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CENTRO BRASILEIRO DE PESQUISAS EDUCACIONAIS

Rio de Janeiro,
19 de abril de 1963.

Sr. Diretor Executivo do CBPE

Ref.: Informação sobre o processo CBPE-843/63

Lido o artigo junto, integrante do Processo nº CBPE 843/63, originado do Department of State Agency for International Development - Washington 25 DC, endereçado ao Professor Anísio Teixeira, sugerimos dirigir-se o CBPE a Mr. Everett Reimer, autor do artigo, pedindo autorização para traduzí-lo e aplicá-lo em Educação e Ciências Sociais.

Mr. Everett Reimer é Advisor-Office of U.S., Social Development, Coordinator Alliance for Progress. Sua direção é a acima mencionada, do Department of State .

S.M.J.

Jayme Abreu

Jayme Abreu
Coordenador DEPE-CBPE

Ao

Dr. Pericles Madureira de Pinho
M.D. Diretor do CBPE

JA/Osr

Sim. Prepare-se o expediente
19. IV. 63
Pericles Pinho

Conte. A' Direção Executiva
24/4/63

Jayme Abreu

Nº 438 Condicionada

DEPE-CBE

Rio de Janeiro, 23 de abril de 1963 .

Mr. Everett Reimer
Agency for International Development
Washington 25 DC
USA

Dear Mr. Reimer,

As the Director of the Centro Brasileiro de Pesquisas Educacionais (Brazilian Center of Educational Research) and companion of Prof. Anísio Teixeira my attention was drawn to your very interesting article "People, Jobs, Housing and the Goals of the Alliance".

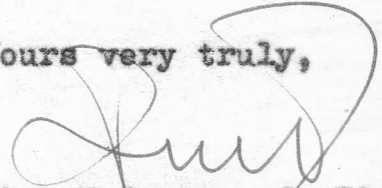
It seems to us that the article should be published in Portuguese in the magazine "Educação e Ciências Sociais" that is issued by our Center.

We hereby wish to request your kind permission to do so.

We take this opportunity to send you our best regards,

and remain,

Yours very truly,


Péricles Madureira de Pinho
Diretor Executivo

/WRR.

2 - DEPE.

Proc. 843/63

(African)

Rio de Janeiro,
22 de abril de 1963.

Mr. Everett Reimer:

Chegou-nos às mãos, na qualidade de Diretor do Centro Brasileiro de Pesquisas Educacionais, companheiro do Professor Anísio Teixeira, o seu interessante artigo "People, Jobs, Housing and the Goals of the Alliance".

Pareceu-nos interessante divulgá-lo em português na Revista "Educação e Ciências Sociais", do nosso Centro Brasileiro de Pesquisas Educacionais.

E' a autorização para tanto que, com esta, estamos lhe pedindo.

Valemo-nos da oportunidade para saudá-lo cordialmente.

Pericles Madureira de Pinho
Diretor do Centro Brasileiro
de Pesquisas Educacionais

Mandar passar em inglês e enviar, aérea, ao enderêço de:

MR. EVERETT REIMER
Agency for International Development
WASHINGTON 25 DC
USA

PEOPLE, JOBS, HOUSING
AND THE GOALS OF THE ALLIANCE

Latin America has reached the great population divide. Her cities will soon surpass the countryside in population as they have, long since, in production and, while it has taken all of history for the urban population to equal the rural in size, it will be twice as large in another thirty years, even at present rates of growth.

Like other great natural forces, this enormous growth and movement of population is fraught with danger as well as opportunity. It will roll over any attempt to slow it but it contains, on the other hand, the unique power to fulfill the promise of the Alliance within a reasonable time.

In 1962, slightly over half the people of Latin America were still rural* and dependent upon employment in agriculture,** but 1963 will see the shift from a rural to an urban majority. Since 1960, the cities, which were then only eight million behind, have been adding almost four million inhabitants per year. The rural sectors, meanwhile, have grown by less than a million and a half per year. One-half of the three million people added to the rural population each year, by the excess of births over deaths, are currently migrating to the cities. Nevertheless, in every country except Uruguay the rural population is continuing to grow.

During the last decade, the yearly per capita output of the rural population of Latin America rose by twenty-four dollars on the average, from \$95 in 1950 to \$119 in 1960. The urban population, meanwhile, despite the absorption of fifteen million rural people, increased its per capita annual

* Towns of over 1500 are considered urban.

** In 1960 fifty percent of the economically active population was employed in agriculture.

output, by fifty-four dollars, from \$479 in 1950 to \$533 in 1960.* Thus, the urban population, five times as well off as the rural in 1950, still made twice as large a gain, in dollars, during the decade. Equally significant, however, is the fact that the rural population made a twenty-five percent gain in per capita output while the urban population gained only eleven percent. The rural population actually began to catch up during the 1950s, despite falling agricultural prices and stagnant markets for agricultural goods. If Latin American cities continue to absorb rural population as well as rural products, at present rates, the rural population will continue to catch up during the 1960s, despite further projected declines in Latin America's share of the world market for agricultural goods.

At present rates of improvement, however, it would take a hundred years for the rural standard of living to equal the urban. It would take fifty years for the rural standard to reach one dollar per day per person;** barely enough to finance a minimum budget providing for adequate nutrition, decent clothing and undilapidated shelter.

Reduction of the huge disparity between urban and rural income, which is at the root of Latin America's social and economic problems, can be speeded up in only a limited number of ways. One is for more people to move from the country to the city. A second is for agricultural output to increase faster, in relation to total output. A third is for prices to shift in favor of agricultural products and a fourth is for the flow of capital, which

* These figures result from dividing the value of the total agricultural product among the rural population and the value of the non-agricultural product among the urban. Income figures are not available but would be roughly comparable.

** Since this refers to the rural average, at least half the population would still be below this figure.

landowners now transfer from the rural to the urban sector, to be slowed or reversed.

Not much more than a listing of these alternatives, is necessary, to show that, in the absence of the first, the others are merely theoretical. Private capital will flow to the countryside only when a rise in the price of agricultural labor creates an incentive for investment in machinery and a market for urban goods and services. Democratic governments, despite their desires to build rural facilities, will have to give priority to the needs of the politically volatile age-groups which are moving to the cities. Barring war, relative prices for agricultural products will continue to fall under increased competition from cheaper labor in Africa and Asia and from mechanized production in the United States, Canada and Australia. These same factors will continue to shrink Latin America's share of the world market for agricultural goods, so that increased agricultural output will have to depend largely upon increased domestic consumption. Aside from population increase, this could result only from a more rapid rise in per capita income, which only a more rapid burgeoning of the cities could bring about.

In essence, the poverty of the rural people of Latin America results from too many people producing too narrow a spectrum of goods. This poverty can be cured only by transferring workers from the production of agricultural

* Land distribution would not increase agricultural output unless accompanied by large-scale withdrawals from the agricultural labor force. A radical distribution of land, among the present labor force, would destroy commercial agriculture while a partial distribution would leave the remaining workers at the mercy of a larger but no more beneficent set of employers. The poorest and worst exploited people of Latin America are the unpaid family workers and hired hands of small landholders.

to other kinds of goods and by providing more land, better tools and more horsepower per capita to those who remain in agriculture. Everyone would agree that this must be the long run solution. Nevertheless, because the economic costs, social consequences and political risks of large-scale rural-urban movement are great, there is a school of thought which would delay rather than accelerate population movement from the country to the city.

Population movement from the country to the city is, of course, limited by the capacity of urban places to provide employment and facilities. The greater productivity of the urban worker requires correspondingly more capital to put him to work. The higher standard of living of the city requires more facilities per capita than the country. These facts are sometimes used as arguments for bringing urban facilities to rural areas rather than moving people to the city, but such arguments do not rest on economic or on democratic political grounds. Cities, clearly, continue to grow because non-agricultural goods and service, of a given quality, can be more cheaply produced and consumed there than elsewhere. It is equally apparent that, on balance, most people prefer the goods and services of the city to those of the countryside. The fact remains that, unless the advantages of the city are to be diluted, people can move to the city only as fast as jobs and facilities which meet the urban standard can be created. The growth potential of Latin American cities, thus, determines the rate at which the aspirations of Latin America's poverty stricken masses can be satisfied. Two estimates of the employment potential of the urban sector are summarized in the following table,

EMPLOYMENT AND POPULATION INCREASE
LATIN AMERICA 1950 - 1970 (1,000,000s)

<u>New Employment</u>	1950-1960 <u>Actual*</u>	1960-1970 (Conservative Estimate)**	1960-1970 (Accelerated Growth)***
Agriculture	6.5	7.5	- 9
Manufacturing	3.5	5	8
Construction	.75	2	4
Trade and Services	5.5	8	15
Total Urban	9.75	15	27
<u>Urban Population Increase</u>	30 ****	43	80
<u>Rural Population Increase</u>	13 ****	15	- 22

* Estimated from CEPAL data

** Made consistent with the economic growth pattern of 1950-1960 and with the urban-rural population forecasts of CEPAL, United Nations, etc.

*** Assumptions outlined in the text

**** Note that the ratio of population to employment increase is higher for the urban than the rural sector. This is consistent with a higher labor force participation in the rural sector, reflecting the lower productivity of agricultural employment.

While doubling the output of manufactured goods over the last decade, Latin American industry increased direct employment in manufacturing by only forty percent. In 1950 eight and a half million workers produced seven and a half billion dollars worth of manufactured goods. Ten years later with only three and a half million more workers, fifteen billion dollars worth of goods were produced.

Construction increased by only twenty-five percent during the 1950s, in Latin America as a whole, to an annual total of two billion dollars, but, because of falling productivity, this small increase in volume accounted for three-fourths of a million additional jobs.

The four and a quarter million new jobs in manufacturing and construction generated five and a half million new jobs in trades and services, a total of a million jobs per year. These jobs supported an annual urban population increase of three million.

The best available estimates of the rate at which Latin America's manufacturing sector might expand during the 1960's are, probably, to be found in the development plans of individual countries. Of the countries which have completed development plans, Colombia had a growth rate for manufacturing, in the 1950s, almost the same as the average rate for all of Latin America. Since Colombia is also near the Latin American average in the proportion of the labor force employed in manufacturing, it may be reasonable to take the Colombian projection as an estimate of the probable future growth rate for Latin America.

The Colombian Plan projects an expansion of manufacturing by 130% over ten years; this is one-third more than the growth of the past decade. If manufacturing throughout Latin America expands at this rate, and if

productivity increases at the same rate as it did for Latin America as a whole during the 1950s, almost eight million new jobs will be created in manufacturing during the 1960s.

The volume of construction in Latin America during the 1960s will depend upon the total volume of investment and on the proportion of investment available for construction. While total investment in Latin America increased from six and a half billion in 1950 to eleven billion in 1960, the proportion going to construction dropped from twenty-five to less than twenty percent. If the Latin American economy, which grew at an average annual rate of four and a half percent during the fifties, grows at five percent annually during the sixties, and achieves by 1970 an average investment rate of 20%, there will be twenty billion dollars available for investment in 1970. The 1950 share for construction would imply construction at the rate of five billion dollars in 1970. At present productivity levels this would add over four million construction jobs to the 1960 totals.

Eight million new jobs in manufacturing and four million in construction make a total of twelve. If the ratios which prevailed in the 1950s remain valid, these jobs would generate fifteen million new jobs in trade and services. The resulting total of twenty-seven million new urban jobs would support an urban population increase of eighty million, with a continuing rise in average per capita urban income. This rate of growth would imply a rural-urban migration rate of five million persons per year and a doubling of the income of the rural population within the decade.*

* Assuming the withdrawal of labor has only a temporary impact on agricultural output.

Providing urban housing and utilities for a million rural migrant families per year* would be one of the major obstacles to such an accelerated solution of Latin America's socio-economic problems. Providing the agricultural machinery to replace a million agricultural workers per year would be another. The capital now estimated to be available for investment in Latin America during the 1960s, including the resources pledged under the Alliance for Progress, might be sufficient to finance the new industrial and construction jobs posited above, but would not suffice, in addition, to house seven million additional urban families*and to replace nine million agricultural workers during the decade.

It must be remembered, however, that the urban growth and the revolution in agricultural production implied by a rural-urban movement of five million persons per year would accelerate economic growth and would increase the supply of capital by increasing both the rate of investment and the size of the economic base. During the past decade mining and manufacturing were the only dynamic elements in Latin America's economic growth. An accelerated rural-urban migration would make equally dynamic elements of the construction and agricultural sectors. Markets for building materials, consumer durables and agricultural machinery would expand enormously, and the resulting demand for additional minerals, foods and fibers might even raise local prices for some of these primary products.

If it cost five thousand dollars to provide urban housing and services for each rural family and five hundred dollars to replace each agricultural worker with machinery, the additional investment implied by our accelerated

*At least three million families will move, in any case, during the decade.

rural-urban migration would be forty billion dollars during the decade. A six percent annual growth rate rather than the five percent now assumed, and an average investment rate of twenty-two rather than eighteen percent, would provide this additional capital. There can be little doubt that, if the additional housing and machinery were actually produced, the higher growth and investment rates would be achieved.

By and large, Latin America has the raw materials, the industrial base and the manpower to carry the accelerated development program sketched above. Construction is not only the most profitable occupation the excess agricultural labor force could engage in, it is also the most practicable large-scale training ground for industrial employment, available to untrained agricultural workers, young engineers, would-be entrepreneurs, etc. The manufacture of construction materials, household goods and agricultural equipment would provide maximum opportunities for the use of locally available materials and manpower. Relatively small demands for additional imports would be generated, largely for specialized capital equipment. Almost all of the larger Latin American countries will soon be capable of supplying even a fairly rapidly increasing demand for manufactured consumer goods.

Temporary declines in agricultural output could result from a rapid withdrawal of agricultural labor; which is, nevertheless, a necessary stimulus for the rapid mechanization of agriculture; which in turn is necessary if Latin America is to hold her own in world markets for agricultural goods. Such declines could be avoided, however, or be held to

relatively small scale and short duration, by appropriate institutional arrangements; which might include the temporarily expanded use of our own agricultural surpluses.

Institutional arrangements, of course, are easier to prescribe than to provide. Their absence is probably the most concrete obstacle to an acceleration of Latin America's economic development. The mere fact that the extra capital, needed to provide housing and agricultural machinery, could be generated by the accelerated growth resulting from the availability of this capital, will not make the capital available. If Latin America's farmers were faced tomorrow with a rapid loss of workers, they would not have at hand, either agricultural machinery or the credit to buy it. Even the urban workers of Latin America, who are already well established in productive jobs, and who could well afford to pay for adequate housing, under the terms available in the United States, cannot buy or rent decent housing in Latin America at terms they can afford. There are public utilities in Latin America which cannot borrow money to supply waiting customers and governments which cannot collect taxes to build needed streets and sewers.

But the circle does not stop here. As previously noted, agricultural machinery and credit are lacking, because cheap labor makes investment in agricultural machinery unprofitable. Modern long-term housing credit has only recently begun to appear in Latin America, because a large-scale market for middle-class housing is of relatively recent origin. Even the

inefficiency of Latin America government can be laid to the absence of a sufficient number of prosperous, educated, middle class voters. Looked at in one way, this is a vicious circle. From another point of view it is a circle which can be grasped at any point.

One effective point of attack might be housing credit. No sharper contrast can be found, between urban Latin America and the United States, than the terms on which housing can be purchased by the average citizen. In Latin America a man with an adequate and secure income must still pay half the price of a house in cash and the remainder in ten years or less. As a result there is an evergrowing backlog of needed housing. Construction in recent years has not even kept up with the rate of new family formation.

In order to accommodate the accelerated urban growth envisaged above, Latin America would have to build from one to two million houses per year. These are rates comparable to those of the United States; they would be possible only with comparable credit terms, which would require similar credit institutions. Long term housing credit in the United States depends upon government guarantees and similar guarantees would be needed in Latin America. The guarantees of Latin American governments might not, in all cases, be sufficient and might require international backing, either by or including the United States government.

A major technical difficulty, created by currency inflation, in the government guarantee of long-term housing credit has recently found a workable solution in Chile. Similar but not insoluble difficulties would

be involved in the provision of international support for national guarantees of housing credit. Solution of the housing credit problem would, of course, be merely a first step; this would probably be followed by a greatly expanded need for agricultural credit, particularly for the purchase of machinery, and also by an intensified need for public utilities. It might also, as indicated above, be followed by temporary declines in agricultural production and a consequent need for expanded use of our own food surpluses.

Almost certainly, the expanded demands generated by an accelerated economic development could not be met entirely within the present scope of the Alliance, which would have to be expanded although not necessarily in terms of United States loans and grants. Additional credit guarantees and assistance in the development of financial institutions, both public and private, would be the key new requirements.

On the other hand, the accelerated development outlined above would solve many of Latin America's fundamental economic, social and political problems. Reducing the rural population and increasing its prosperity would begin to reduce birth rates and level off the rate of population increase. Shifting millions of hands from unproductive to productive work would add more to the supply of goods than to the demand for them and would thus, reduce the driving force of Latin America's inflation. Removing Latin American agriculture from its present dilemma, where mechanization not only doesn't pay but robs people of their miserable but only means of livelihood, would also free it from the cost-price squeeze

of cheap African labor and efficient United States machinery. Providing decent housing for city dwellers, urban jobs for agricultural youth, rising incomes and lightened physical loads for those who remain on the land, would satisfy some of the deepest aspirations of Latin America's masses. Speeding the growth of the cities would also speed the transfer of political power to the urban middle class and, thus, would speed the reforms to which the Alliance is dedicated; reforms which conform to the interests of an expanding middle class but not to those of the traditional holders of power. Finally, accelerating the growth of the economy would improve Latin America's capacity to finance her own development.

It must also be remembered that an accelerated growth of urban employment and rural-urban migration are real prospects in Latin America, whether provided for or not. If they occur without provision for housing and other urban facilities, if they are frustrated by lack of provision, if they are supported by inflation or by dictatorial governments, the results may not be to our liking. Latin America may have reached the point of take-off or crash.

First steps towards an accelerated development program might be:

- (1) Analysis, on a country-by-country basis, paralleling and extending the present analysis.
- (2) Serious exploration of how to speed the introduction of long term housing credit to Latin America.
- (3) Discussion among the policy leaders of the hemisphere of the general issues raised herein.

Everett Reimer

SELECTED SUPPLEMENTARY TABLES

1

LATIN AMERICA: DISTRIBUTION OF GROSS PRODUCT AND OF THE EMPLOYED POPULATION
BY ACTIVITY

1960

Activity	Gross Product (%)	Employed Popula- tion (%)	Relative Index of Productivity	
			Agr. =100	Industry =100
Total	100.0	100.0		
Agriculture	19.7	50.0	100	26
Mining	6.1	1.0	1538	408
Industry	23.5	16.0	377	100
Construction	3.2	4.0	205	54
Other Activities	47.5	29.0	418	110

SOURCE: Victor Urquidí, Viabilidad Económica de América Latina
Based on preliminary data of CEPAL

2

LATIN AMERICA: INCREASE OF GROSS PRODUCT BY ACTIVITY

Activity	Indices, 1950 = 100			Annual Rates of Increase		
	1955	1959	1960	1951- 1955	1956- 1960	1951- 1960
Gross Product	125	149	155	4.6	4.4	4.5
Agriculture	122	138	142	4.1	3.0	3.6
Industry	130	178	197	5.4	8.7	7.0
Minerals & Pet.	137	193	203	6.5	8.2	8.5
Construction	114	122	126	2.7	2.1	2.4
Commerce & Finance	128)			5.1)		
Transport & Comm.	135)			6.2)		
		149	152		3.9	4.3
Govt. Services	120)			3.7)		
Other Services	120)			3.7)		
Population	113	125	128	2.5	2.6	2.5
Per Capita Prod.	111	119	121	2.1	1.7	1.95

SOURCE: CEPAL

LATIN AMERICA: GROSS PRODUCT BY PRINCIPAL COUNTRIES 1950, 1955 & 1960

Country	Millions of Dollars 1950 Prices			Annual Rates of Increase		
	1950	1955	1960	1951- 1955	1956- 1960	1951- 1960
Latin America	39,700	49,800	63,000	4.6	4.8	4.7
Argentina	9,889	10,936	11,290	2.0	0.6	1.3
Brazil	10,232	13,200	18,675	5.2	7.2	6.2
Colombia	2,910	3,768	4,455	5.3	3.4	4.4
Chile	1,831	2,137	2,383	3.1	2.2	2.7
Mexico	5,194	7,268	9,701	7.0	6.0	6.5
Peru	1,145	1,521	1,370	5.7	1.9	1.8
Venezuela	3,379	5,131	6,982	8.7	6.3	7.5
Others	5,120	5,839	8,144	2.7	6.9	4.7

LATIN AMERICA: PROJECTION OF DEMAND FOR AGRICULTURAL EXPORTS-1975

Products	1954-1956 (Millions of Dollars)	Projection to 1975 (Millions of Dollars) 1954-1956 Prices	Annual Rate of Increase
Wheat & Flour	241	266	0.5
Corn and Other Cereals	82	135	2.5
Sugar	578	729	1.2
Fruits & Vegetables	229	315	1.6
Coffee	1,900	2,797	2.0
Cocoa	160	244	2.1
Cotton	511	525	0.1
Wool	263	437	2.6
Oil Seeds	57	113	3.5
Hides	99	121	1.0
Other	507	816	2.4

URBAN AND RURAL POPULATION OF LATIN AMERICA
1950-1960-1970

		Thousands			Indices:		
		1950	1960	1970	1950	1960	1970
Argentina	U	11,040	14,205	17,485	78	100	123
	R	6,150	6,795	7,505	91	100	110
Bolivia	U	1,015	1,380	1,980	74	100	143
	R	1,915	2,220	2,560	86	100	115
Brazil	U	18,815	27,380	39,780	69	100	145
	R	33,160	38,480	44,660	86	100	116
Colombia	U	4,170	7,065	11,080	59	100	157
	R	6,975	7,705	8,510	91	100	110
Chile	U	3,575	5,010	6,900	71	100	138
	R	2,500	2,625	2,760	95	100	105
Ecuador	U	910	1,500	2,235	61	100	149
	R	2,285	2,785	3,395	82	100	122
Paraguay	U	390	565	860	69	100	152
	R	1,010	1,060	1,115	95	100	105
Peru	U	2,975	4,480	7,030	66	100	157
	R	5,195	6,030	7,000	86	100	116
Uruguay	U	1,895	2,245	2,505	84	100	112
	R	515	515	515	100	100	100
Venezuela	U	2,675	4,515	6,805	59	100	151
	R	2,300	2,420	2,545	95	100	105
Costa Rica	U	265	460	685	58	100	149
	R	535	685	875	78	100	128
Cuba	U	3,065	4,110	5,345	75	100	130
	R	2,455	2,710	2,995	91	100	111
El Salvador	U	685	1,020	1,515	67	100	149
	R	1,185	1,375	1,600	86	100	116
Guatemala	U	760	1,205	1,940	63	100	161
	R	2,280	2,775	3,385	82	100	122

CONTINUED:

URBAN AND RURAL POPULATION OF LATIN AMERICA
1950-1960-1970

		Thousands			Indices:		
		1950	1960	1970	1950	1960	1970
Haiti	U	380	710	1,290	54	100	182
	R	2,730	3,015	3,330	91	100	110
Honduras	U	430	590	885	73	100	150
	R	955	1,165	1,420	82	100	122
Mexico	U	11,265	17,510	26,900	64	100	154
	R	15,170	17,605	20,430	86	100	116
Nicaragua	U	370	625	930	59	100	149
	R	690	840	1,025	82	100	122
Panama	U	285	430	670	66	100	156
	R	470	580	700	81	100	121
Dominican Republic	U	505	865	1,480	58	100	171
	R	<u>1,625</u>	<u>1,980</u>	<u>2,415</u>	<u>82</u>	<u>100</u>	<u>122</u>
Gross Total		155,570	199,235	257,040	78	100	129
Total Urban		65,469	95,870	138,300	68	100	144
Total Rural		90,101	103,365	118,740	87	100	115

SOURCE: UNESCO Education Conference, Santiago, Chile, February 1961

ACKNOWLEDGEMENT: Supplementary Tables 1-4 were adapted from Victor Urquidi's Viabilidad Economica de America Latina, which also provided most of the data for the analysis.