



HISTORY AND OBSERVATION OF SOCIAL TRANSFORMATIONS
INTERNATIONAL NETWORK

SOCIAL DEVELOPMENT AND THE DIFFERENTIATION OF GROWTH PATTERNS

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History and Observation of
Social Transformations
International network

**SOCIAL DEVELOPMENT AND THE
DIFFERENTIATION OF GROWTH PATTERNS**

**A Comparative Historical Analysis of Industrialisation
Patterns in Argentina, Bolivia, Vietnam, Thailand, Algeria,
Benin, Madagascar, and Turkey**

UNESCO united nations educational, scientific
and cultural organization

The differentiation of patterns of growth: a long-term analysis



HOST Network(*)



*Algiers, Antananarivo, Bangkok, Cotonou, Istanbul, La Paz, Hanoi,
Montpellier December 1994*

(*) The research network entitled 'History and Observation of Social Transformations', whose acronym is HOST, is underpinned by six national research teams and one co-ordinating team located in France. Each team comprises high-level researchers, involved in university teaching, and decision-makers concerned with development policies and operations.

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CONTENS

Preface. Ali Kazancigil	I
Foreword.P.Byé	V
Introduction.P.Byé, A.Mounier	IX
Part 1. Long-term patterns of growth	
Paradoxes of Argentine (under) development	
J.Schvartzter	2
Bolivia: Patterns of growth (1870-1994)	
J. Prudencio Bohrt and J.A.Pérez	38
Forms and phased of Thai industrialization in a historical perspective	
A. Mounier, K. Kaewthep, V. Charoenloet	65
The main characteristics of the socio-economic development of Vietnam from the mid-nineteenth century to the present	
Bui Huy Khoat	137
Part 2. Elements for an assessment	
The course of long - term economic growth in Algéria (1900-1994)	
H.Ait Amara	162
Benin: Agricultural production or international trade - A suggested reading of the situation,	
HOST Benin team (A. Adégbidi, Agbo, J. d'Almeida, L. Assogba, G.Biaou)	
P. Byé	193
Residues of tradition in the economic crisis of Madagascar-A suggested reading situation	
HOST Madagascar team (R.Rakotoharischeno, R. Ramahatra)	
A. Meunier	216
Turkey's long Journry to the' Welth of Nations'	
S.Kancal	233

PREFACE

The present volume is the first set of research results produced by the international research network HOST¹. This network is based on a sound notion of partnership, where there is equal distribution of tasks and leadership among each participating institution within the network. The HOST network brings together interdisciplinary research teams from Bolivia, Argentina, Thailand, Viet Nam, Benin, Madagascar, Algeria and Turkey. Together, the teams elaborate the comparative framework for their research, and the theoretical, methodological and policy relevant dimensions of the work to be undertaken.

The HOST network and its research and training activities are part of the UNESCO-MOST Programme, an international social science research programme engaged in strengthening networks, promoting comparative and policy relevant research projects and pulling together efforts of research teams scattered across the globe in tackling the prominent social policy issues of our time. The aim of MOST is to support projects that lay down the baseboard of information and knowledge from which effective policies can be devised. The MOST Programme operates in three areas: Multi - cultural and multi - ethnic societies; Cities and urbanization; and Globalization and its local impacts.

1. History and Observation of Social Transformations

This project focuses on explaining and comprehending the economic, social, political and cultural development of the participating countries, in the context of conflicting and complex pressures exerted by international and global forces from above, and by national forces and priorities from within. The longitudinal and comparative analysis improves our grasp of the importance and impact of the increasing globalization of industry and markets, and provides a solid knowledge base for designing appropriate development projects and policies for the participating countries.

This volume is the result of the first phase of this 5 year project, and is divided into three parts. Part 1² provides an overall diagnosis of the aspect of the economic and social change that inspired and oriented the past three decades of development strategies of the participating countries. The focus is on describing the core variables the over a lengthy period of time determine the relations and movement between industrialisation and agriculture. From there, the authors examine the role played by the international environment on the dynamics between agriculture and industrialisation, degree of exclusion or dependence of countries, and the influence of external trade on the pace and type of industrialisation process. These analyses involve Argentina, Bolivia, Viet Nam, Thailand, Algeria, Benin, Madagascar and Turkey.

Part 2, is an Orientation Note that investigates whether accepted economic and development theories offer pertinens and

2. Previously published in *Economie et Société* - Cahiers de l'ISHEA - Série Développement, Croissance et Progrès. F no.34, juin 1995 "La différenciation des régimes de croissance: Une analyse de la longue période".

adequate theoretical tools for explaining the congregation of industrialisation toward new spaces, a phenomenon multiplying the number of countries qualifying today as Newly Industrialised Countries. The authors critically analyse the work done by the World Bank, in particular the substantial report *The East Asian Miracle* (Oxford University Press, 1993) which espouses growth theories first developed by Viner to explain successful development strategies oriented towards the world market, and which oppose the failure of Industrialisation Substitution Imports in Latin America (ISI) with the successful policies of Export Oriented Industrialisation adopted by South East Asian Countries. By underscoring the importance of a historical analysis of the development process, the authors illustrate the lacunas in the argumentation advanced by the Bank and suggest another theoretical and conceptual framework. More generally, the authors note that development theories and models designed to read and interpret change, paradoxically remain "a-historical", being only slightly oriented to the comprehension of long-term economic and social mutations.

Part 3 of this volume are preliminary field analyses produced by the HOST Network for the Foundation for Human Progress, which along with UNESCO, helps support their work. The worksheets edited by Argentina, Bolivia, Thailand, Vietnam, Benin, Madagascar and Algeria will be added to the "Dialogue for Human Progress" database that is managed by this Foundation. One of the objectives of HOST is to prepare the ground for local surveys aimed at monitoring social transformations. The worksheets presented are computerized documents processed with UNESCO's ISIS software, and

synthesize the first observations made about the transformation of social systems. The worksheets can be used to present a case, a concrete experience, as well as the main teachings in a book, an article, an interview or contributions from grey literature. Topics addressed in the worksheets articulate with the work of the HOST network and include Daily life and globalization in rural and urban environments, State actions, Family models and the role of women in development, Technical and organizational responses to globalization in rural and urban environments.

The HOST network benefits from the support of the UNESCO-MOST Programme, the Foundation for Human Progress in Paris, France, INRA (The National Institute for Agricultural Research, Paris, France) and ORSTOM (French Institute for Scientific Research for Development Co-operation). This volume offers a good example of the relevance of international co-operative research for development planning that can effectively tackle poverty, and promote social development in tandem with economic progress.

This project is co-ordinated from the UNESCO side by Nadia Auriat, a sociologist and member of the MOST team.

Ali Kazancigil
Executive Secretary
MOST Programme
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FOREWORD

This publication brings together the first outputs of the History and Observation of Social Transformations (HOST) network. These papers seek to consider anew the economic and social theories of change that have influenced development strategies in the countries of the South over the last three decades¹. Rejecting blanket approaches to development strategies that make no explicit reference to concrete situations or to specific itineraries, the articles presented here put emphasis on the long term and pinpoint the variables and processes of specificity.

The six national teams at the origin of this network (Argentina and Bolivia; Thailand and Vietnam; Benin and Madagascar) and the two teams that are being formed (Algeria

1. These papers were prepared under the Management of Social Transformations (MOST) programme supported by UNESCO. More precisely, they are part of a series of analytical studies to be conducted on 'the local regional management of economic, technological and environmental transformations'. In these initial exploratory efforts, the network has benefited from the interest and constant support of Ali Kazancigil, Executive Secretary of MOST, and Nadia Auriat, who is in charge of the secretariat. The scientific seminars and meetings of the network would not have been possible without the kind logistic and financial support of the Fondation pour le Progrès de l' Homme (FPH), the University of Montpellier and the Institut Agronomique Méditerranéen. Heartfelt thanks to them all.

and Turkey) are helping to advance their shared goals through this series of monographs. The authors of these articles do this first by linking historical analysis, at the international level, to analyses in the field and to local observation that are often inconclusive and slanted towards short-term action. They then go on to address the complexity and the diversity of reality by seeking to involve social partners in this research 'so as to avoid both academicism and activism and reconcile a time for knowledge with a time for action' (HOST 94)².

Ultimately, the many different paths of the countries participating in the HOST network should make it possible to grasp, by a historical and comparative approach, how each country is now coping with the framing of distinctive development policies reflecting its overall situation and its specific options. For the time being, we are focusing on two particular aspects of growth patterns. As a first step, we try to identify the key variables which, in the long term determine relations between industrialization and agriculture. In the case of the countries studied in this issue, these variables largely underlie the specificities observed, *inter alia*, in land-use, specialization, job conversion, approaches to learning, entrepreneurial spirit and industrial plant transfer. As a second step, we seek to assess the role played not only by the international environment in the processes of dynamization but also of exclusion and dependence, and to evaluate, in particular,

2. HOST - Programme of study (1995-1997) *les industrialisations nationales: une approche historique et comparative* - Montpellier, October 1994.

the influence of foreign trade on the forms and pace of industrialization, reference models and institutional forms.

This issue is in two parts. The first part contains the papers on Argentina and Bolivia, and Thailand and Viet Nam. These contributions fit in with the approach described in the preceding paragraph. They set out to develop a comprehensive approach to the interpretation of national specificities. Consequently, they offer a key to understanding social transformations. Considering, in particular, how the relations between agriculture and industry have been transformed, they endeavour to divide growth patterns into periods by identifying clearly, over a long period, the variable or variables that illustrate national specificities, e.g. income from land in Argentina; political and cultural autonomy in Thailand; destructuring under successive imperialist regimes and national identity conflicts in Viet Nam; and the destructuring of geographical and cultural areas in Bolivia.

Unlike the preceding papers, the ones presented in the second part are more intent on analysing particular moments or features of patterns of growth. These moments or features are, in general, a result of the inclusion of these particular economies in the world economy. For some of their authors, the contributions on Turkey, Benin, Madagascar and Algeria are then but inputs for a future overall assessment. The initial hypotheses on the identification of national specificities reveal, however, the importance of the international context in the explicit choice of development models, such as the choice of a self-directed accumulation model founded on heavy industry and income from

petrol for Algeria in the 1960s and the introduction of "accelerated capitalism" following the promulgation in the 1920s of the Republic of Turkey. The same applies, however, in the more implicit or more spontaneous options for Benin or for Madagascar concerning the rehabilitation or rediscovery in the worldwide economic crisis of traditional forms of organization, often called the informal economy. These efforts to define identifying features should be supplemented so as to move on from an interpretative framework to an initial assessment.

Under the responsibility of the English -, French -, Portuguese - and Spanish - speaking Regional Editorial Committees, which decide on its structure and content, this issue is currently translated and distributed in those four languages. Some of the articles might subsequently be included in national journals and, by being translated into a larger number of national languages, enjoy a wider readership. Indeed the aim is thereby to enlarge the readership to include agents of social change, namely those responsible for deciding and implementing development policies, and to encourage criticism, comments and suggestions without which this programme would serve no purpose.

P. Byé
INRA
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INTRODUCTION

The history of development theories does not always follow close behind that of the facts they are supposed to illumine. Self-directed development is increasingly prevalent in a world where interdependence continues to reveal each day the frailty of 'economies closed in upon themselves' or models of endogenous growth, while tendencies towards globalization persist in areas where they seem to be opposed by nationalism and particularism. Global models are all too often normative in the short term, unconvincing when we look at the past and uncertain when we look ahead. Often it is because these models disregard the fundamental variables inherent in the history of each society that they seem more apt to conceptualize the global dimension than to recognize specificities.

Never have the number and ambitions of these global models seemed so great. Predicated on the demands of globalization, they advocate a Utopian and socially disastrous balancing act with respect to structural adjustment policies or deliberately protectionist designs. Sectoral models and step-by-step models highlight the dynamics of a particular economic sector likely to trigger progress in an efficacious interlinking of trade and job creation. Regional or subregional models lay emphasis on the coherence to be maintained in respect of particular areas. Financial and monetary models insist less on the dichotomies between the productive and the monetary spheres than on the need to turn to account the extreme volatility of the latter so as to create

wealth. Too few of these models incorporate the long term or the diversity of cultures.

The world, as Huntington notes (Huntington 94)¹, is said to have been largely by the interactions of seven or eight major civilizations, namely, Western, Confucian, Japanese, Islamic, Hindu, Slav-Orthodox, Latin American and perhaps African civilizations. Couched as it is in less academic and less economic terms, this argument as to a regionalization regained also introduces in its turn, through other means, a belief in another universal explanation.

It is time, in our opinion, to go back to strictly observing the facts, to seeing how, in the course of time, they follow on from one another and change, persist and re-emerge. It is to this exercise that this publication is devoted. It is the first stage in a long and exacting task. Begun almost 18 months ago, it consists in the adoption of a long time-frame in order to identify the variables that underpin the functioning of national growth models. There is not, however, at this stage any desire to produce a history. The concern is, rather, to recognize through this exercise the different textures of time - time of change and time of non-change, moments of stabilization or fluctuation, discontinuity and evolution, progress and inertia - and thus to move

1. According to Huntington, there are six principal reasons for this: (1) the differences between civilization are more fundamental than ideologies or political regimes; (2) the world is becoming increasingly smaller and proximity brings out differences; (3) the processes of economic modernization and social change deflect from national identity and reinforce cultural identity; (4) it is the West which, at the height of its power, most aggresses this identity and it is the non-Western élites that are the first to revolt; (5) there is no cultural mobility; (6) while globalization is being talked about everywhere, the economy is in fact becoming regionalized and structuring civilizational affiliation by major blocs. These remarks by the author are reported by J. Daniel (Editorial N.O., 30 June-6 July 1994).

away from the linear, immediate, automatic and a historical interpretations of development processes.

The eight papers presented in this issue provide the first bases for this overall assessment of particular growth patterns. Over and above the difficult viewpoints of the authors regarding these particular histories, they endeavour first to determine the main components of growth patterns in general and of the changing relations between agriculture and industry within a long time - frame. Going outside the national setting, they then seek to assess the extent to which these pattern are independent of, or dependent on, international contexts, which bear the seeds of interdependence and globalization. Finally, they attempt to identify the link - very often disregarded in development theories - between economic development and social development.

Patterns of growth: the relations between agriculture and industry

The first objective of the papers presented in this issue is to distinguish the characteristics of growth patterns over a sufficiently long period so as to be able to identify the salient features of the contemporary age. In the first part of this issue, the compilation of information aimed at defining what Alain Mounier calls the "forms and phases" of social transformation confirms the role played over the years by agricultural production. In Thailand as in Argentina, in Bolivia as in Viet Nam, the state of the relations between agriculture and industry profoundly marks the transformation of social systems.

For nearly a century and a half, growth in Thailand (A. Mounier, K. Kaewthep) V. Charoenloet - *Forms and phases of Thai industrialization in a historical perspective*) has been

marked by the affirmation of a strong national identity untouched by colonization and by an incontestable nationalism favouring authoritarian rulers, whether military or monarchic. In spite of the Kingdom's marked openness to the outside world since the 1930s and the unequivocal emergence in recent years of a development based on external trade, the public authorities still demonstrate a desire to maintain a pattern of growth in which agriculture continues to play a dual role, namely, as a formidable reservoir of labour, which accounts for the development of salaried employment, and as a means of ensuring the permanence of models of social organization inherited from peasant traditions. The contribution of agriculture to national growth cannot therefore be reduced to its sole capacity to increase its production or its productivity.

By describing national growth patterns over nearly two centuries, Jorge Schwartz (J. Schwartz - *Paradoxes of Argentine (under) development*) shows, for his part, how the country is still marked by landed property structures that are chiefly based on the latifundia and export-oriented. While Argentina sets great store by its rural culture, its relatively early industrial development, largely induced by growth in exportable production, was founded on a salaried immigrant labour force. That being so, there have been no major social transformations in the countryside. Industrial and urban development has thus not been a transition from a rural society to an urban one, but the city has become joined to the countryside through immigration. From the outset, Argentine industry tended to function with an expensive labour force with little development of the techniques and financial resources needed to replace this labour force by machines. The chaotic industrialization of the country bears the mark of this sectoral disintegration. And if, in some periods of its history, Argentine industry seems at times to have "taken

off", the constant opposition of agricultural interests based on the exploitation of the resources of the pampas has brought the development of the manufacturing sector back to more modest proportions.

With very different beginnings, growth patterns in Bolivia and Viet Nam show the effects of the separation of agriculture and industry. Julio Prudencio and José Antonio Pérez (J. Prudencio and J.A. Pérez - *Bolivia: patterns of growth (1870-1994)*) show how the growing difficulties met - notably from the 1970s onwards - on foreign markets by the mining sector have jeopardized the survival of agriculture, which was closely linked to it. The agricultural sector, mainly in the hands of the peasantry, has seen its ties with the mining industry severed and its capacity to become integrated in the financial system radically reduced. The colonization of Amazonian lands, aimed especially at relieving congestion in Andean agriculture, has favoured the development of a food industry. Export-oriented, it also enters into competition with peasant agriculture on the high Andean plateaux. Deprived of outlets, the latter has turned towards drug production and been increasingly marked by migration towards the urban centres. The North-South development axis, built around the mining and latifundium economy, has been replaced by a new East-West axis formed by the tenuous thread of agri-food exports and imports of consumer goods for the affluent urban classes.

In Viet Nam the influence of colonial regime, combined with the international conflicts that have been waged successively on its soil for nearly 50 years, has profoundly disturbed relations between agriculture and industry. Broken up, rearranged and put together again, the national territory bears the mark of these divisions. As Bui Huy Khoat notes (Bui Huy Khoat - *The main*

characteristics of the socio-economic development of Viet Nam from the mid-nineteenth century to the present), today's society has inherited an economic, social and political structure shaped more by war than by socialist principles of organization and economic strategy. The current open-doors and reform policies are resulting in a more rapid transition in the south than in the north. High population growth, the reconstitution of the peasant economy and the privatization of the economy seem to be going hand in hand with the influx of foreign capital. These developments may help to produce a pattern of growth very similar to that followed by other countries in the area. But this fast transition may also undermine the basic principles of socialist organization and contribute to the rapid destruction of an agriculture which has been mobilized and exposed all too soon to the constraints of crash industrialization and internationalization.

National growth and external constraints

Unlike the global analyses appearing in the first part of this publication, the analyses in the second part are centred on the present and are meant to be more conclusive. They are less concerned to mark off history into periods and attempt to provide a new key to understanding today's situation. They focus on particular moments in national histories while laying emphasis on the weight of external constraints on development options. These constraints appear explicitly in the choice of models adopted by Algeria and Turkey at the time of their independence, more implicitly in the case of the African countries of Benin and Madagascar, which have never truly overcome the destructuring

effects of the colonial regimes. It will be remembered that these constraints also entered into the overall assessments in the first part, with reference to growth patterns in Argentina where the authors noted the transition from cash-crop farming to agro-exports in Bolivia limited in its mining strategies by international competition and in Thailand deliberately turned at present towards an export-oriented model.

A careful reading of these papers shows how, in the long haul, these countries have used or been affected by economic crises and world dramas: how Argentina turned to account the period of the Second World War but through productive and social inertia was unable to benefit from the strong movement towards post-war growth worldwide; and how Thailand, which had never been colonized, adopted at one time determined protectionist measures before going on to be seen at present as the very model of economic liberalism. Considered within a long time-frame, national trajectories in Bolivia and Argentina, Thailand and Viet Nam can thus be seen to be out of phase with the international context. However, the work done on Turkey and Algeria, Benin and Madagascar, does not as yet offer us the same means of assessing the situation.

These four studies do indeed fit in with the general theme of the issue - *the differentiation of patterns of growth* - but from the outset they home in on the particular aspects of this differentiation, which consist in determining the limits and constraints of contemporary endogenous growth in relation to the international environment. The picture drawn by H. Ait Amara (H. Ait Amara - *The course of long-term economic growth in Algeria*) of the present Algerian economic situation shows the failure of an agriculture-based development model which was already proving critically defective in the 1930s. He also shows

that this failure led independent Algeria to try to replace it by a model founded on industrialization through the stepping up of oil revenue and the creation of expanding demand. Benefiting between 1967 and 1984 from sustained investment generated by oil exports and external loans, this process would however never have been able to become "self-supporting". The drop in the price of oil products and the increasing debt burden now attest to the limits of this choice. In the 1980s, external constraints contributed to internal destabilization. They showed up the main flaws in a model which could not hold its own in the face of international competition exacerbated by the worldwide economic crisis. Domestically, the dependence of the economy on capital goods and intermediate goods highlighted the shortage or unwillingness of national capital to finance the creation of productive infrastructure, the low rate of input-output flows and the difficulties of a peasant economy incapable of playing a part in supplying cities. The process of industrialization now seems to be seriously in question, especially since Algeria never really freed itself from its economic and political dependence.

S. Kaňal (S. Kaňal - *Turkey's long journey to the "Wealth of Nations"*) shows how the effects of the 1929 economic crisis forced modern Turkey to adopt a particular development model. Heralded in the 1920s by institutional and cultural reforms, "accelerated State capitalism" may be seen as one of the first examples of a growth strategy oriented towards the domestic market and involving import-substitution industrialization, a mixed economy with a large public enterprise sector and State control of the economy. Maintained until the 1980s, the power of the State was hardly weakened in the Second World War and indeed, from the 1960s on, it was bolstered by military intervention. The Kemalist philosophy of the mobilization of society under the leadership of the State, in order to make up for lost

time, was reaffirmed. It was only in the 1980s that external constraints seemed to oblige Turkey to change course. Under pressure from the IMF and OECD, a new economic programme was established with the aim of reducing direct State intervention in the economy and gradually leaving resource distribution under the sway of market mechanisms. After nearly 50 years of autonomy, has not Turkey simply been overtaken by international constraints? In its role as a promoter of the market economy, the Turkish State is revealing its limitations in the face of a new and undeniable upsurge of interdependence and globalization.

The two exploratory notes prepared in the form of a first outline survey by the teams from Benin (*Agricultural production or international trade*) and Madagascar (*Residues of tradition in the economic crisis of Madagascar*) raise the problem of the specificity of growth patterns in very different terms. The authors are concerned to determine not so much the conditions for integrating those countries into the international environment as their capacities to turn it to account, in the case of Benin, or to opt out of it, in the case of Madagascar, by finding enrichment in their own traditions, situations, situations and cultures.

Benin, a country of many ethnic groups, with porous borders, has never been turned in upon itself. Its extreme permeability has led it, at certain moments in its history, to profit from world instabilities to the point of sometimes neglecting the development of its own productive activities. Despite its agricultural traditions and its commercial skill in benefiting from international or cross-border trade, it has not proved capable of building its own industrial infrastructure. Because of this stance, it has so far avoided traditional patterns of economic development while experiencing incontestable material growth.

On the other hand, the recent economic difficulties besetting economic growth in Madagascar and reducing the island to a state of extreme poverty reveal the extreme vitality of an informal economy operating with other objectives and other purposes than the standard economy. The object of the Malagasy team's initial analysis is to describe these realities which are often obscured in periods of strong growth. Focusing on the present period, this working paper is more concerned with the scale assumed by the parallel economy than with its origins and development. Modifying the balance between town and country, affecting price formation, spreading to wherever more formalized systems have failed, the informal economy appears to be not so much a global alternative to development models as a rediscovery of *modi operandi* characteristic of pre-industrial economies.

Despite the wealth of observations contained in these two guidance papers, the periodization of patterns of economic growth in Africa is task that still remains for the future, so as to show, in particular, how domestic growth is linked to international growth; how it has benefited from it or, more often, been adversely affected by it; how it has absorbed or suffered from the backlash to economic crises and downturns worldwide; how external dependence has jeopardized national development efforts or policies; and, finally, how ethnic and cultural identity has sometimes offered a haven in the midst of international upheaval.

Towards a comparative approach to social development

The papers brought together in this issue do not yet afford a basis a rigorous comparative study focusing point by point on the transformation of intersectoral relations or on that of the

relations between forms of domestic growth and the international environment. They do however confirm, by highlighting the specificities of national growth patterns, that economic development is indeed the result of a dual transformation, namely, the transition from a rural, agricultural society to an urban, industrial society on the one hand, and the transition from non-salaried work - farming or crafts, for example - to salaried work, on the other. In other words, each form and phase of development, to borrow Alain Mounier's expression, can be linked to the nature and the pace of these transitions.

By characterizing each of these phases according to the historical periods and the social contexts specific to each country we can flesh out two key ideas. The first concerns the connection between economic processes and more complex ones involving social structures, institutions, values and symbols. The second is that social transformations do not obey universal laws, as is all too often assumed by economic theories, but are specific to each society, even if societies have influenced one another in the course of modern history. Setting side by side the observations recorded in each survey of historical trajectories and national economic transitions, we are able to go considerably further in our analysis of the relations between economic development and social transformations. The premises for this comparative approach can be illustrated through reference to the analyses presented below and, by way of example, through comparison, in terms of industrialization, between Thailand's apparent success and Argentina's failure.

Argentina is a large agricultural country with landed property structures chiefly based on the *latifundia*, and export-oriented towards Europe. It is a country that sets great store by its rural culture. In Argentina, the pace of urban activity and urban development alike is conditioned by agriculture. The big land-

owners monopolize political power and have managed to subject the economy to agricultural interests. Originally, industrial development was largely founded on the expansion of the agri-food industry and the processing and marketing of farm produce. It has proved necessary to have recourse to immigrant labour. This has not been followed by major social transformations in the countryside. Industrial and urban development has then consisted not in a transition from a rural society to an urban one, but in the joining of the city to the countryside through immigration.

The urban proletariat arriving from Europe organized itself according to its own values, with union structures, wage claims and patterns of consumption characteristic of the societies from which it sprang. The national industry in its start-up phase had to rely on manpower at a time when labour costs were high and not enough had been done to develop the techniques and financial resources required to replace it by machines. The 1929 crisis dealt a fatal blow to industrial growth under the combined effect of the agricultural crisis, the development of protectionism and the growing power of the labour movement. The rise of nationalism and the alliance between the interests of industry and labour against agricultural interest gave momentum to the populist movement which promoted an import-substitution policy. The initial successes scored by industry are also to be credited to the development of exports, particularly during the war period and immediately after the war. But the import-substitution policy met with growing opposition from agricultural free traders and protectionist industrialists. Having only a limited domestic market, Argentina plunged into an economic, moral and political crisis in the 1960s from which it was not to emerge for nearly 20 years when, by a surprising reversal of history, it rediscovered the virtues of growth based on agricultural exports. In recent years privatization and savage deregula-

tion have made the recovery process extremely unstable and uncertain. Argentina has not proved capable of marrying agriculture and industry. Because of this, every so often it experiences difficulties arising from one or other of these activities.

Thailand is also a large agricultural country but one whose landed property structures reflect a peasant economy. An independent country, it exports agricultural produce to neighbouring countries. Chinese labour is used for construction of the industrial infrastructure and railways. The Chinese are salaried workers but they are also gradually taking up domestic trade in agricultural produce. Industrialization was ushered in by the State following the 1929 crisis. The 1932 political revolution (constitutional monarchy) contributed to the rise of nationalism and brought the army to power. The ruling and middle classes agreed upon an industrial development strategy financed by agriculture in the form of import substitution. Private initiative gradually supplanted public initiative in the 1960s. The development of a salaried class, much later than in Argentina and linked to rural migration, occurred on a significant scale. Foreign capital and a strong American presence connected with the Viet Nam war accelerated the industrialization process. Fuelled by the war, industry which mainly produced consumer goods, soon came up against the limits of the domestic market.

Urbanization proceeded apace, especially in Bangkok, which has a monopoly not only of public sector but also private sector employment due in particular to transfers of industrial plant. Thai industry benefited from globalization without losing the particular advantages of its relationship with its own agriculture. Salaries remained low since the workers, drawn from the countryside, did not manage to organize themselves because of the often seasonal nature of their employment. The context was also marked by Buddhist culture, which avoids conflict, and social relations based on clientelism. Trade union movements

were eliminated with the help of military force. Some redistribution of productivity gains in the form of wages gradually enabled the labour force to free itself from exclusively rural ties. Agriculture with the redeployment of agri-food exports remains, however, the main employment sector with a considerable increase in diversification. Exporting industries are tending to transfer their plant to rural areas. Those that operate according to a wage relationship closer to Fordist principles tend to stay in Bangkok's high industrial growth zone and its surroundings. Already though, and at the same time, Thai capital is being invested in China and Viet Nam where there are greatly expanding markets and an industrious and cheap labour force.

The nature of land structures and the historical development of the wage-earning labour force, particular to each country, seem to be among the main factors that explain difficulties in some countries and successful transitions in others. These factors are already in evidence in this comparative outline which links economic development and social development. A long-term analysis of them confirms that economic development is not a linear or irreversible phenomenon. It also shows that the landed property structures and the nature of the wage relationship are closely linked to the early phases of the transition and that their interaction can lead just as much to success as to failure. The emergence of a worldwide system of accumulation, which delinks places of production and places of consumption, causes international trade to be of the utmost importance in national systems of accumulation. It tends to fracture the relations between agriculture and industry and, by accelerating the monetarization of the reproduction of the labour force, to eliminate forms of organization and solidarity specific to each culture, region and nation.

Pascal Byé
Alain Mounier

PART 1 LONG-TERM PATTERNS OF GROWTH

Argentina

Bolivia

Thailand

Vietnam

BOLIVIA: PATTERNS OF GROWTH (1870-1994)

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INTRODUCTION

The aim of this study is to indicate the key points for any research into the historical development of Bolivia (patterns of growth). This initiative is part of a more wide-ranging project of comparative research into development in other countries (Argentina, Benin, Madagascar, Thailand and Vietnam) which belong to the International Network, History and Observation of Social Transformation (HOST).

This is a preliminary work which puts forward a number of historical hypotheses to be enlarged upon, verified and studied in greater depth in the course of the research itself. This research proposal was formulated on the basis of a study of available bibliographical material, for which reason it may not necessarily be regarded as a specialized or in-depth study.

The aim of this work is to put forward a new reading of the economic, socio-cultural and political history of Bolivia, highlighting a number of fundamental variables characteristic of the

various stages of Bolivian development and the degree to which these are interconnected both at national and international level. A range of aspects, such as economic, social, political, demographic, geographical and other considerations, are also taken into account.

Bolivia is an Andean country whose historical roots lie in significant Pre-Columbian cultures (Tiawanaku, the Inca Empire and the Guaranis among others) which was colonized by the Spaniards more than 500 years ago and gained its independence as a republic in 1825. Bolivia is a richly diverse country both in terms of its culture and its geography. Broadly speaking it may be divided into the following regions: the Altiplano (3,100-4,500m. above sea level), the Valleys (2,100-3,000m.) and the Plains (500-2,000m.). It has great potential in terms of its mineral, forestry and hydraulic resources as well as hydrocarbon deposits (oil and gas) and mixed farming. The present population of around 6.5 million is mostly indigenous.

Due to the essential economic, socio-cultural and political characteristics of the country and its relationship with the world economy, five broad stages of development may be defined, each of which is characterized and defined by distinctive social relations of production, changes in the make-up of the State and civil society, the development of different social and ethnic movements, various models of economic organization, a variety of political situations and different degrees of insertion in and relations with the international market.

These broad stages in the development of the country after the second half of the nineteenth century may be defined as follows:¹

1. It must be pointed out that the dates given for each period are not exact but merely approximate, sometimes covering periods prior to and after the dates given, overlaps occurring on either side.

1. The mining period and the rule of the feudal mining oligarchy (1870-1932).
2. Period leading up to the National Revolution (1933-1952).
3. The period of the National Revolution and import substitution (1952-1971).
4. The period of foreign debt and the boom in the export of raw materials (1971-1985).
5. The period of structural adjustment: the export drive and promotion of free trade (1985-1993).

The central hypothesis of this research, which focuses on the periods indicated above, is that, in the main, Bolivia has based its development on mining and to a lesser degree on hydrocarbons, both essentially extraction activities, in large measure linking all other sectors to this central economic plank. This has meant that the country's relationship with the world economy has been as a supplier of raw materials and, in terms of domestic policy, that ruling social classes have developed which have controlled the Bolivian State in order to ensure and consolidate their own political, economic and social interests, giving rise to significant social inequalities characterized by social discrimination, primarily against the indigenous majority of the population.

1. The mining period and the rule of the feudal mining oligarchy (1870-1932)

This period of development began with silver mining and ended around 1932 with the outbreak of the Chaco War between Bolivia and Paraguay.

Mining activity underwent two different cycle during this period. Silver mining, which really began long before with the arrival of the Spaniards, reached its peak during the Republic, around 1873, when silver exports peaked, falling off a few years later, around 1880. This was followed by the tin mining boom which extends from around 1894 to 1932 when this sector entered a period of deep crisis as a result of the world depression during the 1930s (inflation, a slump in international metal prices and falling exports) as well as the Chaco War (1932-1935).

The various data and historical analyses of this period show that metals (bismuth, copper, antimony, lead, zinc, wolfram and particularly tin) made up the bulk of exports which showed continuous growth. Bismuth exports in particular grew continuously despite the unfavourable international prices. Tin exports also grew although not so much. The percentage of total Bolivian tin production in relation to international production gradually increased. Whereas in 1900 Bolivia produced only 9,739 Tm (12 per cent of the world total), by 1910 this had increased to 23,130 Tm (20 per cent of the world total) and in 1920 to 28,230 Tm (23 per cent). Ten years later Bolivia was producing 38,723 Tm although the percentage in relation to total world production remained the same. By exporting raw materials Bolivia entered the world market solely as a producer of minerals.

What repercussions did Bolivia's integration in the world economy as an exporter of raw materials have on life within the country? One of the main consequences was that civil society revolved around mining. Similarly, the modernization of the economic structures and socio-political relationships was promoted by the mining oligarchy, commonly known as the "feudal mining ring" which, on the other hand, gave rise to and aggravated marked inequalities in income levels among the population.

The concentration of the mines in the hands of three large owners (the so-called tin barons) gave rise to the monopoly which controlled the country's exports and also the national economy. The tin barons were the sole centre of political power, appointing and removing the various figures of government in accordance with their own interests. Around their mining centres the main urban centres developed (Potosí initially and later the mining centres of Oruro, mainly Llallagua, Catavi and Siglo XX). The same is true for transport infrastructure (communications, roads, railways, etc.) which grew up around the mining centres.

The main source of government finance was income from mining exports, which accounted for between (an average of) 47 per cent and 48 per cent of all exports between 1900 and 1915 (between 37 and 45 million bolivianos) growing to 73-77 per cent in the period 1920-1930, i.e. 80-122 million bolivianos (E. López, 1955). Similarly, the development of agriculture and the *haciendas* (a system of latifundios controlled by the land-owners) revolved around the mining centres which had to be supplied with food and raw materials. The labour force required by the mining sector came from the countryside and the indigenous communities.

In order to better understand how Bolivian society functioned, the country's role in the international arena must be stressed. Bolivia exported crude minerals to the countries of Europe, mainly the United Kingdom, where they were smelted and transformed. Thus Bolivia, like other countries such as Malaysia, the Dutch Islands, the Belgian Congo and Nigeria, supplied cheap raw materials for the process of world industrialization. On the other hand, these mineral exports financed the import of foodstuffs from other Latin American countries, such as Chile and Peru, as well as machinery for the mining centres, infrastructure (railways) and luxury and manufactured goods for

the mine owners. As the volume of these imports grew so did the balance of payments deficit. Up to 1925 exports outstripped imports, but after 1930, coinciding with the 1929 world economic crisis, a trade deficit developed due to growing imports and falling exports (exports were worth 52 million bolivianos whereas in 1920 they were worth 156 million bolivianos).

Most of the foreign currency obtained from mineral exports was not invested in the country but was exported to Europe, with the result that Bolivia did not undergo a process of industrial or agro-industrial development. In Bolivia the mining centre was the centre of the Bolivian social structure. This involved a 'ring' which owned the mines, a social class which served the interests of this 'ring' and administered their goods (lawyers, politicians, the army, etc.), a small mining proletariat, town-dwellers and, above all, the great mass indigenous people which made up the majority of the population of the country and who depended for their social reproduction on the *hacienda*, under the system known as 'pongueaje' (menial employment of Indians in exchange for the use of land).

This type of socio-economic and cultural structure gave rise to a series of contradictions which brought about changes in the country: this hypothesis will be analysed and should be verified in the course of this research.

The development of the country is more closely linked to mining and the export of minerals than to any other domestic economic activity. Similarly, the development of mining gave rise to a social class called the mining 'ring' and to a mining proletariat. The importance of the former was felt from the dawn of the century until the National Revolution, whereas the latter grew in importance from the beginning of the 1940s until 1985.

The creation of a communications infrastructure also served a double purpose. On the one hand it served to export minerals from the mining centres and, on the other, to import durable and non-durable consumer goods. This, in turn, meant that certain regions were developed whereas others were isolated. This has had a fundamental impact on the articulation and integration of the national economy.

Finally, it must be stressed that both the mining industry and the creation of infrastructure depended on the labour of the indigenous people who constituted the majority of the population and lived in rural communities. However, this did not hinder a certain amount of European immigration (mainly Yugoslavs, Germans and Spaniards) who were attracted by the mining boom and settled in the main cities of Bolivia. Some of these immigrants tried to work in mining but most became involved in services and trade.

With regard to agricultural development, this sector comprised the *haciendas* and the indigenous communities, both of which were settled on the altiplano and in the valleys and in a vast area in the east of the country which was sparsely populated and practically isolated.

Characteristically the *haciendas* produced for their own consumption and also to supply the principal cities and mining centres. Production was based on the system of employment commonly known as 'pongueaje'. The *haciendas* did not undergo much development due to lack of investment. However, the original indigenous communities, based in the west of the country, enjoyed cheap labour and their production was exclusively for consumption within the family group. Two thirds of the population of Bolivia lived in such communities.

Despite the fact that there were vast tracts of land suitable for mixed farming, there was little productive development in

the east, because area was sparsely populated and isolated from the rest of the country. There was only a certain amount of development in Chiquitania, in indigenous communities which had been supported by the Jesuits (from the time of the Jesuit missions). These had closer links with Paraguay than with Bolivia, which made it easier to import foodstuffs.

In the north-east of the country (Beni and Pando), with the start of rubber production in 1860, the building of some warehouses in 1880 and the boom between 1900 and 1913, intensive rubber production took place. The importance of and demand for rubber at that time was a result of the strong industrial demand for this material in Europe and the United States where rubber was used for waterproofing, in the footwear industry and later in the car industry. The high prices paid triggered off a kind of boom in this activity which led to the exploitation of areas such as Acre and the Bolivian Amazon which, under other circumstances, would never have been regarded as areas of economic and geopolitical importance. Despite this, the distances involved and the isolation of these areas in relation to the rest of the national economy hindered greater development of their economic potential.

In short, agriculture was almost totally isolated from international trade, agricultural products accounting for a very low percentage of total exports, since only products like rubber and to a lesser degree chestnuts were exported.

As far as the industrial sector is concerned, this was in its infancy since, as has already been pointed out, all the capital generated by mining was exported abroad and investment at national level was non-existent. There were only a few small craft industries making basic manufactured goods, some mills and a drinks industry. The industrial business sector was in its

infancy. An exception was the hydrocarbon industry since after 1915 oil exploration got under way financed by North American investment capital. This in turn made the country even more dependent on foreign capital.

Finally, the economic structure described above also had an impact on certain political and social factors: the formation of a mining superstate; the great dependence of the latter on foreign capital involved in the mining and oil sectors; a certain degree of influence of German national socialism reflected in the creation of a number of educational establishments and the presence of German advisers in the Bolivian army; a federal revolution involving a confrontation between conservative and liberal ideological trends which ended with the transfer of the seat of government from Chuquisaca (more closely related to silver mining interests) to La Paz which was already beginning to forge links with the administrative and commercial interests of the Pacific ports.

2. The period leading up to the National Revolution (1933-1952)

During this period the socio-economic crisis which Bolivia was already undergoing deepened due to over-exploitation of the mines, the dependence of the government on foreign capital and lack of State control over the main centres of economic decision-making.

The outcome of the Chaco War (which broke out as a result of the conflict between the international oil companies based in Bolivia and Paraguay over control of certain areas which were believed to have oil reserves), the loss of large tracts of land and

the death of more than 30,000 soldiers had a profound effect on the population of Bolivia. The people, particularly young people, realized that the country was not so strong as they had been led to believe and even less integrated, and that it did not really constitute a nation as such. Added to this was the crisis brought about by the worldwide depression which meant that the country suffered serious economic difficulties due to the falling prices of exports, a shortage of foreign currency, rising inflation, growing foreign debt and the rising cost of living, particularly because export revenues were transferred abroad. All this gave rise to a national awareness which found expression in the birth of left-wing and national revolutionary parties which were to dominate the political scene during the next 50 years. It also gave rise to a sense of nationhood which regarded the indigenous population, workers and the middle classes as equals. The most important aspect from the political and social point of view was the birth of a mining proletariat with assumed the leadership of the Bolivian working class.

During this period there was much political unrest with a number of attempts to change the government, alternating between civil and nationalist military governments, which even led to the oil fields being nationalized, the establishment of military lodges such as RADEPA, the cancellation of democratic elections, the massacre of miners at Catavi, etc., all of which later gave rise to the National Revolution.

In the economic sphere, the growth model continued to be based on mining (mining exports accounted for over one third of all government revenue and of GNP) and diversification of supply was based more on increased imports than on increased domestic production.

Between 1936 and 1940 inflation was rife with the result that the government lost large amounts of revenue from taxes

and other sources on account of the increased money supply. Money was printed creating serious problems in the economy, trade and industry (E. López R. 1955: 127).

As a result of the Second World War and Japanese occupation of a number of tin-producing countries, Bolivia was one of the few remaining tin producers. In 1945 Bolivia was supplying practically half of all production worldwide, although gross exports, totalling 47,000 Tm, were lower than in 1929. On the other hand, since the consumer countries set up a system to control and save tin, in 1943 only 97,000 Tm. of the 173,000 Tm produced were used which brought about a fall in prices², stock-piling (by the United States which currently uses these stocks to manipulate the world tin market) and later a fall in production.

So, while the prices paid for mineral exports plummeted (not only tin but also gold, sulphur, copper, antimony and others) the prices of imported machinery increased sharply with negative consequences for home-based industries. This unequal exchange of goods due to prices on the world market, together with the exchange rate imposed by the government, the increase in the number of loans, gold purchases and public loans also gave rise to an increase in the money supply with money being printed continuously³.

The domestic industrial sector was still in its infancy revolving around mining comprising small production units, using virtually craft techniques, with small-scale production of non-

2. The price on the world market was US\$0.50 per pound of fine tin, but a price of US\$ 0.48 was set for Bolivia as its contribution to democracy.

3. Between 1942 and 1945 alone the money supply increased by (an annual average of) between 23,586 and 37,922 times as much (E. López R. 1955: 145).

durable consumer goods (flour mills, bakeries, factories producing pasta, biscuit, sausages and preserves), beer and carbonated drinks, textiles, tobacco, chemical products, the leather industry (tanning and footwear), the timber and furniture industry, cement, ceramics and glass, mechanical industries and others (CERES 1981: 88).

Between 1935 and 1950 the labour force employed in the main industries (textiles, flour, beer, cigarettes, cement) increased from 2,727 to 4,981 (ECLA 158: 128). However, growth of industrial productive capacity was slow during this period. According to certain studies (ECLA 1958: 110), registered industries employed only one fifth of the population employed in manufacturing industry, around 40 per cent being employed in small unregistered industries and about half in craft workshops. These latter categories were to give rise to the informal sector which flourished during later periods, as will be discussed.

A final point which it is important to stress during this period is the development of certain tropical areas of the country. Prior to the 1950s, with the construction of some provisional dirt roads, the tropical region of Cochabamba, known as the Chapare, became more attractive and was regarded as the promised land or the land of the future. Growing demand for products such as coca leaf, quinine, cocoa and vanilla motivated new settlers to come to this region. Encouraged by this incentive, in 1950 the large landowners of Cochabamba worked vast tracts of land using hired labour. The appalling working conditions led many hired hands to leave the *haciendas* to cultivate small plots in the rain forest. This was the beginning of the spontaneous settlement and exploitation of the Chapare.

The migrant population increased rapidly. The crisis of the 1950s and periods of drought forced Quechua peasants to

undertake the search for better living conditions: they chose the Chapare.

3. The period of the National Revolution and import substitution (1952-1971)

During this period great economic, social and political changes took place which affected the whole population of Bolivia, since the National Revolution put an end to the sway of the feudal mining oligarchy. This period of the National Revolution and import substitution which lasted from 1952 to 1971 may be divided into two different phases.

The first period of National Revolution (1952) led by the National Revolutionary Movement (MNR) was distinguished by a series of measures such as the nationalization of the mines, land distribution (Land Reform), the abolition of the 'pongueaje' system through universal suffrage, broad population participation and a leading role played by the State in the main productive sectors of the national economy. Armed militias of factory workers, miners and peasants were also formed and the national army, which had served the interests of the feudal mining 'ring', was reorganized.

The government's economic approach was to achieve rapid industrialization by substituting imports. Strict monetary control was enforced, the construction of basic public works and roads was encouraged (the road from Cochabamba to Santa Cruz), economic activity was protected, diversification of production was promoted and the agro-industrial development of Santa Cruz was fostered. Thus, the production of sugar-cane, rice, cotton, meat, oils, edible fats and other products which until that time had been imported, was promoted.

During this period prices on the world market plummeted. This reduced foreign currency revenues and unleashed a budget and balance-of-payment deficit⁴. In order to overcome this problem, at the end of 1956 a series of economic measures came into effect. These were known as the Monetary Stabilization Plan which aimed to restrict demand, liberalize the economy, eliminate subsidies, freeze wages and salaries, realign the united State dollar exchange rate, reduce the number of loans, eliminate price controls and reduce public expenditure. The economy had entered a period of recession which affected economic activity, particularly industry.

Another characteristic of this period was that home-based industrial production to substitute imports was promoted, State agro-industries were set up and agriculture expanded towards the east of the country. In 1961, for instance, the National settlement council (Consejo Nacional de Colonización) was founded to promote migration within the country. Finance from the Inter - American Development Bank (IDB) funded the drafting of controlled settlement programmes which ensured that settlers were supplied with basic foodstuffs but imposed a series of restrictions (cultivation of coca leaf was forbidden as was possession of pigs and poultry to prevent the transmission of disease). A number of settlers refused to accept these conditions, which gave rise to a new wave of spontaneous settlement.

4. Total exports increased from US \$94 million in 1952 but then fell to US \$ 64.7 million in 1958 gradually recovering later to reach a maximum of around US \$ 76 million in 1961 and 1962. The main exports at that time continued to be minerals (tin, lead, zinc, antimony, wolfram) which accounted for between 88 per cent and 95 per cent of exports. These were followed by gold and silver and to a lesser extent by some agricultural products such as chestnuts, coffee, leather, rubber, timber and some cattle (J.taboada, 1966: 144).

In the international arena, the United States, strengthened economically and of growing importance in world trade, was emerging and being consolidated as the new leader of the world economic (after the Second World War). At national level, this meant that after 1955 the United States resumed its aid to the country, which had been suspended during the National Revolution, through PL 480: massive food aid as well as military aid and balance-of-payments support were thus forthcoming.

Another characteristic of this period of growth is that after 1964 authoritarian governments held sway until 1982, when democratic life was restored.

During this phase de facto military governments implements a variety of development strategies. The most important measures as regards import substitution were the creation of a new sliding scale of import duties with higher rates for imported finished goods and lower rates for raw materials and machinery. Domestic and foreign investment was fostered by means of preferential treatment. However, the fact that public spending was out of control meant that the deficit continued to grow, leading to an acceleration in the growth of foreign debt and State bureaucracy.

Once again the industrial sectors which grew over this period were textiles and the food industry, despite their relative lack of importance to the economy at large. Around 1954 these industrial sectors accounted for 78 per cent of production. In 1967 65 per cent of all businesses belonged to these areas. In later years (the 1970s) diversification increased, although the traditional branches of industry remained strong. Industrial diversification occurred within these sectors and in the production of chemicals derived from rubber and coal as well as construction materials and the machine tools industry generally (ECLA, 1980).

Most of these industries were based in La Paz, Cochabamba and, to a lesser extent, Oruro, encouraging a rapid process of urbanization and strengthening economic ties between these centres, although over the years with the development of certain activities, such as the oil and gas industries and the services sector, the main development axis has tended to shift to the La Paz, Cochabamba, Santa Cruz area (constituting a vast territory covering the hinterland of these administrative departments where mixed farming is a major activity) and to a lesser extent the sub-axis of Sucre, Potosí and Oruro.

In the political sphere, in 1969, when the new military government came to power, the aim was to continue with the National Revolution which had been interrupted. As a result of this the Bolivian Gulf Co. was nationalized, thus strengthening the State oil company, Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), a monopoly for the export of minerals was set up and run by the Banco Minero de Bolivia, a smelting plant (Karachipampa) was built to transform raw materials so that the country would no longer need to export crude minerals and lastly, the administrative apparatus was restructured. On the political plane, brutal repression was set in train and a number of bloody incidents occurred. This ran parallel to the birth of guerrilla movements (first the Che Guevara guerrilla band in 1967 and later the Teoponte guerrilla band in 1970) which gave rise to a great deal of socio-political unrest.

In the late 1960s and the early 1970s a series of short-lived military governments ruled, one of which (J.J Torres) was progressive in leanings. This government decreed the reinstatement of salaries in the nationalized mines, nationalized the Matilde mine, passed the Tax Code, reformed the Central Bank

of Bolivia (Banco Central de Bolivia) and set up the State Bank (Banco del Estado).

4. The period of foreign debt and the boom in export of raw materials (1971-1985)

This period is marked by two clearly opposing phases: the first, which was distinguished by an exceptional boom in foreign trade, was followed by a second phase when the economic and political model ran out of steam due to a profound socio-economic and political crisis.

Between 1971 and 1978, the period of General Hugo Banzer's government, development of the country was characterized by an exceptional boom in foreign trade due to significant rises in the prices of raw materials on the world market, particularly those exports which covered the balance-of-payments deficit.

The growth in exports was due both to the rise in prices on the world market and also to increased exploitation of mineral and hydrocarbon reserves. This meant that no money was invested in the search for and development of new reserves with the result that existing reserves ran out. Both the Bolivian Mining Corporation (COMIBOL) and Yacimientos Petrolíferos Fiscales de Bolivia (YPFB), the State oil company, increased the volume and value of exports at the expense of weakening the production/reserves ratio.

The agricultural sector also enjoyed the fruits of this export boom since there was great demand for sugar and cotton, leading to the wide-scale promotion of production of these commodities through soft loans. During the 1970s, capitalistic agricultural

companies⁵ were encouraged directly by means of soft - loan policies, subsidized prices, land concessions, salaried labour force and other measures in order to increase production for export and, to a lesser extent, products or raw materials for the domestic market and the domestic food industry.

So, the rise in the prices of raw materials on the world market strengthened the new mining business sector at home, gave rise to an agri-business community in the east of the country and consolidated the power of a de facto military regime which reflected a period of military might⁶.

Another sector which benefited during this period was the financial sector. New private banks were created to complement the existing State banks (Banco Agrícola de Bolivia, Banco Minero and the Banco del Estado). Loans, particularly from the latter, were granted mainly to big businessmen and traders, the agro-industries of Santa Cruz and the political supporters of the de facto regime.

5. During this period it was accepted that domestic consumption was met by peasant production so that the mostly transformed production of agricultural enterprises in the east of the country (agro-industries) supplied the urban market. Thus the aims of the policy for the subs. of imports implemented earlier were achieved. This was meant to lead on to a second phase characterized by the development of agro-industrial exports. This implied the modernization and expansion of capitalistic agriculture and the creation of a food industry to process the raw materials produced within the country. However, the application of economic measures led to the emergence of an export-oriented capitalistic agricultural sector.
6. This coincided with the rise of military regimes in the rest of Latin America e.g. Argentina, Chile and Uruguay. Characteristic of these regimes was the violation of human rights, the banning of political parties, the persecution of politicians and intellectuals, the closure of universities, the repression of the working classes, peasants and miners, etc.

According to studies carried out by ECLA (ECLA, 1978), the impact of the foreign sector was crucial to the way in which the Bolivian economy developed. The most dynamic sector were those linked to the growing imports, while the sector involved in producing goods where the relationship with supplies from abroad was more indirect grew more slowly.

Economic growth came about at the expense of substantial foreign financing which increased the foreign debt burden considerably. Whereas during the 1960s GNP grew at 5.5 per cent, imports grew at 5.7 per cent and foreign debt at 8 per cent, between 1970 and 1978 GNP grew at under 5.5 per cent, imports almost doubled their annual increase (more than 10 per cent) and foreign debt accelerated at a rate of 17 per cent per annum.

This period was also characterized by the transfer of resources from the public to the private sector and by the fact that government policy used the deficit (financed by foreign loans) in order to expand State demand. This meant that the foreign debt burden grew rapidly. Between the end of 1970 and 1978 foreign debt increased almost five times. In 1972 the country owed US \$782.1 million. By the end of the following year (1973) this had increased to US \$2,102 million. Between the end of 1972 and 1978 foreign debt had increased almost five times, and during 1978 the country paid out 60 per cent of the value of exports to pay off interest and make capital repayments.

By 1978 the growing international demand for raw materials had eased. State income had also decreased but imports remained high. This was the start of the crisis.

Political instability as a result of the economic crisis meant that it was impossible to implement coherent economic policies. Successive short-lived governments were inconsistent and did

not have the time to draft and implement new development programmes. Policies were limited to implementing a series of packages of economic measures including price readjustments, modification of the exchange rate, rises in the price of hydrocarbons, cuts in public expenditure and bank loans, freezing of salaries and wages, increase in the cost of living, etc. After 1981 the dollar exchange rate began to function once again on both the parallel and the official market with great discrepancy in the exchange rate between the two.

Up to 1985 this period was characterized by serious popular unrest led by the mining proletariat and the trade union organizations (Central Obrera Boliviana (COB), the Confederación Sindical Unica de Trabajadores Campesinos de Bolivia (CSUTCB), and the Federación Sindical de Trabajadores Mineros de Bolivia (FSTMB), among others). As well as fighting for their social and economic aims, these organizations played an important role in the fight for democratic freedom and in permanently questioning political power as such.

This was the start of a period during which the national economic crisis (1982-1985) deepened. This crisis was characterized by rampant hyper-inflation (over 8,000 per cent), growing expenditure, stagnation of the sources of public revenue and a deficit which, according to some analysts, reached 80 per cent of public expenditure (P. Ramos, 1989).

The chief economic measures implemented by the government were permanent devaluations, modification of the legal reserve requirements, rising interest rates, compulsory surrender of foreign currency, a ban on certain imported goods, export incentives, renegotiation of the foreign debt burden, suspension of foreign debt service payments to private banks, worker-State co-management of COMIBOL, dedollarization of

the economy, automatic salary adjustments and a variety of other measures (Prudencio J., 1994).

The end result of this stage of development was that the country entered a profound economic and social crisis the likes of which it had never seen before: among other factors the government lost control of the economy; the financial and import trading sector made handsome profits by speculating on the dollar and in basic consumer goods; a deep economic crisis developed; money was printed with no control; the main consumer goods and raw materials were in short supply; there was a lack of investment in productive industry and capital fled the country.

In the political arena the economic crisis became evident through a lack of credibility in party political - particularly left-wing - organizations, with the leadership of organizations such as the trade unions putting their own private interests before the interests of the nation.

5. The period of structural adjustment: the export drive and promotion of free trade (1985-1993)

By mid-1985 the economic situation in the country was so unsustainable that new presidential elections had to be called. The new governing party (MNR) applied a series of economic measures such as removing price controls, eliminating subsidies, liberalizing the money market by means of a parallel currency exchange mechanism, deregulating the labour market, free collective bargaining and other measures which sought to rescale the role of the Bolivian State and liberalize the economy.

Another aim was that foreign trade should function by freeing import (reducing and standardizing duties) and exports, the free sale of foreign currency and eliminating restrictions on free international movement of capital. Significant measures were the decentralization of State enterprises, salaries and wages in the public sector were frozen, a tax reform based on indirect taxation on goods and services in order to increase tax revenue, as well as the abolition of the State reserve in mining areas and the award of oil concessions to foreign companies.

Besides slowing down the hyper-inflationary process and stabilizing the national economy, the policy of economic adjustment aimed to foster macro-economic conditions which would encourage private and foreign investment, open up the economy to the foreign market and begin privatizing the Bolivian economy. However, the application of these measures involved a high social cost due, among other factors, to the dismissal of a large number of workers and increased migration from the countryside to the cities. This meant further growth of the informal sector of the national economy.

Similarly, as a result of the crisis in the prices of minerals on the world market in October 1985 (particularly tin, which was the main foreign currency earner), the labour force at the nationalized mines and the Bolivian Mining Corporation (COMIBOL) was reduced. This meant that around 30,000 miners were dismissed (relocalization). Other economic sectors were also affected by these measures, such as the factories which dismissed about 18,000 workers.

In order to attenuate the effects of these social costs and meet the growing needs and demands of the poorest social groups,

both international organizations⁷ and recent governments have pursued social policies aimed at attacking the alarming levels of poverty in the country.

Although GNP has grown gradually since 1987 (around 3 per cent), this is still limited in view of demographic growth. Furthermore, GNP is based fundamentally on the primary sector, which is related to the heterogeneous demand of the domestic market which, in turn, is limited. As a large part of the population lives in rural areas, virtually in a subsistence economy, they are irrelevant as consumers of industrial products. The upper class and parts of the middle class tend to consume imported goods which is detrimental to domestic manufacturing and industry.

With regard to foreign trade, exports are mainly minerals and hydrocarbons. Despite the crisis in the mining sector and the fall in prices on the world market, this sector continues to be important as a foreign currency earner, accounting for rather more than 50 per cent of export revenue. Mining is followed by hydrocarbons (23 per cent) where gas exports are significant.

Similarly, in recent years there has been a considerable diversification of exports. Non-traditional products, such as soya, timber, crafts and jewellery among others, are growing in importance as export earners.

With regard to the social situation, Bolivia is one of the most backward Latin American countries, seriously affected by

7. Significant sums of money have flowed into the country as a result of international co-operation. It is estimated that in recent years over \$428 million have been received. This means that the economy has developed along artificial lines in the sense that the real economy shows no signs of reactivation and growth.

widespread poverty and where the provision of basic needs is clearly deficient. According to reports prepared by the World Bank (1989) and the International Fund for the Development of Agriculture (IFDA) (1989), social indicators show little improvement in the living conditions of the population and in some cases conditions have even deteriorated, particularly in rural areas⁸.

The situation is even more serious when it is realized that, according to these studies, 90 per cent of the rural population of Bolivia is relatively poor and between 46 per cent and 73 per cent of the rural population lives in severe or critical poverty.

In addition to rural poverty there is urban poverty which has grown significantly in recent years on account of migration to the cities, inadequate services and infrastructure and the lack of stable employment. This has meant that the members of families with scarce resources, including women and children, have had to work intensively, particularly in the informal sector, in order to generate the minimum needed to maintain the reproduction process.

Thus, the informal sector provides not only an important source of employment per market segment but in recent years has also shown a tendency towards growth in productive sectors (such as trade, manufacturing, services, transport), particularly when the effects of the Structural Adjustment Programme are taken into account.

8. During recent decades there has been a market trend towards deruralization as a result of the migration of the rural population to the main urban centres. According to the 1950 census only 25 per cent of the population lived in cities of over 2,000 inhabitants. The 1976 census shows that this percentage had risen to 43 per cent and in 1988 to 51 per cent. By 1992 the figure had risen to 57.5 per cent.

A final point which must be stressed is that during this period coca leaf production expanded in various areas of the country but particularly in the Chapare (Cochabamba), constituting the main source of income for the families of these areas. Some statistics show that between 1976 and 1982 the number of coca plantations grew by 1,100 per cent. During the boom, in 1985, the price of a load of coca leaf was US \$600 which meant a minimum yield of US \$35,000 per hectare per annum. This growth had a number of repercussions in the macro-economy (it is estimated that every year between \$800 and \$1,000 million are generated by the coca/cocaine traffic) and also at micro-economic level, as changes came about in agriculture, in the dynamics of the agricultural family unit, migration and settlement, in the relationship between the valleys and the tropical area, the conversion of regional economies to a cash and trading economy and, finally, the distortion of national development.

Finally, it must be concluded that during recent years the new national government has laid greater stress on sustainable development and the environment and has complemented its neo-liberal development programme by passing a series of laws and draft bills aimed at rescaling the role and function of the Bolivian State. Thus laws such as the Capitalization Act, the People's Participation Act, the Educational Reform Act and the Draft Land Bill have been promulgated.

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