education showed little growth, while health outlays were more erratic, initially falling sharply, then rising steeply (Figure 2-a).

Under political pressure from labor and the still powerful Peronist movement, Ongania's government began to disintegrate in 1969. Political violence rose, perpetrated both by the military and the left. The

government fell the following year, and was taken over by Roberto Levingston, who remained in power only eight months. General Alejandro Agustin Lanusse, the commander-in-chief of the army, replaced him.

The early 1970's was a time of high inflation and severe capital shortage in Argentina. In addition, the left was becoming increasingly confrontational. Unable to cope with these pressures, Lanusse proposed a return to civilian rule, and in a shrewd move, lifted restrictions to Peron's entry into the country.

While Peron himself was barred from candidacy in the 1973 elections, he selected the Popular Front candidate, Hector Campora, as his stand-in. Campora won easily, though was soon forced out of power by an increasingly divided Peronist party (di Tella, 1983:57-8). Elections were rescheduled for September, and this time Peron walked away with the vote. But with his return to the presidency, Peron turned on the revolutionary left and even parts of the labor movement--just as Lanusse had suspected he might. Shortly thereafter, Peron died, leaving the presidency to Isabel, his wife.

Isabel represented the far right wing of the Peronist movement. Together with her Minister of Social Welfare, Jose Lopez Rega, Isabel stepped up the sweep of the militant left, and pursued policies opposed to those of her deceased husband, including shifts in favor of foreign capital, toward the private sector, and against labor (di Tella, 1983:70-1). The economy fell into chaos under "El Presidente's" erratic and authoritarian control, with inflation reaching levels that even the Argentine people had never experienced.

These erratic changes in political regimes, and hence economic policies, found their parallels in the performance of wages and social expenditures. Real wages rose sharply during the initial return of the Peronist party, and plummeted after Isabel Peron came to power. By 1976, real wages had reached their lowest point in more than a decade, and were to fall farther still under the leadership of the military government that followed. Per capita expenditures in education also declined precipitously under Isabel's rule, falling by more than 40 percent in just two years.

With growing public support, the army swept Isabel out of power in 1976 and embarked upon what was to be the harshest period of military rule in the country's post-war history. Under General Jorge Rafael Videla, the military launched its "dirty war" against the Argentine people in which thousands were arrested and detained, and often "disappeared" (Skidmore and Smith, 1984:107). The economic policies of the post-1976 military governments (Videla's was only the first) were socially regressive, favoring business classes over labor and the private over the public sector. Government expenditures on housing and health were drastically curtailed, for example (see Figure 2-a). To the chagrin of the military, however, the economy did not improve; inflation remained over 100 percent per annum, and a rash of bank failures undermined foreign confidence in the domestic economy. In 1982, the country defaulted on its foreign debt (Skidmore and Smith, 1984: 112). Although real wages had begun to recover in 1979, the slowdown in world economic activity led to another downturn in 1984. By these measures, the economic well-being of Argentina's workers was well below its peak during

the mid 1970's--before the first economic crisis had hit in earnest--but well above levels witnessed during the repressive military regime.

Income distribution data for the 1974-1980 period reflect the regressive nature of the policies pursued both by Isabel Peron and by the Argentine military. According to a survey of households in Gran Buenos Aires, the share of income accruing to the richest fifth of the population rose from 49.9 percent in 1974 to 53.6 percent some six years later. The poorest forty percent of the population, by contrast, saw their income shares drop (from 14.6% to 12.5%). The middle classes also suffered a relative loss, confirming the elitist bias of the economic policies implemented during this period.[25]

Brazil

Over the last quarter century, the political scene in Brazil has been dominated by the military. Beginning in 1964, when it toppled the populist government of President Joao Goulart, until 1985, when national elections were held to restore civilian government, the Brazilian military has run the country. The populist[26] social policies of the Goulart regime leading up to the coup included agrarian reform (which never unfolded) and support for organized labor. In the face of high and rising inflation in early 1964, Goulart placed price controls on basic consumer goods and proposed plans for rent control. In addition, he initiated measures against propertied classes, such as limiting profit remittances by foreign corporations, and nationalizing oil refineries still in private hands (Quartim, 1971: 51-52). These actions, combined with negative economic growth and a growing debt burden, alienated even the middle classes who rallied behind the elite-backed military coup of March 1964 (Skidmore, 1973:4).

Once in power, the military regime instituted a variety of orthodox economic reforms designed to control inflation and to stimulate foreign investment. General Castelo Branco's anti-inflation program froze wages and government expenditures, and limited credit to the private sector (Kaufman, 1979:170). Per capita investment in education and health programs, for example, did not rise throughout the 1960s, as shown in Figure 2-b. To restore foreign investor confidence in Brazil, Branco repealed the ceiling on profit remittances, provided concessions to foreign firms engaged in exporting, and took a hard-line stance toward labor.

Aside from being highly repressive, Castelo Branco's policies chipped away at the living standards of Brazil's poor majority. Not only did real minimum wages drop but many employment opportunities dried up during the ensuing recession. While some attempt was made to ameliorate the harsh social consequences of economic contraction (e.g., through limited price controls and occasional employment programs),[27] the working class suffered considerable hardship throughout the Castelo Branco years.

(Figure 2-b About Here)

Economic growth did not begin in earnest until 1967, when Costa e Silva took over as head of state, and Delfim Neto replaced Roberto Campos as Brazil's new Minister of Finance. Costa e Silva's administration was short, and he was replaced by Emilio Garrastazu Medici in 1969, who remained in power through 1974. Although the basic economic policies associated with the Castelo Branco regime continued under Delfim Neto, control over the money supply was loosened, easing credit to the private sector and permitting some economic growth (Kaufman, 1979:173; Skidmore,

1973:12-13). Direct government investment in producer goods industries further fueled the economy, leading to growth rates averaging 10 percent per year between 1967 and 1974. Stimulated by the expansion of the industrial sector, industrial wages increased in real terms, as shown in Figure 2-b.[28] But the benefits of this "economic miracle" were not shared equally; rather, most of the working class continued to receive low wages, while foreign investors, government technocrats and Brazilian businessmen saw their fortunes climb. This is evident in the divergent trend of industrial and minimum wages beginning in 1968, which accelerated throughout the 1970s.

That the lower and middle classes did not gain as much from the economic growth of the sixties as the elite is confirmed by available data on income distribution. According to data published by Fox (1983: 264), the proportion of national income going to the poorest 40 percent of Brazilian households fell from 12 percent in 1960 to 10.9 percent in 1970. By contrast, the proportion accruing to the richest 20 percent rose nearly 6 percentage points (from 54.0% to 59.7%), much of it coming from the middle classes.[29]

In 1974, General Ernesto Geisel took over the presidency from the hard-liner Medici, marking the third phase of military government (1974-79). Geisel's promises for political redemocratization and efforts to improve this dismal distribution of income were short-lived, partly because of the weak international economy, and partly because of political opposition (Skidmore, forthcoming). The only noticeable effort made to effect an income transfer was through government health expenditures, which rose gradually throughout the Geisel years.[30] (See Figure 2-b.)

When President Joao Figuierdo took office in 1979, the economy was confronting high inflation and unprecedented debt servicing costs.[31] Against these severe fiscal constraints, the economy contracted and plunged into a headlong recession for several years (Skidmore, forthcoming). In January of 1983, the government returned to the IMF for assistance, and agreed to adhere to its standard set of prescriptions: clamping down on growth in the money supply, reducing social spending, devaluing the currency, cutting subsidies, and restricting wage growth.

The joint impact of the recession and the IMF package is evident in decreasing real and minimum wages, and a slowdown in social service spending from 1982 on (especially for education). While difficult for everyone, these adjustment and stabilization policies were most painful for the working classes, who generally had smaller (if any) savings cushions. Besides wage declines, unemployment rose significantly, and government subsidies on many basic necessities were slashed, making them relatively more expensive. By the time the military turned the government over to civilian rule in 1985, the Brazilian economy and its people were just beginning to emerge from the crisis, but in light of recent developments (i.e., the near-default on its debt obligations), the promise of recovery during 1986 appears to have escaped once again.

Chile

Political instability characterizes the first half of Chile's economic history from 1960 to 1985, when politics shifted from right, to left, and then far right following the bloody military coup of General Augusto Pinochet. Since 1973, the stability of an autocratic repressive state has come at the expense of increasing social inequities and declining political freedom.

Jorge Alessandri's administration (1958-1964), supported by the Chilean elite, pursued a laissez-faire economic philosophy. His approach to combatting inflation in the late 1950's involved relaxing import controls, devaluing the nation's currency, cutting government expenditures, and wooing foreign investment, especially in the copper industry--the nation's largest (Skidmore and Smith, 1984:129). Although these anti-inflation policies achieved limited success, the early 1960's were characterized by a slowdown in economic growth (Rayack, 1987). Chile's problems were exacerbated by the limited urban employment opportunities in its burgeoning urban centers (Skidmore and Smith, 1984:130).

In 1964, Eduardo Frei, a Christian Democrat, was elected to the presidency. Though more moderate than that of his predecessor, Frei's administration tended toward reform and compromise rather than sweeping change. In the area of copper mining, for example, Frei opted for buying into the foreign-controlled industry rather than nationalization, as his critics demanded. Although Frei enacted a land reform program, it too was melded out of compromise, and hence fell far short of improving the distribution of land ownership (Skidmore and Smith, 1984:133). Frei's incrementalist approach to social change is evident in Figure 2-c, which reveals virtually no change in minimum wages until 1968, and only a gradual increase in education spending. Real wages for the industrial sector did rise appreciably during Frei's administration, but affected less than one-third of the labor force.[32]

(Figure 2-c About Here)

The most socially progressive government of the period was that of Salvador Allende, the Popular Unity candidate elected to the Chilean

presidency in 1970. Allende's government was truly a "people's government"; for the first time in Chilean history, social policies were designed to benefit the working classes and the poor. Upon assuming office, for example, Allende froze prices and raised wages to offset the declines in living standards which had occurred during previous administrations. Spending on health, education, and other social welfare measures took a high priority in the Allende government, as can be seen in the limited data presented in Figure 2-c.

Allende's policies favoring the middle and working classes improved the income distribution, but these social gains were short-lived. Riveros' data on income shares for the capital city of Santiago shows that income became less concentrated during the 1971-73 period than it was during either the Frei or Alessandri regimes. The share of income captured by the richest fifth of the population, for instance, fell from 55 percent during 1965-70 to 50.5 percent during 1971-73. Most of the gain accrued to the middle class, although the poorest 40 percent also found their relative position somewhat improved (Riveros, 1985:16).

Under Allende, the state also increased its role in the economy by nationalizing all or parts of several major industries, including coal, steel, banking and most importantly, copper. Land was expropriated from large landowners and promised to the poor. Soon after these radical reforms were initiated, however, the economy started to falter. Inflation soared, resulting in part from the surge in demand created by the rapid rise in real wages. Fearful of becoming victims of Allende's nationalization plan, foreign companies began liquidating their assets. Deliberate efforts to destabilize the economy by the international community (including, among others, the U.S. government and the World

Bank) aggravated the deteriorating Chilean economy. In 1973, a long era of political democracy ended when the Allende government fell victim to the bloodiest military coup in Twentieth Century Latin American history.

General Augusto Pinochet, the leader of the coup, has ruled the country ever since, using fear, force, and intimidation to maintain his autocratic control. His rise to power signifies a dramatic swing to the right, both in terms of economic strategies and the political instruments used to achieve them. Pinochet's economic policies closely follow the ideas of Milton Friedman, father of conservative monetarist policy, who has served as economic advisor to the Pinochet government.[33] These policies have reversed the incipient social and material gains made by the poor during the brief Allende years, setting them behind 1970 levels.[34]

First on Pinochet's agenda upon seizing power was a reversal of Allende's nationalization attempts through the return of property --including land-- to its former owners.[35] Pinochet also cut back government development assistance, a move that mainly affected small producers in the agricultural, mining and industrial sectors (Foxley, 1983:63).

In contrast to foreign corporations, which have received favorable treatment by General Pinochet, labor has suffered serious setbacks. This is true both in economic terms and with respect to labor's organizing and bargaining rights.[36] Real wages, which began to decline in 1972 due to a spurt of rapid inflation, fell even further in 1973 when Pinochet seized power. Since then, real minimum wages have remained far below their 1970 levels, while industrial wages have managed to regain virtually all their lost purchasing power. The high point for minimum

wages during the Pinochet years was in the late seventies, when they approached three-quarters of the 1970 values. By 1985, however, they had slipped back down to less than 50 percent of this standard.

Employment was also adversely affected: in carrying out his Friedman-sponsored "shock treatment," Pinochet drastically scaled down the number and function of government enterprises, throwing thousands of Chileans out of work. Only after unemployment had reached into the high teens, and remained there for a number of years, did General Pinochet institute a "make-work" public employment program. As Foxley (1983) points out, however, the level of living associated with the Public Employment Program (PEM) is seriously substandard.

Surprisingly, the impact of the Pinochet government policies have not further skewed Chile's income distribution. Between 1973 and 1983, for instance, the Gini coefficient for income distribution in Santiago increased from 0.45 to 0.54 yet the share of income received by the wealthiest fifth of all Santiago households rose from 49.6 to 59.3 percent (Riveros, 1985:336). What these statistics show is a worsening of living standards for virtually everyone except the Chilean upper class. This situation can only worsen as social expenditures continue to decline in the face of the economic crisis, and if real wages continue to fall throughout the late 1980s (see Figure 2-c).

Colombia

For the last twenty-five years the political scene in Colombia has been dominated by struggles between rural and industrial elites, while each regime attempted to maintain an image of stability. Following the 1957 deposition of military dictator General Gustavo Rojas Pinilla, liberal and conservative leaders joined to fill the political vacuum

created by the "violencia," and to prevent either a populist or military government from gaining power. The Frente Nacional, a coalition between two long established parties, was formed as a "solution" to "la Violencia" (Bagley, 1984:10).[37] The Frente constitution provided for sixteen years of coalition rule - from 1958 until 1974 - during which the presidency would alternate every four years between the two parties.

The first two Frente presidents, Alberto Lleras Comargo (1958-1962) and Guillermo Leon Valencia (1962-1966) implemented import substitution policies designed to build national industry through extensive protection. During both administrations, and throughout most of the Frente period, the state encouraged private investors to take primary responsibility both for economic growth and for social development (Bagley, 1984:20-21),[38] but the limited data in Figure 2-d showing falling wages reflect the inability of this strategy to protect the interests of workers. That the government did not take a very active role in distributing the benefits of development is evident in the flat expenditure profiles for health and education through 1967.

(Figure 2-d About Here)

President Carlos Lleras Restrepo (1966-1970) and his World Bank advisors dismantled import substitution policies in favor of export-led growth and foreign investment. Although absolute poverty declined somewhat (Bagley, 1984:14-15), the shift in domestic economic policies took its toll on industrial wages (see Figure 2-d) and to a lesser extent on minimum wages. Despite signs of recovery after 1969, in 1970 General Gustavo Rojas Pinilla, now leader of the right wing populist group, the Alianza Nacional Popular (ANAPO), nearly defeated the Frente Nacional candidate, exposing the precariousness and declining legitimacy of the

system. Frente President Misael Pastrana (1970-1974) made no proposals for agrarian reform, supporting instead projects designed to improve rural living standards and productivity without redistribution.[39] In the cities Pastrana attempted to stimulate the economy and create jobs through heavy investment in the construction sector. Although this strategy increased employment and saving in the short-run, it did so at the cost of high inflation, and its complement, reduced purchasing power. Between 1970 and 1974, for instance, real industrial wages fell 17 percent, while real minimum wages fell about half as much (see Figure 2-d). In general, Pastrana's policies did little to solve long-run social or economic problems (Bagley, 1984:33). Social expenditures oscillated sharply, but were generally flat in the field of health.

Alfonso Lopez Michelson, a liberal, won the first competitive presidential election in 1974, promising peasants and urban workers new socioeconomic reforms. His efforts to establish a credit program for poor farmers were thwarted by the unavailability of funds, materials and land for the program (Decker and Duran, 1982:9). Nevertheless, Lopez Michelson managed some improvement in the economic standing of the rural sector. According to Urrutia (1985), a partial closing of the economic gap between urban and rural areas was one reason that national income distribution showed an improvement between 1971 and 1978. (Agricultural wages, though not shown on Figure 2-d, also increased throughout the 1974-1978 period.)[40] Social expenditure profiles in health, education and housing were notably flat, however.

Economic policies of liberal president Julio Cesar Turbay Ayala, who came to power in 1978, attempted to stimulate urban growth and employment through infrastructural development and oil exploration, rather than

social programs. Nonetheless, the strong performance of the economy that same year permitted education, health and housing expenditures to rise significantly, continuing the trend begun during the latter part of the Lopez Michelson administration. Real minimum wages also enjoyed a fair degree of growth during the latter Turbay-Ayala years, but industrial wages fell for the most part.

In 1982, a Conservative, Belisario Betancur, came to power on a somewhat more populist, less hard-line platform than Turbay. He called for negotiations with guerilla leaders and promised new housing and social services for the urban poor. By 1983 his efforts in both areas were failing, due largely to negative pressures from right wing factions in the government, the slowdown in economic activity during this period, and an inability to control the drug traffic. Despite some indications of slow economic recovery after 1983, Betancur was unable to win financial support for his social programs.

Mexico

For Mexico, the decade of the 1960s was a period of relatively rapid growth within monetary and political stability, representing a continuation of the favorable economic conditions of the 1950s. Beginning with the reformist policies of Lopez Mateos (1958-1964) and continuing through the administration of Diaz Ordaz (1964-1970), the Mexican economy was opened to foreign investment. The initial consequences of this economic strategy were positive, in that economic growth fluctuated between 6 and 7 percent annually during the decade (IDB, 1961 and 1965). Inflation throughout the 1960s remained under 3 percent per year, permitting some increases in living standards over the period.

That Mexico's economic prosperity during the 1950s and 1960s was achieved amidst glaring and persisting inequities in the distribution of income and social amenities prompted a deliberate change in political strategy -- to one emphasizing "shared development". Thus Luis Escheverria began his term (in 1970) by escalating programs to improve living standards through public expenditures on education, sanitation, housing and health. (Some of these trends can be witnessed in Figure 2-e.) Real wages also climbed, on the order of 20-25 percent, signifying an increase in the purchasing power of a large segment of the Mexican population.[41]

(Figure 2-e about here)

But the goal of shared development proved more costly than anticipated, even on the heels of a lengthy period of economic prosperity. Concessions made to rural constituencies had to be balanced by tighter price controls and subsidies on basic foodstuffs enjoyed by urban masses. To a large extent, public support from various constituencies had been amassed at the expense of a growing public debt, which triggered inflation. Trade deficits due to weak external demand and the failure of Mexico's agricultural sector midway through Escheverria's administration only heightened the dilemma posed by the goals of "shared development" during the worldwide economic slowdown of 1973-75. These economic trends were just the opposite of those required to justify the continued pursuit of social goals while maintaining price stability (IDB, 1975). Mexico's economic boom seemed to have ended.

Lopez Portillo (1976-1982) inherited formidable economic problems, but the confirmation of vast oil reserves renewed hope in the Mexican growth model. Backed by favorable terms of trade, Mexico moved into an

expansionary mode using two leverages: oil and creditworthiness, which permitted further borrowing and indebtedness (Silva-Herzog, public lecture). Initially, the social and political benefits promised by oil revenues seemed real. From 1978 to 1981, the Mexican economy grew at a rate of 8.4 percent in real terms (Silva-Herzog, public lecture), and Mexico resumed its 1960s posture as one of the fastest growing economies of the world. Overconfident of the security provided by its oil reserves, Mexico continued to borrow abroad and spend domestically in pursuit of its development goals. Education and social security expenditures (among other things) rose significantly throughout the period reflecting the government's commitment to deliver on its social promises (see Figure 2-e).

Unfortunately, the fiscal policies pursued by Lopez-Portillo also proved highly inflationary, eroding purchasing power (see real wages trends in Figure 2-e) and fostering a climate of uncertainty, especially after the shock produced by the fall in oil prices. That this decline was perceived by the government as temporary only deepened the structural constraints of a debt-led growth path because compensatory measures, notably heavy short-term borrowing, rather than drastically altered fiscal policies, were adopted to make up for the shortfall in foreign exchange. By August, 1982, the seriousness of the situation was evident; Mexico requested a 90-day moratorium on its financial obligations, officially giving birth to the debt-crisis.

In response to the joint impact of the debt crisis and the world recession, Mexico's incoming president, Miguel de la Madrid, in 1982 launched an IMF-stabilization program characterized by severe fiscal and monetary policies. The social effects of this program have been highly

regressive. Not only did real wages lose 32 percent of their purchasing power between 1981 and 1984, but the labor market itself contracted by almost half a million jobs--and this at a time when the labor force was growing at a rate of almost 3 percent per year (Dieguez, 1986: 8-10). The combined effect of these two trends was to reduce significantly labor's share of GDP from 37.4 percent in 1981 to 27.7 percent in 1984 (Dieguez, 1986:Table 39).

Social service cuts and reductions in food and other subsidies have added to the hardships endured by lower and middle class Mexicans in recent years. According to a World Bank study, government expenditures on "social development" fell from 16.6 percent in 1982 to 13.8 percent in 1983, with education being one of the areas hardest hit by the cutback (Dieguez, 1986:16). These declines are reflected clearly in Figure 2-e (on a per capita basis) for health, education and housing expenditures. This same study also identified significant nutritional deterioration during the crisis, recording declines in the consumption of oil, sugar, meat, eggs, beans, milk and fish, among other items, in the Mexican diet.[42]

Although the situation has improved somewhat since 1986, the Mexican people have a long way to go to recover ground lost during the recession and the ensuing fiscal austerity program. Whether they will be able to regain their pre-crisis social position will depend, in large part, on the state's commitment to reversing the regressive nature of its recent economic policies, and on the ability to secure the revenues needed to finance the social programs.

Peru

Peru's Twentieth Century economic history is a classic story of boom and bust cycles whose course has been charted by its reliance on export-led growth strategies. Like most of Latin America, in 1960 Peru was in the midst of a growth cycle initiated during World War II. Unlike Mexico and Argentina, the Peruvians did not pursue a vigorous policy of import-substitution industrialization, but continued on a route of export-led growth, receptivity toward foreign investment, and heavy foreign borrowing. Failure to diversify its economy and its over-reliance on exports made Peru especially vulnerable to the worldwide recession and the sharp drops in export earnings that ensued.

For our purposes, Peru's story begins in 1963 with the election of Fernando Belaunde Terry, the Accion Popular candidate, on a platform that included modernization and industrialization as economic goals, along with some major social reforms. These reforms were to include greater access to health care and education and social integration of marginalized groups. Despite widespread support for his social and economic policies, a lack of financial resources led Belaunde to borrow heavily to finance his programs. This reliance on outside capital was to set the stage for Peru's solvency problems for years to come.

The prosperity of the early 1960s--resulting from increases in sugar production, export-substituting industrialization, diversification of mining exports, and a short-lived dominance in the fishmeal industry--subsided during the latter half of the decade owing to serious monetary and fiscal problems encountered in 1965 and 1968. Real wages fell (see Figure 2-f), following brisk growth in the prior years, fostering social discontent. These economic problems ultimately cost Belaunde his job; in

1968 he was ousted by Velasco in a military coup. Little did the Peruvians realize that the economic problems faced during the late 1960s would pale by comparison to those they would experience after 1975. The economic and social deterioration since 1975 was all the more unexpected because the first phase of military government, under the direction of General Juan Velasco, promised exactly the opposite.

Under Velasco's leadership, Peru pursued one of the most creative social experiments in Latin America. Through massive public investment and state expansion,[43] the military sought to incorporate such marginal groups as peasants, squatters, and low-skilled industrial workers into the development process. Part of the plan included an ambitious agrarian reform designed to distribute land to the peasantry. The ultimate goals of the program were solidarity, equity and social participation.

For a few years--5 at most--Velasco's strategy "worked;" real GDP rose at annual rate of 6.5 percent between 1970-72 (IDB, 1973). But the price of the military's massive social experiment was high. Like his predecessor, Belaunde, Velasco proved unwilling to tax the middle class to pay for his programs, turning instead to external creditors (Wise, 1986:18). By the time Francisco Morales Bermudez took over in 1975, the external public debt had reached 20 percent of GDP (IDB, 1986:345). In that year, the trade deficit soared, 176 percent above the 1974 figure (IDB, 1975:338).

Phase two of the military government confronted formidable economic problems, partly induced by the social programs pursued by Velasco, and partly by the slowdown in world economic activity. Morales responded by turning back to the market, marking a shift to the right and engendering

severe negative social consequences for the Peruvian population (Wise, 1986: 15). Over the next several years, the economic situation worsened under a growing debt burden, declining export prices and the cost of maintaining a portfolio of unproductive, but expensive public investments (Wise, 1986: 18). By 1977-78, economic decline had set in, bringing with it an IMF agreement requiring massive social and economic retrenchment.

Figure 2-f documents dimensions and consequences of the deteriorating Peruvian economy, but also provides some perspective on changes in state policy in mediating, if not establishing directly, the distributional consequences of prosperity and austerity. During the Velasco administration, which was committed to integrating marginal strata into the economic mainstream and to expanding state control over foreign enterprises, the limited data on state expenditures in education and housing indicate a rise, but only until the first oil price shock. Thereafter, public expenditures began to drop, falling most precipitously during the second phase of the military government--a time when many of the social reforms enacted by the Velasco administration were dismantled.

(Figure 2-f About Here)

The time trend in real industrial wages and in minimum wages lends itself to a similar interpretation. Real wages rose throughout most of the Velasco years, falling in 1974 with the oil price increase and subsequent inflation. By the time the army was ready to return Peru's failing economy back to the civilians in 1980, real wages had fallen well below their level in the mid-1960s. By this indicator of social well-being, the gains made during the prosperous 1960s and adventuresome 1970s had all but vanished.

When Fernando Belaunde Terry was re-elected President of Peru in 1980, he proceeded with heavy public sector spending, further fueling Peru's external debt.[44] While some of these funds went into education spending, health and housing did not benefit materially from the borrowing spree (see Figure 2-f). Moreover, real wages, after a short hiatus, continued their precipitous decline, hastened by the onslaught of the 1982 world recession. The impact--for those Peruvians fortunate enough to have jobs--has been disastrous : by 1985, real minimum wages were worth only 44 percent of their value in 1970, and real industrial wages only 54 percent.

Given their starting point in the 1960s, it is quite likely the Peruvian economy and its people have been hit the hardest by the slowdown in world economic growth. The social consequences of that decline have been equally far-reaching, and trend data on social expenditures can only provide a glimpse of the extensiveness of the hardships endured.

Venezuela

In 1959 Romulo Betancourt was elected President on a reformist, pro-democratic and pro-capitalist platform. He inherited a highly unequal social structure which he vowed to reform in return for political support from the poor and working classes. Betancourt's election demonstrated that Accion Democratica had successfully consolidated mass support from the national peasants' union (FCV) and the workers' confederation (CTV). Once in power, however, AD abandoned most of their redistributive policies. In fact both Betancourt and his successor, Raul Leoni, compromised on issues of social reform in order to maintain the stability of the democratic system. The very slow growth in education and health expenditures during their administrations testifies to their

weak commitment to promoting social development (Figure 2-g). Furthermore, they and their successors consistently backed away from implementing redistributive measures in rural areas. Consequently, rural poverty increased while self-sufficiency in staple foodstuffs steadily declined (Herman, 1986:337-8; Martz and Myers, 1986:81).[45]

(Figure 2-g About Here)

In the main, Venezuela's development agenda during the 1960s and 1970s focused on reducing its dependency on oil. Primary goals were to expand and diversify domestic industry and economic infrastructure, reduce imports and increase state revenues--all without alienating the foreign corporations (Bye, 1979: 59-60; Martz and Myers, 1986: 75-76). Although Leoni and his successors increased revenues by establishing several state-owned corporations and regulating the oil industry, these changes did not reduce income inequality or capital concentration (Martz and Myers, 1986: 76). Moreover, state policy did not deliberately channel oil revenues into social programs.

Largely because of ideological divisions within the AD party, primarily between those calling for a return to a reformist platform and those favoring the continuation of the trickle-down approach to development, the Social Christian (COPEI) party won the 1969 election (Blank, 1984: 63-4). Although COPEI's pro-business platform sounded new, President Rafael Caldera's (1969-74) social and economic policies were strikingly reminiscent of his predecessors'. Not only did he continue to expand the state's role in industrialization, but he also supported capital investments in commercial farms, which further exacerbated social inequities in the countryside (Martz and Myers, 1986:77; Herman, 1986:338-9). Despite some expansion of the industrial sector and a

steady increase in both industrial wages and educational expenditures, by the end of Caldera's administration it was clear that import substitution industrialization had largely failed as a development strategy. Neither oil dependency nor income inequality were reduced (Martz and Myers, 1986: 77).

Accion Democratica returned to power on the crest of the 1973 oil bonanza and under the direction of President Carlos Andres Perez (1974-79), "Venezuelan state capitalism was unleashed with a vengeance" (Martz and Myers, 1986:78). Although state revenues expanded rapidly because of the oil boom, sharp increases in petroleum prices were a mixed blessing. Inflation and capital flight increased, and Perez's investments in heavy industry and capital-intensive agriculture were largely financed by foreign loans (Martz and Myers, 1986: 79), resulting in a peculiar growth process simultaneously characterized by debt and surpluses. Responding to mounting pressure from both the political left and center, Perez nationalized the mining sector in 1975 and the petroleum industry in 1976, while providing generous compensation and lucrative marketing, service and research contracts to the multinational corporations (Bye, 1979:67).

Health, social security and welfare programs benefited modestly from Perez's policies; education and housing expenditures rose dramatically, however the latter fell as fast and as sharply as they had risen (Figure 2-g). Despite these increases in social expenditures, and the fact that Perez's Fifth National Plan proposed many large-scale and expensive social and agricultural projects, neither the urban nor rural poor benefited significantly from the oil boom. This is pointedly illustrated by the sharp decline in minimum wages plotted in Figure 2-g. Industrial

wages oscillated during this period, declining somewhat between 1976 and 1977, but increasing in real terms overall. By the end of Perez's administration most of the oil money had been squandered and social programs were scrapped; in reality these latter had barely gotten off the ground.

COPEI's Luis Herrera Campins and his Chicago School economic advisors took office in 1979, proposing drastic reductions in public spending and price controls in order to reduce the country's extreme dependence on exports and foreign loans. They also sought to slow inflation by promoting the expansion of the private sector in both rural and urban areas (Martz and Myers, 1986:82). Predictably, his free market policies fostered rapid price increases. That he failed to deliver promised food stamp and other compensatory programs to mitigate the regressive effects of inflation meant that his policies were disproportionately shouldered by the poor (Herman, 1986:346). Inflation spiraled as urban salaries rose and subsidies on imported food were removed. By 1981, unemployment had reached almost 15 percent and was still climbing.

As growth rates began to decline in the early 1980s, Herrera Campins was forced to return to interventionist policies. His Sixth Development Plan, however, was based on entirely unrealistic expectations of continued increases in oil prices. When prices fell instead, development projects stalled and food shortages worsened, while dwindling funds were spent to prop up state corporations and boost exports (Martz and Myers, 1986:92-3). The social consequences of the impending crisis are well illustrated by the time trend in real wages. By 1984 minimum wages had

plummeted almost to their 1979 level, and industrial wages fell to their lowest level in 10 years.

By 1984 when Jaime Lusinchi took office, Venezuela had incurred enormous public and private debts, and an IMF austerity program was looming on the horizon. As of mid 1986, Lusinchi had been able to resist the IMF by establishing his own austerity measures, and renegotiating short term debts. Lusinchi's calls for public job programs and food aid for the very poor have been largely symbolic efforts to regain grassroot political support for the party while cutting overall expenditures and implementing plans to privatize many state-run enterprises.

Conclusion

To recapitulate, our broad objective was to establish links between macro-economic cycles of growth and decline and changes in the social welfare of the seven largest Latin American populations. In general, our expectations that social expenditures and real wages decline during periods of economic contraction found support, but the pattern of relationship was far from uniform among countries. The fact that trends in social expenditures and in real wage rates vary dramatically over time and across nations raises fundamental questions about <u>why</u> the pursuit of social goals sometimes is compromised during periods of economic distress, and sometimes is not, and about <u>what alternatives</u>, if any, are available to governments seeking, in the face of economic decline, to prevent the erosion of social progress achieved during the relatively prosperous 1960s.

Our approach, largely descriptive and historical in character, entailed comparisons and contrasts among nations in an attempt to isolate the factors that mediate the social consequences of economic decline.

The recorded changes in per capita output between 1960 and 1985 resulted in greater homogeneity among countries, as evidenced by the decreasing coefficient of variation based on population-adjusted changes in Gross Domestic Product (Table 1). And, while all countries were adversely affected by the slowdowns in world economic activity during the mid-1970s and early 1980s, the timing and magnitude of the onset of economic declines, as well as their social consequences (as evidenced by crude wage and expenditure data) varied considerably. These differences produce greater heterogeneity in social outcomes, despite greater homogeneity in economic growth trends.

This result reflects, in part, the different positions of each nation in the world economic system, and diverse resource endowments at the start of the period. We maintain, however, that the timing and magnitude of the observed declines, as well as their social repercussions have much to do with domestic and international economic policies which alter the nature of economic dependencies between nations. In this connection, <u>the commitment of a regime to social development is one of the most important variables mediating the social consequences of economic decline</u>.

To be sure, the declines in output during the early 1980s reported in Table 1 translated into sharply reduced resources for national consumption, savings and investment for all countries. High interest rates of recent years have only exacerbated the capital shortages faced by each nation, draining away resources from domestic uses into interest payments. In light of these pressures, many governments have undertaken stabilization programs to stimulate growth, often under pressure from the International Monetary Fund (IMF). Although stabilization programs vary

somewhat from country to country, most include one or more currency devaluations, an opening of the economy to foreign investment and trade, and domestic austerity plans to reduce government budget deficits. Programs designed to bring public expenditures into balance with declining government revenues usually involve cutbacks in social services, in public employment, and in subsidies for public goods. All of these components of stabilization programs have direct and indirect social and political consequences.

The social consequences combine to reduce the already meager living standards of the majority of Latin Americans. By raising the cost of imported goods (including food and productive inputs), currency devaluations have stimulated inflation, which is one of the most socially regressive outcomes of economic policy. At the same time, labor's bargaining power has been seriously weakened by the increased unemployment, due both to general economic decline and to the austerity-linked cuts in public employment. Acting together, these factors have substantially depressed the purchasing power of wages in those Latin America countries where the regimes in power have failed to take deliberate measures to attenuate the regressive effects.

The political consequences of the stabilization programs are less obvious, but no less significant, for the long term performance of the Latin American economies and their populations. In claiming that the degree of commitment of a regime to social development is a critical factor shaping the social consequences of economic decline, we are not proposing a facile interpretation of the role of the state as an agent of social change. The issue, as we see it, is not simply whether the regime in power during a period of economic contraction is authoritarian or

democratic, or whether heads of state are military or civilian. These circumstances are critical, but they do not appear to be decisive in themselves. Our analyses of country-specific changes in social expenditures showed great oscillation in social expenditure trends across regimes, which we attempted to relate to specific changes in domestic policy. For example, the fact that the Peruvian military attempted to implement one of the most progressive social programs prior to the onset of economic decline illustrates the limited analytical utility of a simple bipolar military / civilian construct in explaining why the social consequences of economic decline were so varied over time and place. However, differences in the capacity of regimes to resist pressures from the IMF to enact austere stabilization programs do reflect variation in economic strength and commitment to social goals among nations.

To focus the discussion and explanation of the diverse social consequences of economic decline exclusively in terms of domestic policies is to ignore the profound political and economic influence of international lending institutions in setting the social agendas of sovereign nations. To be sure, the differential ability of Latin American countries to resist the extreme austerity measures required by IMF stabilization programs will have far-reaching implications for the social well-being of the working classes, for the extent and nature of inter- and intra-national inequities in material welfare, and for the stability of political regimes. More specifically, as the international economic imbalances continue to shift from export-import to borrowing-lending dependencies, the nations most vulnerable to socially regressive policies linked to external domination will be those least able to resist the IMF's austere policies.

On this point, as well as others pertaining to the relative importance of political versus economic circumstances in shaping the social consequences of economic decline, the macro-level data we have assembled preclude further concrete generalization. Rather, in the attempt to verify our working hypothesis that the commitment of a regime to social development is one of the single most important factors shaping the time trend of social expenditures and the performance of real wages, the most useful insights are likely to come from studies based on country-specific experiences. Comparative work, which requires holding constant the timing of economic cycles, resource endowments, and the vulnerability of regimes to external domination (whether through import-export or borrowing-lending relations), is not, in our judgment, possible with the currently available data. We do not, therefore, recommend empirical analysis of this hypothesis using cross-national and time series data, however tempting such endeavors may be. Based on the evidence we have produced, nevertheless, we believe further analyses involving country-specific experiences will be extremely illuminating about the processes and social consequences we could only sketch here.

NOTES

1. This discussion draws on a recent World Bank publication entitled Poverty in Latin America (World Bank, 1986).

2. During the early 1960s the Kennedy administration began its Alliance for Progress initiative, pouring substantial amounts of foreign aid into the economies of Latin America.

3. Although Latin America always has borrowed for special development projects and major capital investments, what is distinctive about the new phase is that foreign funds were used to maintain public expenditures and, eventually, debt service.

4. Debt payments for Brazil, for example, claimed 42 percent of its export earnings in 1985; in Argentina, this figure was 51%. Inter-American Development Bank, Economic and Social Progress in Latin America, 1986, pp. 221 and 178, respectively.

5. Our selection of Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela was guided by practical considerations of data availability and the need to restrict our analysis to a manageable number of countries. These countries exhibit a considerable diversity with respect to the severity of the crisis and the political factors that shaped the social consequences, but we recognize that some excluded countries, such as Bolivia and Paraguay, may have experienced more severe economic decline.

6. We have no pretension of developing a causal model, but rather use the terminology to distinguish between variables of major interest and contextual factors that mediate the relationships of interest.

7. Our cursory treatment of this very broad and complex subject is justified only because this is not the focus of the paper. However, to ignore the importance of competitiveness in world markets in understanding the relationship between economic performance and changes in social well-being would severely limit our ability to make sense of the diversity presented by the array of "endogeneous" variables we examine.

8. Data available from the authors upon request.

9. These are simple rather than compound averages.

10. One likely reason that Colombia was less affected than its Latin American counterparts is its lower level of overall debt, and hence, the smaller drain on financial resources. Although there are no data to substantiate the importance of drug traffic in maintaining economic growth, this source of revenue may have played a role.

11. For further discussion of these issues, see Teitlebaum, 1974; Kirk 1979; Tietelbaum, 1975; and the exchange between Bogue and Tsui on

the one hand, and Demeny on the other hand in the 1979 issue of Population and Development Review.

12. These figures of urbanization are perhaps overstated in that the measure of urbanization is presumably based on a very broad definition (e.g. all persons residing in places of 2,500 or more). However, use of more rigorous criteria to define urban populations results in similar conclusions about the pace of urbanization.

13. According to Poverty in Latin America, Brazil's infant mortality rate rose from 65.8 per thousand children in 1982 to 73.7 per thousand children in 1984.

14. Manufacturing activities in 1965 comprised, respectively, 34 and 29 percent of total employment in Argentina and Chile, compared to 19 percent (Peru) to 24 percent (Venezuela) at the same time.

15. According to Portes, Blitzer and Curtis (1986:728-29), "informal employment has been defined according to the characteristics of enterprises and according to the characteristics of labor. In each instance, the emphasis has been on those activities which occur at the margin of governmental control and regulation...More specifically, the informal sector can be defined as the sum total of income-generating activities outside modern contractual relationships of production. These relations encompass direct subsistence production, petty commodity production and trade by self-employed individuals for the market, and small unregulated enterprises subcontracted by larger modern ones...The internal diversity of these activities frequently obscures their fundamental common characteristic, namely that they all operate on the basis of labor which is unprotected, and hence less costly than that covered by contractual arrangements."

16. These tabulations are not reported in the interest of parsimony. See Economic and Social Progress in Latin America, 1985, page 86, for details.

17. An appendix describing data sources and their limitations is available upon request from the authors.

18. The one exception is Brazil, for which 1972=100.

19. The price indices used for deflation were consumer price indices, rather than some other measure of inflation. See Appendix for more detail on the sources and limitations of these data.

20. We have been alerted that this is the case with Brazilian price data.

21. In general, data for the first ten or so years of the period come from the public finance series presented in the United Nations' Statistical Yearbooks. From about 1970 onward, our data come from the IMF Government Finance Statistics.

22. The Radical Party, formed in the late 1800's, represented an amalgam of three different groups: 1) the new prosperous landowners of the upper Littoral; 2) old aristocratic families who had failed to profit from Argentina's agro-export boom; and 3) members of the middle class who were anxious to see their political power grow with their economic status.

23. Frondizi did make good on his promise to the Peronists to re-legalize their party, a move which greatly angered the army.

24. According to di Tella, the Argentine elite was dissatisfied with their rule because of their anti-foreign capital attitudes, their sympathetic treatment of labor, and their unwillingness (or perhaps inability) to exert authority, particularly during strikes and civil unrest. The Peronists, by contrast, disliked them for trying to divide their party, and for causing rifts in the labor movement.

25. Data come from Table 4 of Altimir (1986:535), and have been adjusted for property and industrial income. The Gini coefficients for 1974 and 1980 were .429 and .472, respectively.

26. A careful reading of Joao Quartim's (1971) book suggests that Goulart's policies were more centrist than usually acknowledged. In the early years of his presidency, for example, he disassociated himself from communism and the recent revolution in Cuba, and supported political and economic cooperation in the Western hemisphere.

27. See Foxley (1983: 24) and Skidmore (1973:8) for further discussion.

28. However, as Kaufman points out, these macroeconomic measures coincided with a strong international economy, making it difficult to separate the effects of Brazil's internal policies from the favorable conditions in world trade and in funds available for third world investment at this time.

29. The Gini coefficients for 1960 and 1970 were .50 and .54 respectively. See Fox, 1983, Table 1.

30. It is difficult to tell precisely what happened to income distribution over the 1970 and 1980 period. According to a study by Denslow and Tyler which looks only at the economically active population, income distribution worsened slightly during the 1970-80 decade. (See Denslow and Tyler, 1984, Tables 4 and 5). However, a more accurate assessment requires an analysis of Brazilian census data, making appropriate adjustments for non-earned income and including <u>all</u> households (not just the economically active).

31. While in 1978 debt servicing accounted for 59 percent of export earnings, by 1981 it had climbed to 66 percent.

32. Data presented by Riveros shows that income became more concentrated during the Frei regime relative to the Alessandri years. See Riveros, 1985, Table 2.

33. For the most complete and compelling analysis of these policies to date, see Foxley (1983). For more details on the relationship between Pinochet and Milton Friedman, see Rayack (1987).

34. Although the Pinochet government modified numerous social policies, our concern is only with economic policies with clear and direct implications for social welfare.

35. The government even went so far as to sell off enterprises which had long been owned and run by the state, often offering them to the private sector at "bargain-basement" prices. According to research done by Alejandro Foxley, of the 507 enterprises owned and controlled by the state in 1973, only 15 remained in government hands by 1980 (Foxley,1983:61).

36. Aside from systematically repressing organized labor, Pinochet has outlawed strikes, restricted collective bargaining, and excluded workers from any role in economic decision-making.

37. "La Violencia" began in 1948 as an interparty conflict between urban and rural elites, escalating among the peasantry into economic warfare against the large landowners.

38. Bagley suggests that although privatization may have helped the Colombian economy weather somewhat the economic crises of the late 1970s and early 1980s, it has increased the influence of private interest groups on economic and social policy, and greatly limited the ability of reformist leaders to address problems of inequality and poverty.

39. His first priority in the countryside, however, was to control peasant and guerilla violence; toward this end he increased the power of land-owning elites in development agencies, and approved the greater use of force by police and military against dissenters (Bagley, 1984:32).

40. According to data published by the Oficina Internacional del Trabajo, minimum agricultural wages rose 25 percent in real terms between 1974 and 1978. See Mercado de Trabajo en Cifras, 1982:155.

41. Although reliable income distribution data for Mexico are scarce and lack comparability over time, the fragmented data show a modest improvement in the distribution of income from 1969 to 1977, the last year for which data are publicly available. (See Altimir, 1981; Table 8).

42. Not surprisingly, the poorest strata were most affected by these trends. According to the World Bank, 72 percent of intermediate households, compared with 9 percent of intermediate households, and only 2 percent of the high income group, reported a reduction in oil consumption. Moreover, more than one in ten households in the low income group had completely eliminated meat from their diets, with about 7 percent eliminating fish and milk products (Dieguez, 1986: 15)

43. The state's share of new investment, for instance, rose from 29% in 1968 to over 50% in 1974 (Portocarrero, reported in Wise, 1986: 18).

44. In 1984, for instance, Peru's total debt stood at 85% of its GDP, compared to the Latin American average of 54%. (See Wise, 1986: 20).

45. By 1978, 70% of all Venezuelan food was imported.

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Table 1

REAL GROSS DOMESTIC PRODUCT PER CAPITA BY COUNTRY: 1960–1985
($1984 in millions)

	1960	1970	1975	1980	1985	Percent Change 1960–1970	Percent Change 1970–1975	Percent Change 1975–1980	Percent Change 1980–1985	Percent Change 1960–1985
Argentina	$1,710	$2,227	$2,356	$2,387	$1,971	30.2	5.8	1.3	-17.4	15.2
Brazil	821	1,086	1,567	1,923	1,852	32.3	44.3	22.7	-3.7	125.6
Chile	1,524	1,870	1,535	2,025	1,817	22.7	-17.9	31.9	-10.3	19.2
Colombia	673	834	980	1,195	1,243	23.9	17.5	21.9	4.0	84.7
Mexico	1,190	1,698	2,002	2,402	2,248	42.7	17.9	20.0	-6.4	88.8
Peru	878	1,134	1,289	1,232	1,055	29.2	13.7	-4.4	-14.4	20.2
Venezuela	2,127	2,735	2,998	3,041	2,451	28.6	9.6	1.4	-19.4	15.2
Overall Average	1,275	1,655	1,818	2,029	1,805	29.8	9.8	11.6	-11.0	41.6
Ratio of Richest to Poorest	3.2	3.3	3.1	2.5	2.3					
Coefficient of Variation[a]	1.03	1.01	0.93	0.80	0.68					

Source: Inter-American Development Bank, Economic and Social Progress in Latin America (IDB, 1986), Tables 1 and 3. (Data for 1975 provided by the IDB.)

[a]Ratio of standard deviation to the mean.

Table 2

SELECTED DEMOGRAPHIC AND SOCIAL INDICATORS BY COUNTRY: 1960-1985

	Argentina				Brazil				Chile				Colombia			
	1960	1970	1980	1985	1960	1970	1980	1985	1960	1970	1980	1985	1960	1970	1980	1985
Demographic Indicators:																
Total Population (1,000's of persons)	20,611	23,748	28,127	30,564	72,325	92,771	118,998	134,500	7,596	9,363	11,104	12,081	15,557	20,907	24,933	26,526
Average Annual Growth Rate[a]	1.4	1.8	1.9	n.a.	2.5	2.8	2.5	n.a.	2.1	1.9	1.7	n.a.	2.1	2.3	2.1	n.a.
% Population Urban[b]	73.6	80.4	85.7	83.7	45.7	55.9	67.6	74.5	66.1	72.9	81.5	83.6	48.0	56.9	76.3	69.9
Life Expectancy At Birth[c]	66.0	68.4	68.8	n.a.	55.9	59.8	61.9	n.a.	57.6	64.2	67.7	n.a.	56.2	60.4	62.2	n.a.
Infant Mortality (deaths per 1,000 births)[c]	54	44	42	n.a.	112	95	83	n.a.	107	72	45	n.a.	85	67	62	n.a.
Social Indicators:																
Illiteracy % 15 yrs or older[c]	8.6	7.4	6.1	n.a.	39.0	33.8	25.5	n.a.	16.4	11.9	n.a.	n.a.	27.1	19.2	n.a.	n.a.
Enrollment %																
6-11 yr olds[d]	91.2	98.5	99.9	99.9	47.7	63.1	76.2	81.4	76.4	93.0	100.0	100.0	47.9	62.2	70.0	74.9
12-17 yr olds[e]	48.1	56.3	72.7	77.2	29.6	46.5	58.6	62.5	54.7	74.6	86.5	92.8	28.8	46.3	63.8	71.0
Female Participation Rate, 15 yrs and older[f]	21.2	26.5	27.3	n.a.	18.4	21.1	30.0	n.a	22.7	21.3	28.4	28.2[h]	20.3[j]	23.9[k]	22.4	n.a.

Table 2 (Continued) SELECTED DEMOGRAPHIC AND SOCIAL INDICATORS BY COUNTRY: 1960-1985

	Mexico				Peru				Venezuela				United States			
	1960	1970	1980	1985	1960	1970	1980	1985	1960	1970	1980	1985	1960	1970	1980	1985
Demographic Indicators:																
Total Population (1,000's of persons)	37,073	51,176	68,544	79,327	10,385	13,413	17,325	19,696	7,963	11,148	15,024	17,355	179,386	203,849	226,451	235,671[n]
Average Annual Growth Rate[a]	3.3	3.0	3.0	n.a.	2.6	2.6	2.6	n.a.	3.4	3.0	2.9	n.a.	1.3	1.0	1.0	n.a.
Percent Population Urban[b]	50.8	56.5	69.0	69.7	44.6	52.5	70.5	67.3	64.1	68.4	77.7	81.3	69.9	73.5	73.7	n.a.
Life Expectancy At Birth[c]	59.2	62.7	64.1	n.a.	48.8	55.0	57.0	n.a.	58.9	64.5	67.8	n.a.	69.7	70.8	73.7	74.7[n]
Infant Mortality (deaths per 1,000 births)[c]	86	69	63	n.a.	161	122	112	n.a.	77	53	44	n.a.	26.0	20.0	12.6	n.a.
Social Indicators:																
Illiteracy % 15 yrs or older[c]	34.6	25.8	16.0	n.a.	38.9	27.6	17.4[g]	n.a.	36.7	23.5	n.a.	n.a.	2.2	1.0	0.5	n.a.
Enrollment %																
6-11 yr olds[d]	58.4	81.4	94.2	96.7	56.7	78.6	83.9	86.5	68.8	70.3	83.2	86.3	97.2	97.2	98.5	98.2[n]
12-17 yr olds[e]	37.4	47.3	67.3	72.6	43.2	63.4	84.0	86.5	49.0	52.3	60.9	69.3	91.3	94.1	93.4	94.7[n]
Female Participation Rate, 15 yrs and older[f]	19.8	17.9	30.2		22.4	19.8[i]	25.3[g]		20.2[l]	22.6[m]	29.6	29.4[n]	37.7	43.3	51.5	53.6[n]

Sources: Population figures are from Economic and Social Progress in Latin America, IDB; life expectancy and mortality figures are from Celade; illiteracy figures are from UNESCO; source for enrollment data: Statistical Yearbook for Latin America, 1984; labor force figures are from Yearbook of Labor Statistics, ILO. All U.S. data from Statistical Abstract of the United States, 1985.

[a]Figures for the U.S. represent a simple average of corresponding 5 year averages of annual rates.

[b]For Latin America countries "urban" is undefined; for the U.S. percentages refer to cities with populations of 2,500 and above.

[c]For Latin America figures are averages for 5-year periods: 1960-1965, 1970-1975, 1975-80; For the U.S figures are for the single years 1959, 1969, 1979.

[d]For the U.S. data represents percentage of 5-13 year olds.

[e]For the U.S. data represents percentage of 14-17 year olds.

[f]Participation rates are adjusted according to standardized age categories. U.S. figures are for population aged 16 years and older.

[g]1981 [h]1983 [i]1972 [j]1964 [k]1973 [l]1961 [m]1971 [n]1984

Table 3

URBAN INFORMAL EMPLOYMENT IN SELECTEO LATIN AMERICAN COUNTRIES: 1960-80

	Argentina				Brazil				Chile				Colombia			
	1960	1970	1980	Percent Change 1960-80	1960	1970	1980	Percent Change 1960-80	1960	1970	1980	Percent Change 1960-80	1960	1970	1980	Percent Change 1960-80
Urban Subtotal	77.6	81.6	84.4	8.8	47.2	53.5	62.1	31.6	65.0	69.8	74.2	14.2	45.1	56.4	64.9	43.9
Formal	63.4	66.0	65.0	2.5	31.8	38.6	45.2	42.1	44.5	53.1	54.1	21.6	28.0	38.7	42.6	52.1
Informal	8.8	9.5	12.1	37.5	10.8	9.3	10.7	-0.9	12.3	11.5	13.9	13.0	10.4	11.5	16.3	56.7
Domestic Service	5.4	6.1	7.3	35.2	4.6	5.6	6.2	34.8	8.2	5.2	6.2	-24.4	6.7	6.2	6.0	-10.4
Agricultural Subtotal	21.8	17.9	15.1	-30.7	52.2	45.9	37.4	-28.4	31.0	27.2	22.8	-26.5	53.3	42.7	34.5	-35.3
Modern	14.1	11.2	8.8	-37.6	16.1	12.5	9.8	-39.1	18.9	17.9	14.0	-25.9	28.0	20.4	15.8	-43.6
Traditional	7.7	6.7	6.3	18.2	36.1	33.4	27.6	-23.5	12.1	9.3	8.8	-27.3	25.3	22.3	18.7	-26.1
Mining	0.6	0.5	0.5	-16.7	0.6	0.6	0.5	-16.7	4.0	3.0	3.0	-25.0	1.6	0.9	0.6	-62.5
Total	100.0	100.0	100.0		100.0	100.0	100.0		100.0	100.0	100.0		100.0	100.0	100.0	

Table 3 (Continued) URBAN INFORMAL EMPLOYMENT IN SELECTED LATIN AMERICA COUNTRIES: 1960-80

	Mexico				Peru				Venezuela			
	1960	1970	1980	Percent Change 1960-80	1960	1970	1980	Percent Change 1960-80	1960	1970	1980	Percent Change 1960-80
Urban Subtotal	45.7	52.1	61.5	34.6	41.6	50.5	58.8	41.3	63.1	71.3	79.0	25.2
Formal	32.2	33.9	39.5	22.7	23.7	29.8	35.0	47.7	43.1	48.9	62.6	45.2
Informal	10.0	14.5	18.3	83.0	12.8	17.0	20.4	59.4	14.1	16.0	12.2	-13.5
Domestic Service	3.5	3.7	3.7	5.7	5.1	3.7	3.4	-33.3	5.9	6.4	4.2	-28.8
Agricultural Subtotal	53.0	46.8	37.6	-29.1	56.3	48.0	40.0	-28.9	34.3	27.1	19.5	-43.1
Modern	25.4	21.9	19.2	-24.4	15.8	10.3	8.0	-49.4	13.0	7.2	4.4	-66.2
Traditional	27.6	24.9	18.4	-33.3	40.5	37.7	32.0	-20.9	21.3	19.9	15.1	-29.1
Mining	1.3	1.1	0.9	-30.8	2.1	1.5	1.2	-42.9	2.6	1.6	1.5	-42.3
Total	100.0	100.0	100.0		100.0	100.0	100.0		100.0	100.0	100.0	

Source: PREALC, Mercado de Trabajo en Cifras, 1982, pp: 37, 42, 45, 50, 64, 72, 81.

Figure 1

HEURISTIC FRAMEWORK FOR MACROSOCIAL ANALYSIS

Exogenous Variables at time, t_i

Population

Resource Endowments

World Positioning

Class Structure

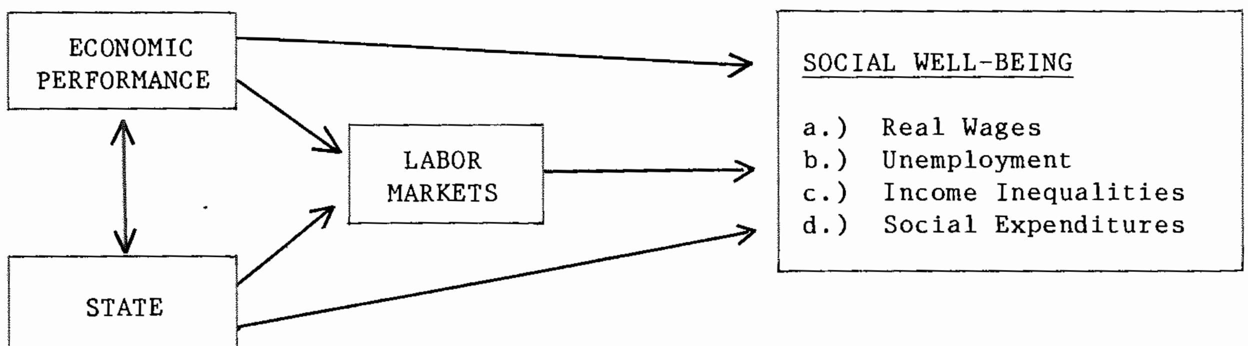


Figure 2.a. Per Capita Social Expenditures and Real Wages, 1960 to 1985, Argentina

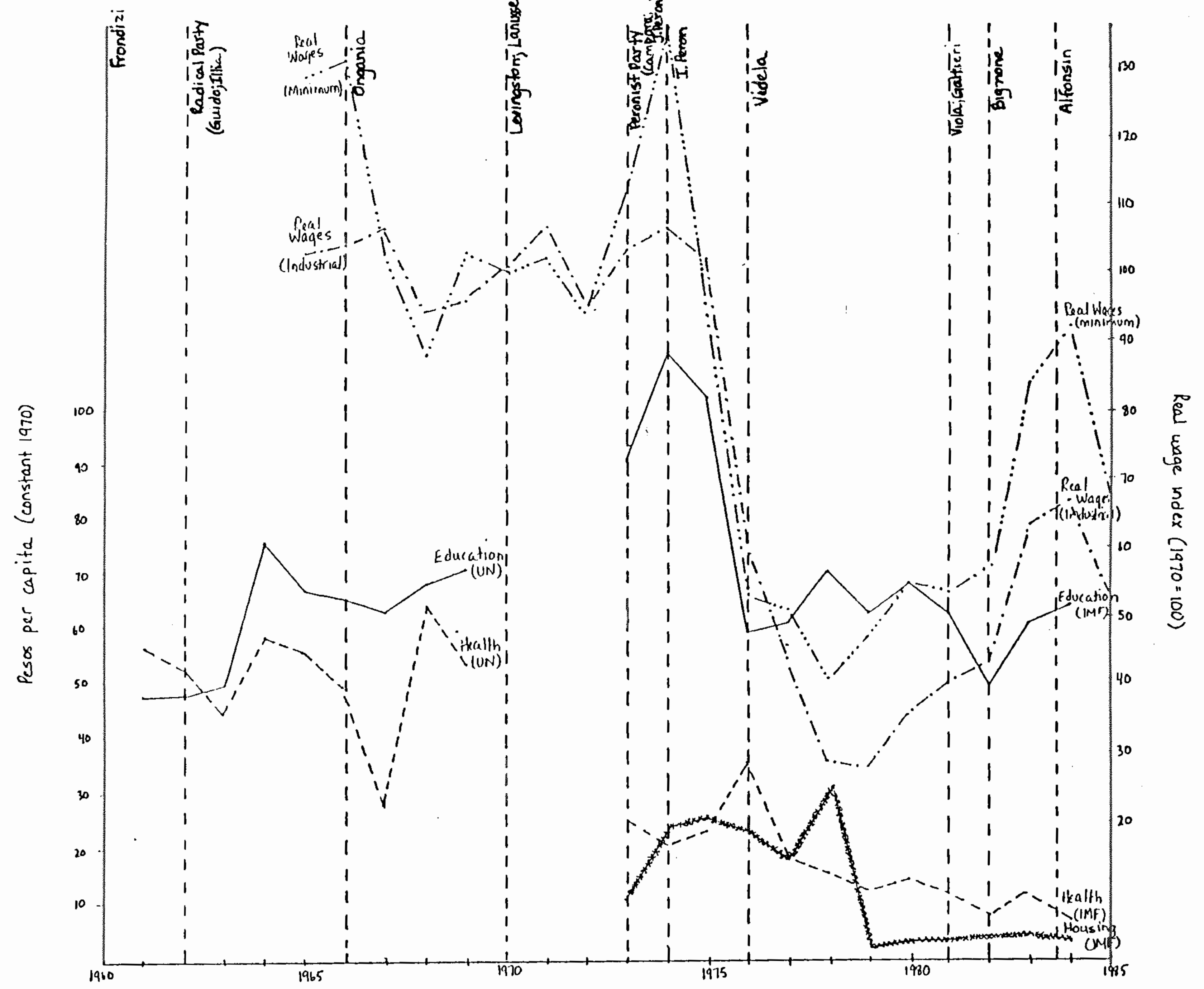


Figure 2b Per Capita Social Expenditures and Real Wages, 1960 to 1985, Brazil

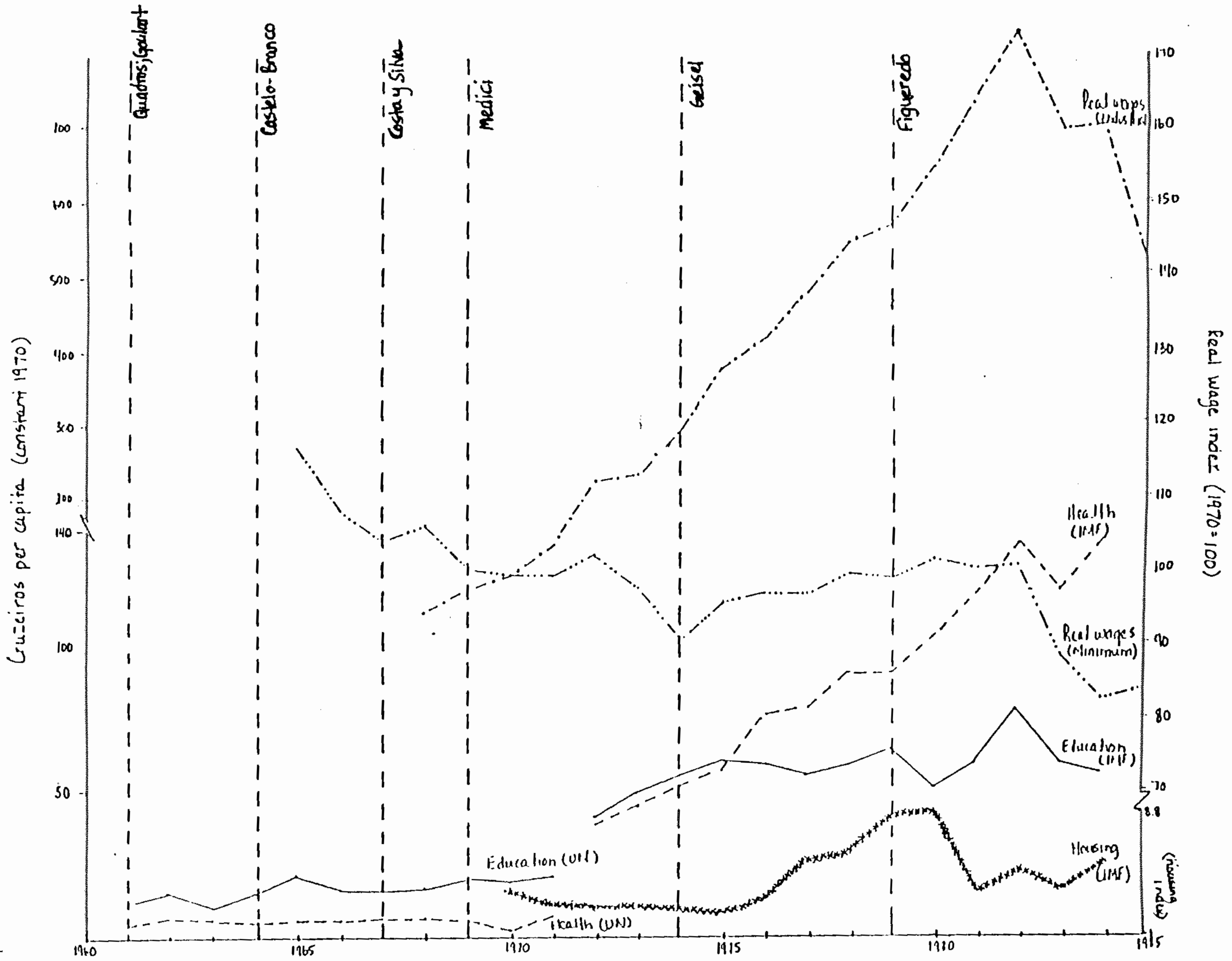


Figure 2-C Per Capita Social Expenditures and Real Wages, 1960 to 1985, Chile

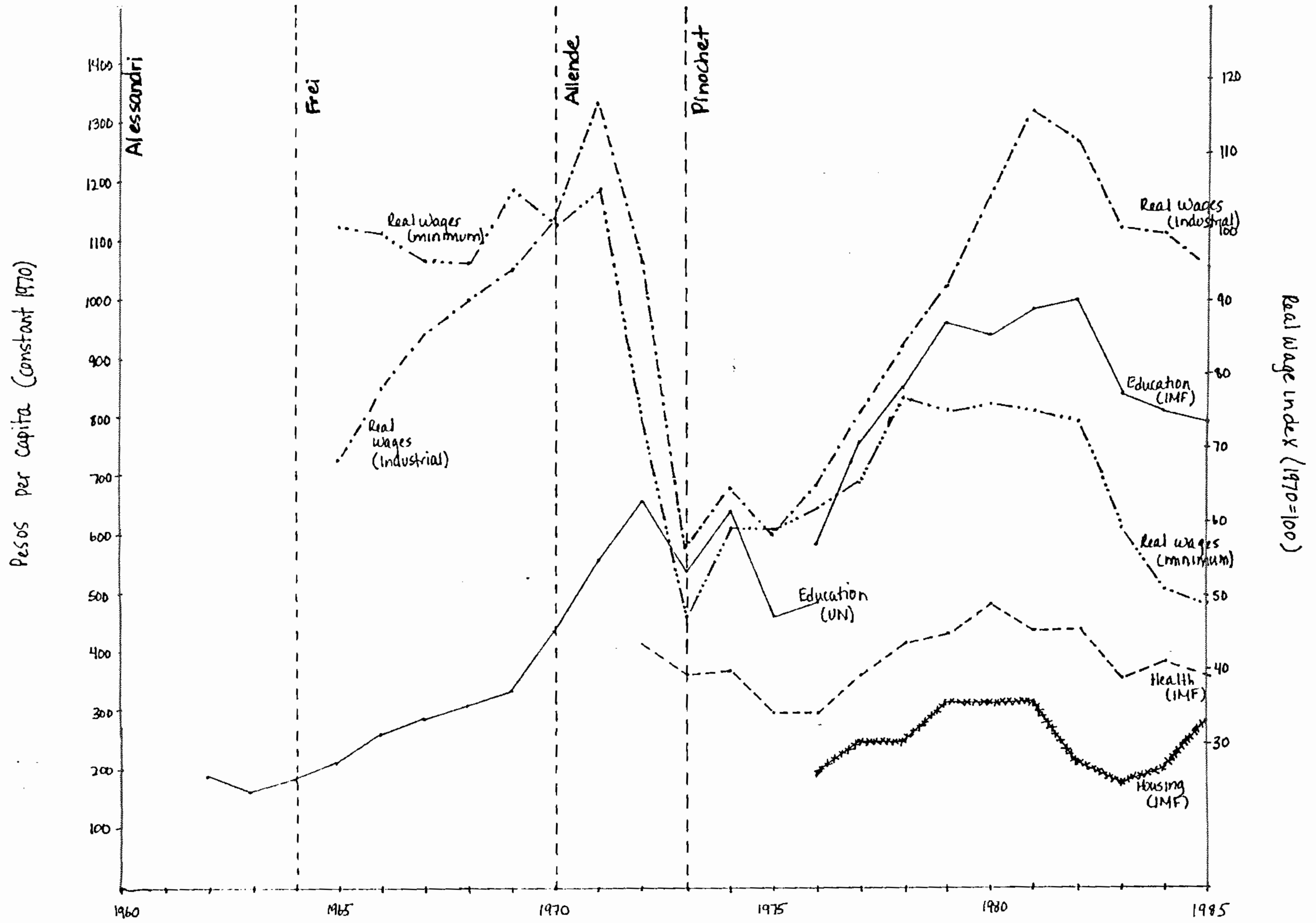


Figure 2d Per Capita Social Expenditures and Real Wages, 1960 to 1985, Colombia

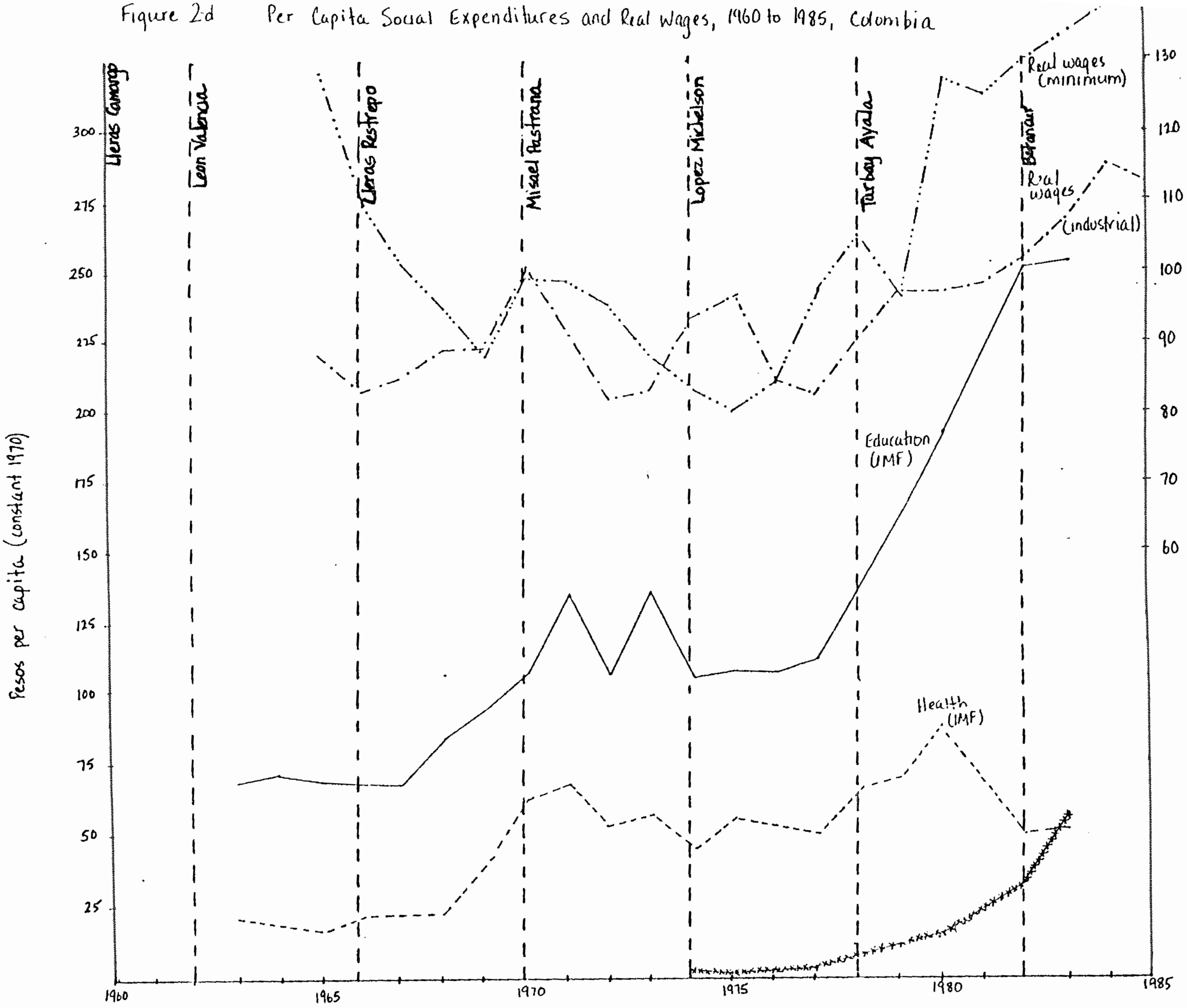


Figure 2e Per Capita Social Expenditures and Real Wages, 1960 to 1985, Mexico

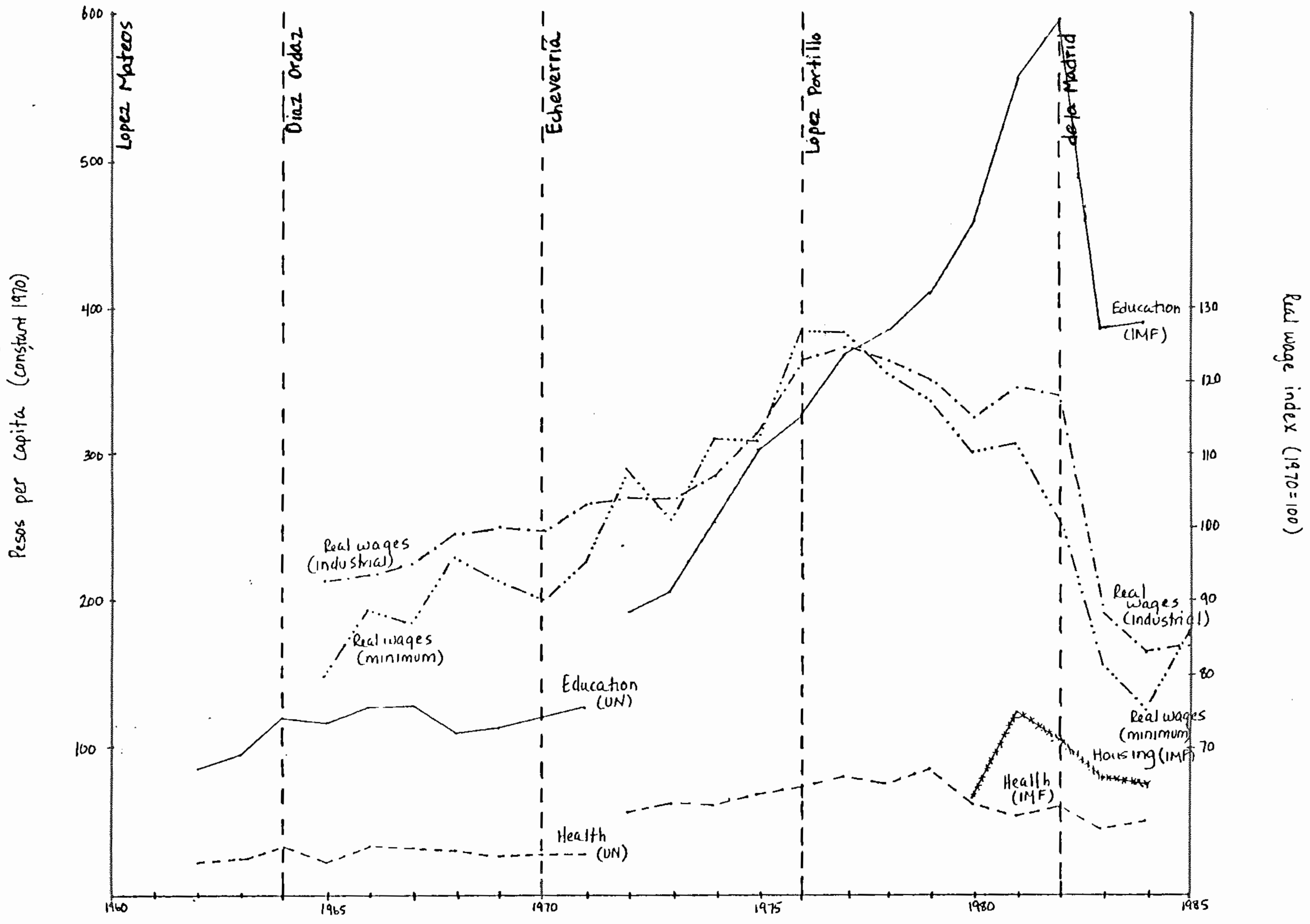


Figure 2-f Per Capita Social Expenditures and Real Wages, 1960 to 1985, Peru

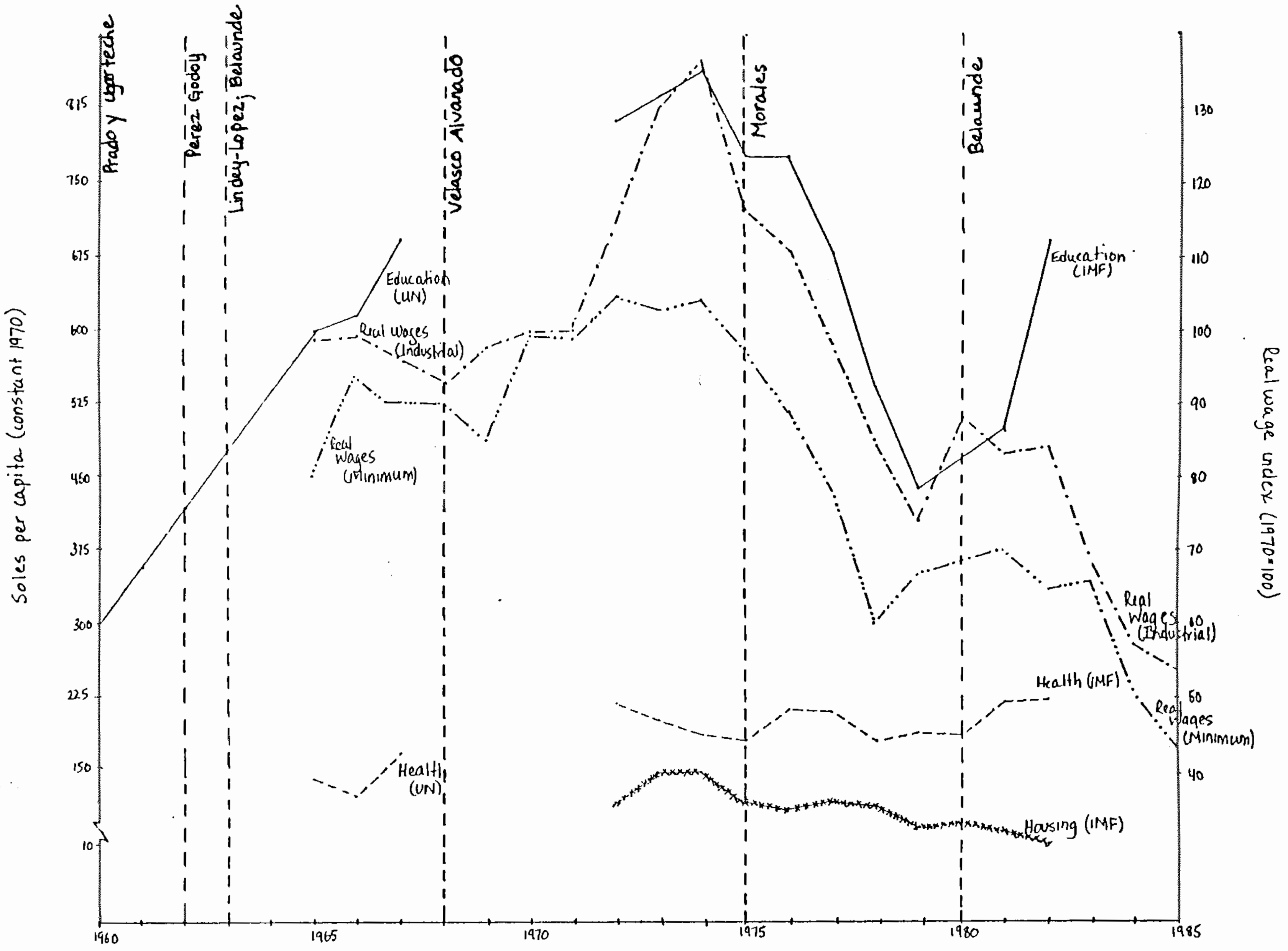
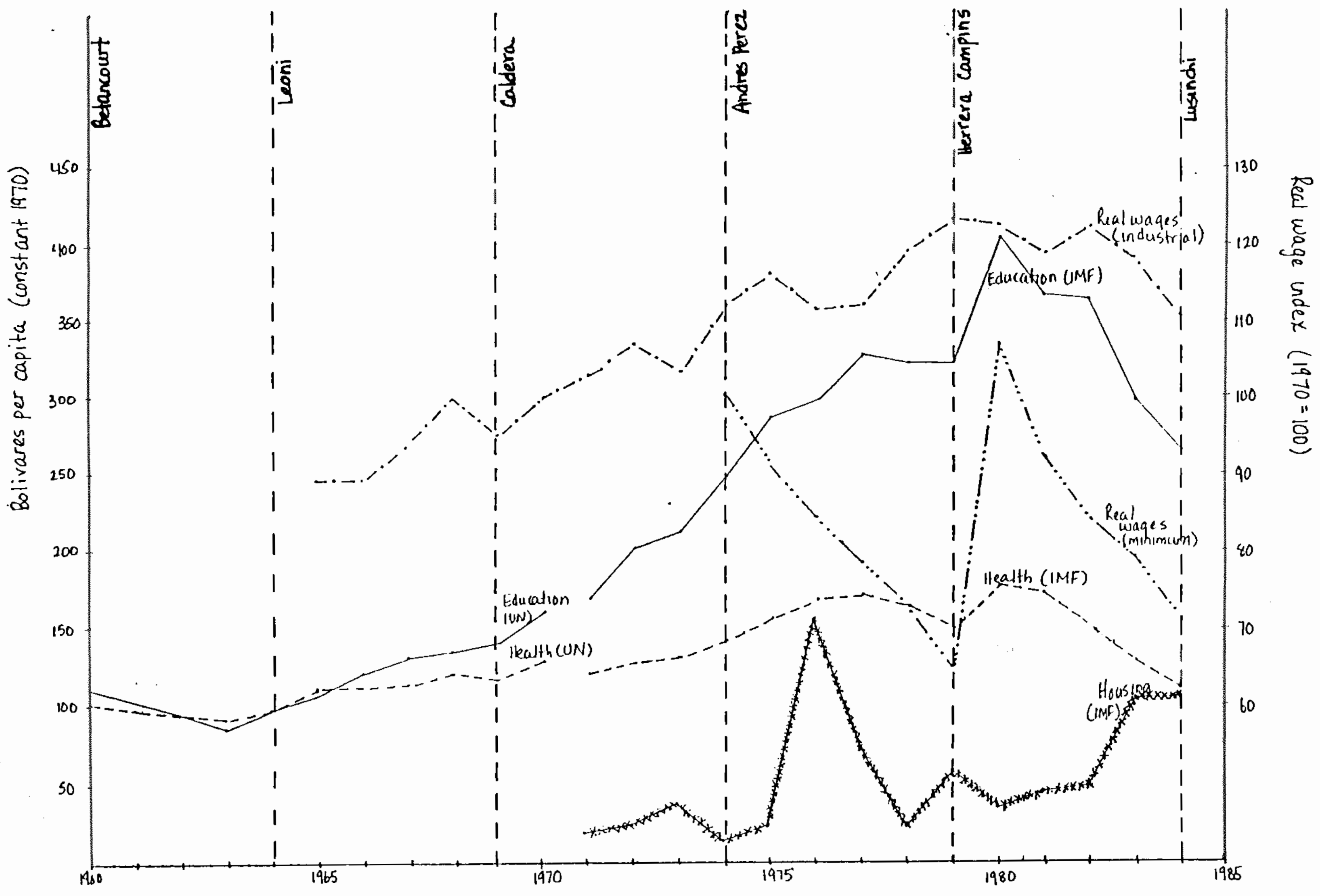


Figure 2-9 Per Capita Social Expenditures and Real Wages, 1960 to 1985, Venezuela



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