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LATIN AMERICA

NOVEMBER–DECEMBER 1960

REPORT

OF

Senator BOURKE B. HICKENLOOPER

TO THE

COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

MARCH 23, 1961

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LETTER OF TRANSMITTAL

MARCH 23, 1961.

Hon. J. W. FULBRIGHT,
Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I transmit herewith a report on a trip which I made in November–December 1960 to Latin America in my capacity as a member of the Committee on Foreign Relations and its Subcommittee on American Republics Affairs. I was accompanied by Mr. Pat M. Holt of the committee staff, whose keen perception coupled with his extensive experience in Latin America was of inestimable value not only during the trip but also in the preparation of this report.

I take this opportunity to express my appreciation for the many courtesies shown me by U.S. Government representatives abroad and for their zealous cooperation in furtherance of this mission. Latin American officials were most courteous, frank, and objective; and the employees of the commercial transportation companies, on whose lines the entire trip was made, rendered every possible assistance.

Sincerely,

BOURKE B. HICKENLOOPER.

LATIN AMERICA, NOVEMBER–DECEMBER 1960

I. INTRODUCTION

The situation in Latin America as of the time of my visit there (November–December 1960) can be interpreted in various ways. There is growing social and economic unrest on the one hand, but on the other hand there is a record (over the past decade or so) of longer continuity and greater basic stability of freely elected governments in most of the countries than at any previous time. The urgent question is whether these governments can move rapidly and effectively enough to meet the legitimate aspirations of the people before the unrest takes violent revolutionary forms.

There is a widely current erroneous assumption on the part of many people in the United States that Latin America is not only a geographic unit but a political and social unit as well. We tend to lump Latin America into one package and refer to the problems and to our general attitude as common to all of the countries. This is a mistaken view and we will not fully understand the problem of the Latin American countries until we realize that they are indeed separate nations, each with its own national, social, and political problems and responsibilities.

While their basic culture, overall, is Latin there are many wide differences in their political and economic forms. Politically, they run the course from democracy which affords individual freedom, including free press, economic liberty, etc., to autocratic dictatorship, with various "in between" systems. Fortunately many old-style dictatorships have been successively eliminated. There are, however, varying types of strong man governments in which central authority can issue decrees and, under some circumstances, control or suppress the press and suspend civil rights under circumstances which would not be permitted in our system. As a rule, however, these powers have not been seized by force but result from laws passed by national legislatures under recognized and established constitutional provisions.

The economics of the various countries differ widely. Some are almost entirely agrarian with a landholding aristocracy as the social elite. In others, business, industry, and finance share the controls. A few people are affluent, but most are poor. While generalization should be made with utmost caution, I think it can be said that one of the major roadblocks to more rapid and widespread economic and social advancement in many Latin American countries is the fact that a small group of social and political elite have practical control of the economy and politics while the less fortunate people have had little or no chance for education, the acquisition of their own homes, or choice of employment.

Too often many of this elite class invest a major part of their profits abroad either because they lack confidence in their own country or because they believe foreign investments more secure. Regardless of the reason, the result is that this flight of capital inhibits local economic development that would provide jobs, contribute to the alleviation of distress, and further the expansion of industry and such public services and institutions as highways, schools, and sanitation.

The unrest in Latin America will continue to grow, and the demand for better things will either be realistically and successfully met in an orderly and peaceful manner or we may expect political and social explosions that could result in Communist-type dictatorships. It is not that the people themselves would want such dictatorship; but if leadership, dedicated to progress under a free system, fails in vigor and realism then leadership of the other kind will find the opportunity that it constantly seeks. The gap is great between the comparatively small group who have power and property, and the mass of people who have little.

Many farsighted leaders in and outside of government in the countries visited realize the imperative need for social and economic progress. They are working for reforms. However, within their own ranks are those who give lip service to the need for reform but in fact delay and impede such reforms.

On the other hand, the people themselves have not built up a strong system of community or area responsibility in most countries. While the individual will demand certain rights for himself and his family, he fails to assume the responsibility in his local community for schools, streets, sanitation, taxes, law enforcement, and other public functions. The central government is expected to furnish such services. It is a paternalistic system that is traditional. If the central government doesn't do anything or does an inadequate job, local communities do not do much for themselves.

There are many exceptions, of course. Some countries are moving to decentralize authority and responsibility.

There is a noticeable lack of a large vigorous middle class in most of the countries. As noted before, there is a wide gulf between the comparatively few affluent and the great majority who live, more or less, on a bare subsistence basis. While in several countries there is a growing middle class, the lack of education and technical training is a handicap. The lack of credit is a particular handicap to the development of small independent business and farming operations.

These are the principal conclusions of a 5-week trip in November–December 1960 to 11 Latin American countries: Guatemala, El Salvador, Nicaragua, Ecuador, Bolivia, Peru, Chile, Argentina, Uruguay, Brazil, and Venezuela. In addition, I took advantage of an overnight stop between planes in Panama, where I had spent some days in September, to hold long conversations with American officials and bring myself up to date on developments there. In the other countries, I also talked with national officials, American and local national businessmen, journalists, and as many other observers as time would allow.

I was interested generally in political, economic, and social conditions and particularly in two subjects—plans for implementation of the Act of Bogotá with its program of social reform, signed in September by all the American Republics except Cuba and the Dominican Republic, and the extent of Castro and Communist influence.

On the last point, I was somewhat reassured, with important qualifications which will be discussed below.

But regarding implementation of the Act of Bogotá, I was disappointed in certain countries. This, too, will be discussed below in more detail.

II. INDIVIDUAL COUNTRY SUMMARIES

Most of the countries covered by this report have governments which, by their historical standards, were freely elected and are reasonably stable. Bolivia has literally emerged from feudalism since 1952. It has now been almost 9 years since a government was forcibly overthrown—an alltime record—and in the meantime two national elections have been held with power being peacefully transferred from one President to another. In this sense—that is, in the sense of the peaceful transfer of power following a reasonably free election—Ecuador is likewise in an era of unprecedented political tranquility. Peru saw the rare sight of a dictator voluntarily relinquishing power in 1956, and it has since maintained its freely elected successor government. Argentina and Venezuela each have freely elected governments for the first time in many years, and these governments have each demonstrated remarkable staying power in the face of threats from both right and left. Colombia, where I spent a week in September at the Inter-American Economic Conference, also falls in this category. Brazil, Chile, and Uruguay continue their long traditions of making the mechanics of democracy work, of having periodic elections, and of accepting the results of those elections.

The big question in all of these countries, and also in the Central American countries I visited, is whether the substance, as well as the mechanics, of democracy can be stabilized and, if not, what is likely to take its place.

The preponderance of the signs point to the conclusion that unless more and faster progress is made in the existing political framework toward meeting the aspirations of the people for social reform and economic development, this framework can easily collapse and be swept away in a flood of popular discontent that might bring Communists or crypto-Communists to power.

While Latin America has been making encouraging political progress, it has been beset with mounting social unrest and with economic problems of increasing complexity. These are the long-range factors which threaten stability and which, I fear, can undermine the relatively young and tender institutions of representative government at least as fast as these institutions are growing.

This unrest is indigenous. Its origins are basically unrelated to communism or to Castroism, though in some countries it springs from social situations resembling those in pre-Castro Cuba. Agents of Castro's Cuba, Khrushchev's Russia, and to some extent of Mao's China, however, are diligently trying to shape these restless social forces to their own ends. That they have not yet had more success is a tribute to the inherent good sense of the people of Latin America.

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But to underestimate them by ignoring the danger they represent would be as fatal a mistake as to overestimate them by imagining there is a Communist behind every Latin American reformer.

Although more could be done to improve the internal security situation in almost every country I visited, simple anti-Communist measures are not enough. The threat can be met in its entirety only by alleviating the conditions which create a climate of receptivity toward Communist agitation.

One can catalog, country by country, the problems faced by Latin American governments:

Guatemala

Out of a population of 3.7 million, there are more than 2 million fullblooded Indians, speaking a variety of languages and many not speaking Spanish at all. The country is not yet fully recovered from its close brush with communism in the early 1950's. The November revolution, so far as could be determined, was homegrown, arising out of dissatisfaction among a few junior officers in the army. But when the revolution occurred, the Cuban radio promptly offered support. Although President Ydigoras Fuentes and his government acted promptly, vigorously, and successfully to put down the revolt, there is no assurance that further disorders will not occur. The country's basic economic situation is fairly satisfactory, relative to past years, but the government was in a desperate fiscal plight as 1960 ended.

El Salvador

Traditionally owned and governed by a small group popularly referred to as the 14 families, El Salvador presents some of the greatest extremes between wealth and poverty to be found in the hemisphere. My visit occurred less than a month after a coalition of forces overturned the elected government of President Lemus and installed a civilian-military junta. This junta was in turn overthrown by more conservative elements in January. At the time of my visit in November, the United States had not recognized the junta then in power (it did so subsequently), and I therefore did not meet any Salvadoran officials. I did meet Salvadoran private citizens, however, as well as resident Americans. Although it was not then—nor is it yet—clear how things will work out in El Salvador, it is clear that the country is in the process of change. There is a popular demand for reform, while the so-called 14 families show little disposition to give up any of their long-held privileges. The question is whether the reform takes place peacefully or forcefully, whether it is allowed to run its course freely, or whether it is seized and perverted by communism or Castroism.

Nicaragua

Although an abortive revolution had been attempted shortly before my arrival and although others can reasonably be expected, Nicaragua appears to be the most stable of the three countries which I visited in Central America. President Luis Somoza seems determined to end his family's dynasty which has ruled Nicaragua since the 1930's. Elections are scheduled for 1963 under a constitutional amendment which prohibits any member of the Somoza family from being a candidate. Meanwhile, the President remains under attack, at home and abroad, as a dictator, though his government seems more tolerant than that of his father and he seems to enjoy great personal popularity. Paradoxically, a part of the opposition to Somoza comes from the Nicaraguan elite, who think he is too liberal, and another part comes from exiles and some university students, who think he is too conservative. There are recurring incidents of arms smuggling and infiltration of would-be revolutionaries across the Honduran and Costa Rican frontiers, but the odds seem to be that Somoza will stay in office until his term runs its course 2 years hence. The important question for Nicaragua is who—and what—will follow him.

In both El Salvador and Nicaragua, one is struck by evidence of collaboration between extreme radicals and ultraconservative elements of the elite. Each of these groups opposes moderate reform—the radicals because it would remove one of their talking points, the elite because it would undermine their privileged position.

Ecuador

Although it has one of the most stable currencies in the hemisphere and has achieved considerable economic growth in the last decade, Ecuador also has one of the lowest per capita incomes, and a large part of its big Indian population is outside the normal economic and political life of the country. President Velasco Ibarra was elected last year on an ambitious platform of economic development and social reform and feels that he must produce quick results. He has also made the Ecuadoran-Peruvian border dispute one of his principal preoccupations. This dispute was presumably settled in 1942 when the two parties reached an agreement which was guaranteed by Argentina, Brazil, Chile, and the United States. The Ecuadoran Government now takes the position, unacceptable to the guarantor powers, that this agreement is invalid. When the guarantors reiterated that the agreement could not be denounced unilaterally, anti-American riots occurred in Quito and Guayaquil. Regardless of the merits of the dispute, it is difficult to see how the guarantors could have taken any other position, and it is to be hoped that the Ecuadoran Government will turn its attention to more pressing domestic matters. It should also be noted in passing that, significantly, although the statement by the guarantor powers was a four-power statement, it touched off riots only against the United States and not against Argentina, Brazil, or Chile. We should keep this and other facts in mind when we assess the attitude of the present regime toward the United States.

Bolivia

Although signs of hope stubbornly continue to crop up in Bolivia, they are as sparse as the altiplano grass. The principal immediate economic problems are the business enterprises operated at big losses by the Bolivian Government—COMIBOL, the mining company; YPFB, the oil company; and the railroads. The rehabilitation of COMIBOL involves the establishment of efficient mining methods, a reduction of the labor force by perhaps 20 percent, an end to government subsidies to workers' commissaries, and a considerable infusion of capital for exploration and new equipment. The rehabilitation of YPFB involves an increase of at least 50 percent in the price of gasoline, now sold that much below cost; and the rehabilitation of the railroads involves a substantial fare increase combined with a substantial reduction of surplus employees. All of these necessary actions are politically unpopular, and the Bolivian Government is not in a position to survive too many unpopular moves.

A hopeful step was taken in January with the signing of a management consultant contract between COMIBOL and the German firm of Salzgitter. As a part of the arrangement, the German Federal Government, the Inter-American Development Bank, and ICA will furnish new capital to COMIBOL on a loan basis (tentatively $3.5 million from each), and Salzgitter will undertake the reorganization of Bolivian mining.

Although Bolivia has great natural resources in the form of minerals and potentially good farmland, it is one of the poorest countries in the hemisphere and its population is largely illiterate and unskilled. Bolivia had a thorough social revolution in 1952, and its basic long-term problem is now the development of both its human and its natural resources. Meanwhile, the Government is threatened by extreme leftwing demagogs and there is violence in the countryside.

Peru

As the government of Prime Minister Pedro Beltran struggles to bring about institutional reforms, it meets opposition from the thin layer of elite in Lima who want things to stay as they are, and rising discontent from the Indians who want changes made faster. Indians and mestizos (mixed bloods) account for fully 90 percent of the population, and many of them are not really a part of the money economy of the country. They are now demanding land, and are actually invading large private haciendas and refusing to be driven off. The statistics show an improving economic situation in Peru, but increased incomes are not widely shared.

Efforts are being made to improve middle income housing in Lima and to open undeveloped land in eastern Peru to settlement. A pioneering savings and loan association has been established in Lima with help from the Development Loan Fund and a loan of Public Law 480 soles has been made to a private American builder to finance additional houses. I visited some of these, talked to their new owners, and was favorably impressed. Peru has also received a DLF loan for its land development work, which is only beginning but which holds promise for satisfying the land hunger of the peasants as well as increasing the country's agricultural production.

A promising start has been made, but the need is vast. The work must be greatly and rapidly expanded.

Chile

One of the oldest and stanchest of the Latin American democracies, Chile appears to have brought its chronic inflation to at least a temporary halt, but it has been extremely hard hit by a series of natural disasters, with damage amounting to perhaps as much as $400 million (on the basis of replacement costs) in a country with a gross national product of only $3.5 billion. (Proportionate damage in the United States would be about $55 billion.) Through the courtesy of LAN, the Chilean national airline, I was able to make a quick side trip to Concepcion and see some of the extensive earthquake damage and the efforts to rebuild. Recovery is progressing, and the Chilean Government has raised taxes to meet part of the cost. But Chile also has fundamental structural problems in its economy. Land is maldistributed and uneconomically utilized. There is a fairly diversified industry, but with only 6 million people the market is too small for economies of scale in production. Investment has been inhibited by inflation and has only been sufficient to maintain an increase in the gross national product barely equal to the increase in population. Per capita incomes may have actually declined over the past decade. The government's courageous stabilization program held inflation to 5 or 6 percent in 1960 and hopefully will encourage an increased rate of investment in 1961. Despite its problems, Chile is one of the brighter spots of Latin America.

Argentina

Another bright spot is Argentina, which has made an impressive and encouraging start toward recovery from the waste and chaos of the Peron regime. Argentina's great need is capital to replace the depleted assets which were frittered away in the Peron years ($1.25 billion in foreign exchange reserves plus uncounted amounts of fixed capital which was allowed to wear out without replacement). Capital is now coming in—$475 million in private investment in the last 2 years plus $120 million from the Export-Import Bank. But so great was the decapitalization under Peron that the country could use even more. President Frondizi's stabilization program has produced impressive results in terms of higher foreign exchange reserves and stability of the peso and the cost of living, but it has not yet produced concrete economic improvements for individuals. Indeed, its initial effect was to produce more belt tightening for individuals. Given time, the foreign capital which has poured into Argentina since 1959 will produce these concrete improvements. It is now anticipated that, as a result of equitable contracts for development, mostly with U.S. companies, Argentina may achieve self-sufficiency in oil by the end of 1961, and this will mean a saving of about $200 million a year in foreign exchange. The question is whether the Argentine people will wait for these policies to pay off. It appears now that they will, but the game isn't over yet.

Uruguay

One of the most politically stable countries in Latin America, Uruguay is going through a difficult economic period, caused in part by cyclical and in part by secular trends, but it has substantial assets, the most important of which are productive land and a literate population. However, the land and the skills of the Uruguayan people are not always used most efficiently. Several problems in U.S.-Uruguayan relations have been overcome in the last few years. The large Soviet Embassy in Montevideo is a major center of Soviet efforts to infiltrate the hemisphere, and there is reason to believe that Communist activities in Argentina and Brazil receive support and direction from this center. On the whole, however, one can look at the future in Uruguay with hope and confidence.

Brazil

The biggest country in area and with at least one-half of the population in South America, Brazil is suffering economic difficulties to match its continental size. Brazil for several years has had chronic inflation and deficits in its budget and its balance of payments. It has financed its budgetary deficits by expanding the money supply, and this, of course, is one of the causes of its inflation. It has financed its balance-of-payments deficits by a variety of means, one of them being a device which has come to be known as swaps. In a swap, the Brazilian Government buys dollars from a foreign company for cruzeiros at a low rate, with an agreement to allow the company to buy the dollars back later, usually in 3 to 5 years. At this point the Bank of Brazil has to go into the open market to buy dollars which in the meantime have become more expensive in terms of cruzeiros. A swap amounts to a foreign company selling cruzeiros short. For the Brazilian Government, swaps have provided quick emergency foreign exchange and have also been a means of postponing the day of reckoning with the dollar shortage and other economic problems. This day of reckoning is now the problem of the new administration in Brazil, which took office January 31, 1961. The payments on swaps coming due in 1961 plus the defict in Brazil's foreign trade mean that Brazil faces a dollar gap in the current year in excess of $400 million, or almost 40 percent of its total exports. This poses a problem of crisis proportions to the new Brazilian administration. The country is also suffering from a severe shortage of wheat (negotiations for a new Public Law 480 agreement have so far proved unsuccessful) and has its own depressed-area problem (economic and political) in the drought-stricken, underdeveloped northeast.

Venezuela

The democratic, coalition government of President Romulo Betancourt (now reduced from three parties to two) continues precariously to survive assaults from the left and grumbling from the right. It successfully withstood a series of riots during the fall and early winter and may well have come out of this crisis stronger than before. But it, too, is facing difficult economic problems. Although exact figures are impossible to obtain, some observers estimate that Venezuela has lost as much as $1.1 billion in flight capital in the last 3 years. It is also suffering a domestic economic depression, with unemployment of 12 percent, the construction industry depressed, oil exploration suspended, and a million barrels a day of shut-in oil capacity. Venezuela's foreign trade (oil accounts for 90 percent of its exports) still shows a surplus of exports over imports. The problem is in the flight of capital and in internal conditions.

Through the courtesy of the Orinoco Mining Co., a United States Steel subsidiary, I was able to visit the large iron ore mining operation on the Orinoco River in southern Venezuela. This is returning substantial revenues to the Venezuelan Government. A hydroelectric power development on the nearby Caroni River may support further industrial development in the area.

III. CASTRO AND COMMUNIST INFLUENCE

Most of the countries dealt with in these thumbnail reviews generally have good governments which are sympathetic to the aspirations of their people. But these governments are based on uncertain political and social structures, which the Communists are constantly trying to undermine.

It is in the U.S. interest that these structures be strengthened against such efforts. Our interest is not in any particular regime, but in stimulating a political order which is at once stable enough to provide the atmosphere of confidence necessary for economic development and flexible enough to allow for much-needed social changes based upon informed self-determination. Only thus can the hemisphere be shored up against Communist subversion. Only thus can freedom really protect itself.

It was said above that, with important qualifications, I was somewhat reassured about the diminishing extent of Castro and Communist influence in the countries I visited. Communists are active in all these countries, more so in some than in others. Where the Soviet Union has no diplomatic relations, it works through the embassy of one of its satellites. But by and large, Communists, as Communists, do not seem to represent a significant immediate threat.

The problem of Castro influence appears to be more complicated. Castro came to power in Cuba on New Year's Day 1959 with a reservoir of good will throughout most of Latin America. Feeling against dictators was high, and Batista had been considered a dictator. Demand for social reform was also high, and Castro promised social reform. The process of disillusionment with Castro has been somewhat slower in Latin America than in the United States. Many Latin Americans still tend to look at the stated goals of the Castro revolution with approval, but a growing number see the betrayal of those goals by Castro and his Communist masters.

It must also be recognized that, initially at least, many Latin Americans took a certain satisfaction in the sight of Castro thumbing his nose at the United States. And some of them attributed U.S. opposition to Castro entirely to his seizure of American property rather than to his perversion of a revolution.

Slowly, however, the truth about Castro's Cuba began to penetrate the smokescreen of promises and propaganda. This process started first among governments, whose officials on the whole are better informed than their countrymen and who also saw in Castroism a threat to their own positions. It has since spread.

But as Castro alienated Latin American governments, he started a backfire among their people, going behind governments to win popular support. Thus, some Latin American governments, which themselves clearly saw the threat of Castroism, were temporarily immobilized by fear of their own public opinion. There now appears to be a trend in which these governments are taking a tougher attitude toward Castroism in their own countries and with increased popular support. It is hoped that these governments will take a significantly tougher attitude in the Organization of American States, but we would be deluding ourselves to expect too much too soon.

The problem of Castro influence is complicated by the fact that it has grown beyond the personal appeal of an individual leader. It has been converted into a doctrine. If Castro vanished from the scene tomorrow, *Castrismo* could be expected to continue to agitate many people in Latin American countries as a doctrine of radical social reform.

This doctrine, spread by active Communist and Castro agents, occurs in its most virulent form in certain labor unions, among the peasants in some countries, and among the hard corps of "professional students" and agitators in universities almost everywhere.

The universities present a special problem. Following a long tradition, the typical Latin American university is autonomous. It exists largely on public funds, but it is not really accountable to the public or the government.

Students generally participate in the formal governing body of a university and frequently exercise de facto control. Latin American university student organizations are typically either heavily influenced or completely dominated by Communists who use the student strike as a means to control the administration of the university, to get anti-Communist faculty members dismissed, and to keep things generally in a state of turmoil.

Most of these leaders and agitators are professional students who are on the payroll of the Communist Party or a front organization and who technically are enrolled for one or two courses at night. Many of them are middle-aged and I heard of two who were more than 60 years old.

This situation can exist because of the complete lack of discipline which is a part of the tradition of the autonomous university. It does not matter whether students attend classes or pass courses or take examinations. They can keep on being students indefinitely, and on the rare occasions when a rector has tried to establish faculty control and academic discipline he has been faced with a student strike.

There is much evidence to suggest that the overwhelming majority of Latin American students are serious-minded young people interested in getting an education. But few of them have either the organizational know-how or the leadership talents to cope with the professional Communist agitators and organizers. In some Latin American countries, especially in Central America, most families who can afford it send their children to the United States to college. Consequently, the local students come mainly from poorer classes and have a greater natural predisposition toward sympathy with Castro slogans.

In some countries, also, the Communists have progressed from capturing the universities to invading the high schools. At this level, their work is mainly through teachers, many of whom are Communists.

In both the universities and the labor unions of Latin America, anti-Communist forces suffer from a lack of leadership. Communist groups are trained and well led; anti-Communist groups are poorly led. In part, this is a result of training. In part, it is a reflection of the fact that it is easier to be against something (imperialism, monopolies, foreign intervention) than it is to be for something (stability, responsibility, orderly progress). It is easier to be irresponsible than it is to be responsible.

Although the seriousness of the university picture in Latin America is not to be underestimated, neither is the picture one of unrelieved gloom. In Chile and Argentina, especially, universities by and large stick to their proper role of education. In some other countries, visiting American professors, in the face of great Communist opposition, have done something to stem the tide. In one country, where the situation seems better than average, I was told that this was attributable in part to the Fulbright program. The cultural efforts of the U.S. Information Agency have also been somewhat effective.

More needs to be done in all of these fields.

IV. IMPLEMENTATION OF THE ACT OF BOGOTA

It is the purpose of the Act of Bogotá to strengthen the political and social fabric of Latin America. This cannot be done by shoring up obsolete and decaying institutions which have been inherited from the 17th and 18th centuries. It can only be done by evolving new institutions and new social structures which are adequate to the demands of the 20th century and which are so firmly rooted that they cannot be swept aside by any demagog who comes along.

This is a task which can basically be done only by the people of the countries concerned. There are formidable obstacles, stemming mainly from traditional cultural habits and attitudes. Among the most important of these obstacles are a continuing resistance to any change on the part of some members of the still powerful elite; societies and governments based on paternalism with a consequent lack of a tradition of individual initiative; a regressive tax structure emphasizing excises with little or no attention to taxes on incomes and property; extreme maldistribution of land and income; lack of a middle class; inequality of opportunity; and a predisposition on the part of moneyed classes to invest in real estate instead of industry, to expect large returns quickly, and to keep a high percentage of their assets abroad.

There are signs that these traditional attitudes are changing, but they are changing slowly—possibly too slowly to meet the urgent problems of Latin America. Some Latin American governments are beginning to try—in the face of great opposition in their congresses—to raise income and property taxes and to be serious about collecting them. Some are beginning to use taxes as a means of encouraging the redistribution and better utilization of land.

There are also encouraging examples of individual initiative and community responsibility to be found in Latin America.

One of the most heartening of these is the group of aided self-help housing projects in Guatemala, Nicaragua, and Chile, with similar activities being planned for other countries. I visited several of these and was favorably impressed. Groups of people cooperatively build their own houses, working in their spare time nights and weekends, with technical assistance from ICA and help in financing from their national governments. The houses generally cost around $1,800 to $2,600. They are of good construction, and normally contain a living room, two or three bedrooms, kitchen, bath, and perhaps a dining room. Each has its own little piece of land. Although modest, these houses are an indescribable improvement over the slums from which their owners come. They are well kept, and the lawns and gardens are well planted—obviously with pride and satisfaction. The houses are paid for over a period of 15 or 20 years in monthly payments which their owners—usually lower middle-class people—can afford. At the end of that time, the owners get title in fee simple. Interest rates are generally kept low, sometimes as low as 1 percent, and there is also probably a concealed subsidy in land costs and sewer and utility connections. These projects not only bring better housing to thousands of people; they also demonstrate that people can work together in a way that results in all of them being better off.

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While the number of houses being built is small compared to the minimum needs, nevertheless it is a start.

Efforts are also underway in some Latin American countries to establish savings and loan associations aimed at slightly higher income groups. These will not only contribute to substantial improvements in middle income housing, but they are also examples of the kinds of economic institutions which Latin America so badly needs.

Other encouraging examples of initiative and self-help can be cited. In Guatemala, a rural community on its own initiative got together and built a road to connect itself with a main road 15 kilometers distant. The first the central government heard of the project was when representatives of the community appeared asking the President to dedicate the road.

In El Salvador, one community built its own health center with technical assistance.

In Bolivia, the citizens of La Paz raised $400,000 through private subscriptions for a hospital. In several rural areas of Bolivia (and this has happened in other countries also), local residents have pitched in and built their own schools.

Perhaps the most striking example of initiative and self-help is the associations of squatters in Lima. These associations are organized by slum dwellers and have their own funds, raised by contributions from members. Their object is to establish new communities on publicly owned land on the outskirts of Lima. Under Peruvian law, if they stay for 3 years they cannot be evicted. Their first problem is to find land and get on it over the efforts of the police to prevent them. I saw one such association camped in makeshift tents along a road adjoining some land on which they hoped to squat. Police were present to keep them from it, and there appeared to be a waiting game in process—the police waiting for the squatters to give up and go back to their slums, the squatters waiting for the police to give up and go away.

I also visited a well-established squatters' community. It was well laid out and had electricity but no sewer or water. Initially, the squatters erect crude shelters from whatever materials are at hand—grass mats, packing boxes, etc. Then little by little, over a period of years, they build more substantial structures, usually of adobe. I even saw an occasional television aerial protruding from some of these houses and was told that this was a business venture on the part of the man who owned it. Some of the squatters, it seems, buy a television set with a minimum downpayment, bring it home and charge their neighbors 50 centavos (about 1.75 cents) to watch a program. In a short time the set is paid for and from then on, it's clear profit.

It is astonishing to see how much the squatters associations have done with so little, not only without help but in the face of official opposition. With a little technical assistance in community planning and in housing construction, and with a little help from the government in the form of sewers and water supplies (which the associations are financially able to pay for), these squatter settlements could be made into creditable communities.

Despite these and other examples of self-help which could be cited, there is in general a discouraging lack of specific plans to implement the Act of Bogota. There are a great many projects, some of them rather nebulous and not related to each other in any kind of meaningful program. Some governments assume that they will now receive a specific amount of additional aid from the United States and have hurriedly suggested projects to use this amount, without seriously accepting the principle that the Act of Bogota calls for maximum and practicable self-help as a basis for loans. If the Act of Bogota is to be successful, it will require a great deal of technical assistance in programing, and a full acceptance of the responsibilities of self-help.

V. CONCLUSION

The social and political strains in Latin America are, as has been pointed out, unrelated to Castroism or communism, though both these subversive forces are doing their best to take advantage of the situation. This unrest will be difficult to contain. It is more likely to increase than to diminish, unless economic conditions and living standards improve rapidly.

The problem is not how to quiet this unrest—an impossible task—but how to insulate it from Castroism and communism, how to provide institutional safety valves, and how to guide into constructive channels the social energy which it has unleashed.

The Act of Bogota is not sufficient for this purpose. Neither is any other present policy of the United States or of the Organization of American States. I am very skeptical that any single policy adequate to the task can be found.

The best that can be done, rather, is to rely upon a combination of policies, actions, and attitudes, few of which are spectacular in themselves, but which, taken together, represent the best hope for saving the hemisphere for freedom. What follows is not intended as a comprehensive policy statement. It is, rather, a checklist—not inclusive, but indicative of some of the things that would be helpful.

1. U.S. and international lending institutions ought to be more prompt in giving yes-or-no replies to Latin American loan applications. Time and again I heard complaints from Latin American officials about the slowness of these institutions and the redtape in which they are ensnarled. One can take this with a grain of salt (Latins are casual about coming up with concrete plans) and still find room for improvement in the bureaucratic maze in Washington. If a Latin loan application is inadequately supported, then the Latins ought to receive technical assistance to make it adequate or to prove it unsound, and they ought not to be kept waiting for months or years.

2. A shortage of credit for small businessmen and small farmers is one of the principal limiting factors on economic growth in Latin America. Given the inflation which is so prevalent, there are economic reasons which make this difficult to overcome. But there are also political reasons. I found some skepticism, in one small country, of the value of the Inter-American Development Bank, on the grounds that, for political reasons, most of its loans would be made to big countries. I also found, in another country, reluctance to establish a national development bank on the grounds that its operations could not be isolated from politics. The foreign minister of this latter country suggested that branches of the Inter-American Development Bank, which he regarded as essentially nonpolitical, be established in each

Latin American country to provide small credits. This suggestion seems worthy of further consideration.

3. At every opportunity (and we need to use more imagination in finding opportunities), the United States should identify itself with stabilizing and progressive social reform in Latin America. We should stimulate and encourage leaders who see the need for and want to act to establish such reform. Many Latins, who describe themselves as "pro-American" but who also resist even moderate change, are making violent change more likely. These people are the relics of the past rather than the wave of the future. If they insist on destroying themselves because they cannot read history, there is no reason why we should be destroyed with them.

4. In any way that we can, we should help friendly Latin American governments in trying to stop capital outflows. Entirely too much Latin American capital, desperately needed at home, is invested abroad or rests unproductively in foreign banks. This is in part a reflection of the Latin American tradition of keeping money outside the country as a hedge against the uncertainties of political fortune. Often when profits are left in the country the owner thinks it is better to buy urban real estate and build another luxury apartment house to be amortized in 5 years than it is to invest the money in an industry or long-range development which will contribute something to the wealth of the country. A short-range 50 percent profit on small volume is considered more attractive and less risky than a smaller profit on big volume over a long period.

5. In any way that we can—and this will be marginal at best—we should help Latin American countries stabilize their currencies and curb the inflation which has become traditional in too many of them. The Latin predisposition toward investment in real estate with quick, high, speculative profits is in part a reflection of inflationary psychology. Inflation destroys incentive to save and thus inhibits capital formation.

6. In any way that we can—again marginal at best—we should help Latin America improve its educational system and broaden the opportunities for education. This is the best long-range hope, but it is very long range and the problems are enormous.

7. We need, I think, to stop beating our breasts about the alleged mistakes we may have made in the past and to dissolve any guilt complex about Latin America. The U.S. record in Latin America is not so bad as some would picture it. On the whole it is not discreditable. If we have made mistakes, they point the way to doing better in the future; but they are not a reason to wrap ourselves in sackcloth and ashes. Out of 21 members of the Organization of American States, the United States is the only one which seems to feel embarrassed when it acts in its own self-interest. This has given rise in Latin America to the idea that we need their friendship more than they need ours. Time and again I was told, both by our own representatives and by local officials, how preeminently important this or that country is to the United States. Rarely did I hear anything about how important the United States is to *that* country. This is not to deny that each country of Latin America is important to the United States. They *all* are. It is only to plead that these relationships be put in better perspective on both sides. Furthermore, time and again

I found a tendency to play Soviet offers of aid off against the United States, and at least once I was discouraged to find a foreign minister making veiled threats to turn to the Communist bloc if he did not get political support from the United States on a given issue. It is frequently, and correctly, said in the United States that friendship cannot be bought. We need to reiterate occasionally that it cannot be sold, either. Most of these countries have basic capabilities, skills, and resources that are not being adequately used. They must help themselves energetically and realistically before they demand too much help from others.

8. A related attitude in Latin America which needs to be corrected is that a foreign country is doing the United States a favor when it agrees to accept, for local currency which remains to be spent in its own land for its own benefit, surplus agricultural commodities under Public Law 480. This misconception should be corrected.

9. More thoughtful attention needs to be given to elimination of impediments in the way of American business in, and exports to, Latin America. One type of recurring complaint which I heard from American businessmen was the matter of U.S. ocean freight rates which, it was said, are so high that they are effectively pricing the United States out of the export market. The repesentative of one of our large companies in Buenos Aires told me that his firm could deliver a given piece of merchandise in Buenos Aires cheaper from its United Kingdom plant than from any point in the United States, and the difference, he said, was largely accounted for by freight rates.

10. "Sometimes," one Latin American foreign minister said to me, "a good word is appreciated in Latin America more than a good loan." Although he hastened to add that his country also desired good loans, his point ought to be kept in mind.

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The coming year is likely to be an especially difficult one for United States-Latin American relations. The situation in Latin America is volatile and uncertain but, on the other hand, Latin American hopes and expectations of the United States are higher than they have been in several years. Latin Americans hope for miracles from the new administration in Washington. When these miracles are not forthcoming, some degree of disillusionment is almost inevitable.

APPENDIX

A NOTE ON BRASILIA

I took advantage of my trip to Brazil to become the first U.S. Senator to visit Brasilia since this new city in the highlands 600 miles northwest of Rio de Janeiro has been the capital. The city is such a unique enterprise that it is worth a special note.

Seen from the air at dusk, Brasilia is an expanse of brightly lit modern glass and concrete office buildings and broad, straight thoroughfares. Its design is laid out in the shape of an airplane, but this is more apparent on maps than from the air.

The Brazilian Constitution provides that eventually the capital of Brazil shall be located in the highlands. In the 19th century a Brazilian priest predicted that the site of the present Brasilia would be the capital. It was finally selected by an international team of consultants on the basis of such factors as central location, water supply, and the fact that a large city could be built there without taking land out of agricultural production.

The land itself is very red and sandy. It is covered with grass and a kind of scrub oak. During the dry season every year, the grass is burned off, partly to clear the land and partly to get rid of snakes. However, the soil is poor in the area and low in productivity. It is not good cattle or crop land and food must be imported from other areas.

Brasilia was built in 3 years at a cost variously estimated at from \$100 million to \$1 billion, part of which is now being recouped through the sale of government-owned land in the new Federal District at high prices. There are no available records of the city's cost. In any event, Brasilia was expensive, and it was built in a hurry with men working three shifts a day during a great deal of the construction period. While the government buildings and many apartment buildings have beeen finished the city is only about three-fourths completed.

The construction camp to house and otherwise provide for all the construction workers is called the free city because, located outside the limits of Brasilia itself, the land in it was free to workers and the businesses which followed them. Originally only wooden construction was allowed in the free city because it was to be temporary. Shortly before the 1960 election, however, pressure from the free city's inhabitants became so great that President Kubitschek relented and agreed that they could stay permanently. As a result, some masonry buildings are now going up. The overwhelming impact of the free city, however, is of the American Wild West. The streets are largely unpaved. The buildings are low, mostly one story, although a few are two stories. They are small and wooden, and a typical block may include a hotel and stores selling everything from automobiles to junk. It may include a restaurant-bar, a barber shop, a general store, a bank, and an airline office. The streets are busy with people on foot, in semidilapidated cars and trucks, and even in small horse-drawn carts. There is also a great deal of dust—when there is not mud.

The city of Brasilia itself makes a startling impression, but one is not quite sure whether the impression is good or bad. The architecture is modern. The departmental office buildings are severely plain rectangular blocks with what seems to be a maximum use of glass. The Presidential palace, Presidential offices, and Supreme Court buildings are bizarre, and the opera house and cathedral, which are still unfinished, will apparently be even more bizarre and unorthodox. The Houses of Congress are strongly reminiscent of the United Nations buildings in New York. I heard the office buildings criticized on grounds that the extensive use of glass made them excessively hot in Brasilia's climate. And I heard the Houses of Congress criticized for their poor lighting.

A Brazilian professional town planner told me that in the planning of Brasilia almost all the attention had been given to the layout of the city and to the architecture of the buildings with little attention paid to what he called the functional and sociological problems. If by this he meant housing, he does indeed seem to have a point, because the shortage of housing is the greatest single factor impeding the movement of the government from Rio. As of December, there were only 2,000 government employees in Brasilia because of lack of housing. They were living in apartments provided by the government at a nominal rent. This subsidized rent is one of the inducements to persuade government workers to move, but I was told that many government workers object to the isolation and lack of diversion.

Congress is meeting—none too happily—in Brasilia; the Presidency is there and so is the Supreme Court and a skeleton Foreign Office. Otherwise, the big office buildings stay vacant—though all the offices are lighted at night—waiting on housing for workers.

This housing is going up in blocks of apartments which look much like the office buildings. Each group is planned as a self-contained unit, complete with shopping center, supermarket, movie theater, and school. So far, there are only two schools in Brasilia, though the population is already 120,000. The water and power supply is designed—so it is said—for a population of 300,000 and can be expanded to accommodate half a million. The water is not potable, and this is illustrative of one of the peculiar aspects of Brasilia.

Other things about Brasilia are also indicative of either carelessness or haste. But perhaps the most dramatic indication of the city's newness was a little tableau I saw as I walked from my jetplane to the airport building. A biggage truck from the plane was stuck in the mud.

Brasilia is the 21st century superimposed on the 19th. It was done in a hurry, with great determination on the part of President Kubitschek, and with great vigor and enthusiasm on the part of the inhabitants of the free city who braved the dust and the mud and the shortage of water. Since most of them came from the poverty-stricken northeast and got high wages, this was perhaps no great sacrifice.

Undoubtedly, great vision went into the building of Brasilia. Undoubtedly, also, great waste. It could have been done on a much less elaborate scale. There is always the question (in view of the financial situation in Brazil) of whether an equal amount of money could have been invested more effectively in some other way. Probably, in the calculations of economists, it could have been. But the building of Brasilia has been accompanied by the building of a series of roads connecting it with the north, south, east, and west. If these roads open up the interior of Brazil, as it is hoped, they can lead to great economic growth of the so-called back country. There are some who think that President Kubitschek could not have built the roads without also building Brasilia, for he then would have been accused of building roads that led nowhere. Furthermore, if Brasilia had not been substantially finished during the administration in which it was started, it might not have been finished for a long time, if ever, and this would have been even more wasteful.

In any event, Brasilia exists, a startling, ultra-modern municipal development. The movement of the Government from Rio de Janeiro is already causing great administrative problems for the American Embassy which maintains a small staff in Brasilia. No embassy buildings for any countries have been built there as yet and housing is most inadequate. Despite its modernity, Brasilia is definitely a greater hardship post than Rio, and it is to be hoped that both the Department of State and the Congress will take a sympathetic view of the problems of our Foreign Service there.

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