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THE BEGINNING OF INDUSTRIALIZATION IN CENTRAL AMERICA

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ABSTRACT

The Beginning of Industrialization in Central America

The subject of this paper is the relative importance of political, social, and economic conditions, both internal and external, in the industrialization process in Central America following World War II.

The paper points out that the dependence on the world market is such that external conditions determine development, although the forms of development vary from one country to another, according to the internal conditions of each one.

In order to surmount the political crisis which coincided with the end of the Second World War, the local oligarchies were forced to incorporate the middle classes and the bourgeoisie in an attempt to modernize the State and broaden its functions. These social strata had their own deliberate industrialization project which was based on the agrarian sector's expansion, modernization, and diversification. The modernization of the export-producing plantations strengthened local commercial capital, thus allowing its transfer to the industrial sector. However, as long as the rate of profits depended more on the world market than on the development of internal productive forces and salary levels, the internal market was considerably limited, because of the way in which local income was distributed via salaries. By substituting a social broadening of the internal market for a purely geographical one, the Central American Common Market allowed agrarian reform to be postponed.

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Internal Changes and Local Conditions

It has become commonplace to suggest that the industrialization process in Central America began in the 1960s, and was reflected by and closely linked to the project of regional economic integration, known specifically as the Central American Common Market. A more careful, in-depth analysis, however, would show the implantation[1] of industrialization took place during various periods: first in the years following the Second World War, especially during the second half of the 1950s, and then in the sixties. It is difficult to settle on exact dates, suggest causes, and generalize situations which do not correspond to the character of social processes, the depth of historical knowledge, and the various courses pursued by countries in the region. This is particularly the case after the development of the agro-export economy was launched, in the second half of the 19th century.

The most direct cause which could explain the different points of departure of Central American societies can be found in analyzing how, in the long term, the problem of building a commercial, agricultural economy was resolved. The adjustment to commercial agriculture, which was spurred by international demand, explains the formation not only of a local stable domestic economic sector but also of the processes of state building, the social forces capable of directing the State and, in short, of the national history of each of these countries.

It is important to remember that during the second half of the 19th Century the mobilization of production resources generally depended not so much on preexisting, strictly economic factors, but rather on local political conditions and forces capable of promoting change and taking advantage of favorable international junctures. Something similar took place toward the end of the Second World War: <u>external</u> conditions led to the partial reinvigoration of traditional agricultural production and, at the same time, important changes were produced in the configuration of <u>national</u> political power and, therefore, in the role performed by the State. The first set of factors, the external ones, points to the end of adverse effects created by the global conflagration. The second set of factors, the political changes, refers directly to the crisis of the oligarchic domination in general and, in some cases, to the crisis of the State itself, where such conditions are normally expressed. The contradictory play of factors (the end of the economic crisis and beginning of political crisis) constitutes the scenario in which important changes emerge in the economic and social activities in the countries in the region and where one undoubtedly finds the antecedents of the industrialization process. This hypothesis constitutes the analytical proposition that will be developed in this paper.

The above indirectly sets forth an old theoretical problem that will not be developed here: where and how do the fundamental determinants originate--outside or inside the underdeveloped society? Without question, a certain type of initial impulse must emerge from within the national framework, especially when the framework is open and sensitive to external conditions. This is the case in peripheral economies and even more so in smaller economies. Obviously, an explanation cannot be given at the level of commercial exchanges, but rather at the level of production. Indeed, the various forms of production can explain the diverse ways a national economy can be inserted in the structure of international relations of production and exchange. Understanding how the processes of capitalist accumulation occur on a global scale cannot be analyzed separately from the changes in national economies which are linked to such processes.

The historical experience of the postwar period in Central America represents a good case to put one or another point of view to a test as well as good example of equivocations that should be avoided. The internal requirements of development constituted the bases of change through which, without question, the external factors operated as a condition of change. To prove this point, we can observe how the stagnation or sluggishness in economic recuperation varies from one country to the other in Central America. Within this context, development (in all its aspects) would lack the magnitude and importance if external factors had not operated. For example, given the importance of the disaggregated analysis of foreign commerce (the level of circulation) the changes at the level of the evolving relations of production are decisive; that is, the explanations of how the internal contradictions occur are important through which the determinations from the outside are filtered."[2]

The International Market in the Postwar Period and the Central American Economy

In the study of the international conditions which shaped the industrialization process of the 1940s, this new process cannot be exclusively reduced to the reestablishment of the previous guidelines in the functioning of the global capitalist market. In the course of several years a reaction developed against the causes, immediate and remote, that not only led to the debacle of 1930 but, albeit to a lesser degree, maintained the disequilibria in international trade until the declaration of World World II.

Among these causes were the tendencies to develop closed forms of "national capitalism"[3] in an effort to defend the domestic economy against external commercial aggression. The gold standard had ended and the order which had supported it had given way to the devaluation of the currencies, multiple exchange rates changes and their arbitrary control, and deficits and surpluses in which the resource flows were managed as the artifacts of war.

These unbound forces in the world market profoundly affected the Central American economy and particularly punished its exports, despite the partially successful attempts to assure a minimum of predictability. The Export-Import Bank, created in 1934, established the first system of coffee quotas and, especially, loans to finance production. Of the $660 million that the Export-Import Bank gave in loans until 1942, Central America had received $15.3 million.[4] A more effective quota system was established in November, 1940, with the Inter-American Coffee Agreement, which guaranteed a partial solution for Central American production. Of a total of 15.5 million sacks of coffee for the North American market and 11.6 million sacks for other countries, the region retained 10 percent.[5]

Table 1

CENTRAL AMERICA: COFFEE EXPORT QUOTAS
(60 kilo sacks)

	United States	Other Countries
Costa Rica	200,000	242,000
El Salvador	600,000	527,000
Guatemala	535,000	312,000
Honduras	20,000	21,000
Nicaragua	195,000	114,000
Central America Total	1,550,000	1,216,000

SOURCE: Revista de la economía nacional, Guatemala, abril 1941, p. 29.

The new order developed in the postwar period unambiguously reflected the national interests of the victorious countries, primarily the United States and England. In fact, the United States emerged as the greatest economic and military power of the world. The United States pursued sustained and multiple efforts not only to restore an open global economy but also to assure free trade within the framework of a structure that guaranteed equilibrium in the balance of payments.

What finally triumphed was the project of an international mechanism to stabilize the economy of the most developed countries in a world in which multilateral relations define the exchange, but without the shackles or limitations that assure them monetary and exchange equilibrium. The new mechanism sought to refine and make more sophisticated the old international division of labor, and to assure the establishment of "open" economies in such a way that the flow of capital and goods in a free market would favor the strongest economies.

The problem of monetary stabilization among the countries undoubtedly constituted a prior fundamental condition to activate international trade--the exchange disequilibria had produced an anarchy that culminated in a generalized crisis at the end of the World War II. The enormous productive capacity, mounted by the United States in the World War II era, had to find an outlet: exporting to the entire world. The plan to create an international stabilization fund and a monetary agency was finally designed with the agreements of the Bretton Woods Conference in July, 1944. The Bretton Woods Agreement and the creation of the International Monetary Fund made the dollar the international currency. Thus, the value of currencies would not be determined and expressed by gold. It was not surprising that in the extensive and difficult negotiations which led to the creation of the International Monetary Fund and the International Trade Organization (ITO), there was no reference made to Latin America. Interest in the region was only an implicit consideration, subsumed by the more general preoccupation with reestablishing global production and trade.[6]

In the International Economic Conference (New York, November 1944), in the 31st National Conference of Foreign Trade (New York, October 1944), and in other international fora, it was evident that the foreign policy impelled by powerful domestic interests sought to rapidly spur trade: "what we need is a United States policy of foreign trade ... which serves both our legitimate interests and those of the world."[7] Affirming the idea of that which enriches one country is not what is sold but what is bought, the President of General Motors Company, Alfred P. Sloan, Jr., insisted at the International Economic Conference that the economic readjustments that emerge from World War II should be based "on a greater volume of trade; also our capital and our knowledge should be exported to help other peoples take advantage of their resources ... in harmony with the tendency that has been noted toward greater industrialization."[8]

An important commercial movement between the United States and Latin America was initiated. As a result the volume of trade doubled in the last five years of the 1940s. In the 1950s the annual rate of growth of exports of the developed countries grew to 6.9 percent, while the growth of exports of developing countries grew to 2.9 percent,[9] and that of Latin America was even less, with 2.4 percent. Imports in that decade increased at an annual rate of 6.3 percent in the developed countries and 4.2 in those countries in the process of development. It is worth mentioning that the countries of Central America, which shared very low levels, increased their exports and imports in this decade to 3.8 and 7.7, respectively; that is, higher than the Latin American average.[10]

The uncommon effort carried out by the United States to reorder the international system was made vis-a-vis Europe and Japan. In this project Latin America did not figure except as an implicit ally.

Similarly, Latin America did not figure in the Bretton Woods Agreement, when the United Nations was created, nor during the years that followed when the treaties were negotiated to establish the General Agreement on Trade and Tariffs (GATT). The Latin American presence only appeared with its own contributions through the United Nations Economic Commission on Latin America (ECLA) in 1948, and especially through the intellectual contribution of Raúl Prebisch, its first director.

Finally, the international system that was sought to be established questioned the classic vision of specialization and comparative advantage, whose practice for many years only served to hide unequal exchange so that foreign capital dominated the most profitable sectors of the underdeveloped society. A new type of international division of labor had opened advances and in that development the contribution of ECLA had extraordinary importance. Its influence in Central America was decisive and probably has not been well-evaluated.

The Political Crisis of the Postwar Period

Central American society was fitting into the global order with great strides. The greatest and most direct effect of the international market was produced in the export-import trade, ending in this way many years of low productivity indices in some cases, or of stagnation in others. More serious was the institutional and political stagnation experienced by military regimes which maintained internal order with great zeal. Costa Rica did not suffer this type of armed guardians, but the social and cultural suffocation was common to the whole region.

The social forces and the contradictions created during the course of 15 years gave the impression in the postwar years that it also was possible to reconstruct a new internal order. It is certain that Central America passed through a phase after 1944 in which the external determinants were decisive and insuperable. The postwar period is the period of internationalism marked by multiple facets.

The reconstruction of the global economy and of a new commercial, monetary, and political system had important effects on Central American society because they constituted a set of modernizing requirements. Contrary to the classic conservative-liberalism of the dominant economic sectors, the State had to be the agent in charge of promoting the internal adjustments and of changing its public conduct, from the simple control of order into a more active participation and promotion against backwardness. These changes, set forth at times from outside the region, were often anticipated or supported by changes that had taken place inside the region. The old structure of domination of the liberal-coffee republic was in crisis.

The preceding refers to the oligarchic state, which is colloquially defined as the domination of the agrarian-landholder interests in the State sphere and as the kind of alliances and conflicts that such domination entails. This crisis of the capitalist state in the postwar period was defined as the decomposition of the State structure that had been constituted in the formative and developmental period of the agricultural export economy. This occurred at the moment of the definitive articulation with the world market when a first attempt was made to define some form of national integration.

The oligarchic-liberal domination and its State were based on the control of the peasant masses through nondemocratic means, on the exercise of a selective participation in the polity, the social life, and the culture, on an elitist vision of power and of the nation. The oligarchic power relied on the direct exercise of violence of the armed forces, which constituted more than foreign defense to assure discipline in the coffee market.

The military dictatorships which emerged from the situations created by the crisis of 1930 was the political expression of a type of stagnant rural capitalism. The crisis, provoked by the war, further prolonged the political and social depression. This coincided with the exhaustion of this type of State-political structure. The essence of this was its incapacity to obtain, amplify, and guarantee the political representativeness of the society, and to strengthen its consensual base in a time when social differentiation had increased. Central America, at the end of the 1940s, no longer remained a social formation of a handful of "landlords" and an immense majority of peasants.

The crisis of the oligarchic system was manifested through a set of demands and struggles that arose out of the political democracy, the free social organization, and the establishment of a state based on law rather than power. As has happened in other Latin American experiences, the offensive against backwardness was (and is) of a political character and was led by sectors reflecting a varied urban middle class. In the Central American experience, the struggle against the military caudillos adopted the form of extensive multiclass movements which set forth demands seeking the modernization of the State, of the society, and of the economy.

The crisis inaugurated a period of political struggles which--although a satifactory resolution, in the sense of insuring permanent conditions favorable to the exercise of democracy and popular participation--eroded the base of the old landholding power was not always found. These struggles paved the way for the social and political promotion of new social forces. Additionally, they gave place to a social broadening of the old alliances and an active political presence of middle class groups and urban popular sectors.

The historical expressions of this crisis varied throughout the region. As it is beyond the scope of this paper to analyze these expressions in detail, we shall limit ourselves to pointing out that the general strike of April and May, 1940, in El Salvador forced General Hernández Martínez to abdicate and that a broad multiclass coalition brought down General Ubico in Guatemala in June of the same year. The resolution in each case was different: the Salvadoran crisis was resolved within the Army with the triumph of the most reactionary faction (Colonel Osmin Aguirre), while in Guatemala the crisis led to a brief but intense period of struggles which culminated in the democratic governments of Arévalo (1945-1951) and Arbenz (1951-1954). In Honduras and Nicaragua the political malaise also was manifested in the various activities such as street fights and the organization of opposition groups. In both cases, the crisis forced the dictatorships of Carias (Honduras) and Somoza (Nicaragua) to put an end to the traditional personal reelection system and to create an electoral pause.

The "continuist" solution was carried out in Honduras with the presidential election of October 1948, in which the elected candidate was Juan Manuel Galvez, a former lawyer of the banana companies and minister of war during the protracted regime of General Carias. In Nicaragua, Somoza was forced to offer elections. In February 1947 the election was also won by the official candidate, Dr. Leonardo Arguello. It was during this brief interreign that Arguello and his successor, Roman Reyes (Somoza's uncle) conveyed the impression of an electoral democracy; Somoza regained control of the National Guard and 18 months later resumed control of the government.

In Costa Rica the oligarchical crisis took place under different conditions because the groups of coffee-growers had an economic life linked more closely to commercial capital than to extensive control of land. This factor helped to accommodate a paternalistic democracy that had evolved since the end of the nineteenth century. This country offers a notable example of a rural society that, relying on conservative values, underwent a modernizing transition period in the economic and political spheres with no greater rupture than the brief civil war of 1948.

Clearly, during the second half of the 1940s, Central American society crossed a dangerous, critical phase in the political order. This phase consisted of another accommodation between the old traditional forces and the new political actors, which meant the end of the monopolistic power on the part of landholding groups. The essential point of these changes, including those in Nicaragua, was not the end of the oligarchical rule but rather the beginning of its (inevitable) modification. In these changes a decisive role was played by the political and ideological presence of professionals, technicians, leaders of the middle classes, leaders of the emerging middle-sized bourgeoisie and, above all, the urban popular sectors.

Had such political changes not taken place at the level of the constellation of interests represented by the State, the economic changes would have been different or difficult. The broadening of some State functions, the agricultural diversification and, above all, the industrialization process, all imply a rupture with the essential nature of the economic policies of the landholders. The development of the political crisis did not result in the favorable resolution of the problem of democracy, but neither was it able to impede the beginning of the economic modernization of society. As stated above, the internal contradictions are important because the solution to the contradiction would facilitate the filtering inward of external determinants which, in turn, would then help explain the global change in the society.

Central America at the End of the 1940s: A Few Facts

Central American society as a whole kept the basic characteristics of its social and economic backwardness until the post-World War II period. The definition of underdevelopment or backwardness--in this case, used indistinguishably--always employs a foreign frame of reference to use as comparison. Therefore, it is basically tautological, since the terms of definition of underdevelopment are the negative characteristics of development. In this presentation, the method is different. Throughout the following pages we will establish in a verifiable manner the degree to which the characteristics, which gave a regional definition to the backwardness, began to be modified with varying intensity and results since the end of the 1940s for each of the Central American countries. Thus, the low life expectancy, the infant mortality, the low per capita income, the generalized production of subsistence, the scarce industrialization, the meager application of scientific and technological methods to agriculture and industry, the narrowness of the market, etc. began varying in an internally significant way. Today the characteristics of Central American underdevelopment are different.

In 1950 Central America had a population of close to 7.9 million. However, because of the characteristics of the level of economic and social development attained by that time, it is difficult to establish the appropriate criteria to determine the percentage of urban population. A qualified judgment using "variables", such as the enjoyment of basic modern services (electricity, running water, drainage, schools, newspapers, transportation, and permanent supply of goods), is difficult to use and can only be applied to the population of capital cities. According to Table 2, which applies quantitative criteria, the average urban population at the end of the 1940s was 15.3 percent of the total population.

Table 2

URBAN POPULATION
(per thousand of inhabitants, 1950)

	Towns with more than 10,000 population		Towns with more than 2,000 population		Total Pop.
	Number	%*	Number	%*	
Guatemala	320	12.5	630	22.5	2.788
El Salvador	321	17.3	478	25.8	1.856
Honduras	135	9.5	224	15.7	1.428
Nicaragua	201	19.0	289	27.4	1.057
Costa Rica	150	18.0	220	27.5	.801

SOURCE: National Census, several dates.
* Percent of total population

In fact, one of the conspicuous characteristics of the underdevelopment of the region as a whole was the extreme degree of isolation maintained between its areas. This did not change until external strategic requirement needs facilitated the construction of the Pan-American Highway. Even as late as 1950, Guatemala and Nicaragua did not have a single highway that connected the Pacific side of the countries with the ports on Caribbean side. The construction of a physical intraregional infrastructure was part of the changes which accompanied the later transformation and which undoubtedly eased the processes of commercial integration. Table 3 is only one example of the communication routes of the time.

Table 3

CENTRAL AMERICAN HIGHWAYS, 1953
(in miles)

Country	All-weather roads			Dry-weather roads	All roads
	Paved	Unpaved	Total		
Guatemala	205	2,504	2,709	1,348	4,057
El Salvador	373	559	932	3,853	4,785
Honduras	...	976	976	99	1,075
Nicaragua	188	417	505	1,019	1,524
Costa Rica	457	621	1,118	436	1,554
Total	1,263	5,077	6,340	6,755	13,095

SOURCE: U.S. Department of Commerce, Investment in Central America, Washington, D.C., 1955, p. 17.

Internal variations are considerable. El Salvador and Costa Rica had the best highway network available year-round. However, in the case of Costa Rica, roads were limited to the central plateau. Towards 1950 only 34 percent of the Pan-American Highway, which runs north and south, was paved and the section from San Jose to the border of Panama and several short sections in Guatemala and Nicaragua awaited construction. Today all cities in the region with over 20,000 inhabitants are linked with each other and more than 9,000 kilometers of substantially modern highways exist.

The supply of electricity also experienced important changes. At the beginning of the 1950s the regional electric output was 147,000 kilowatts of generated capacity, which is to say 21 watts per capita. By comparison, capacity in the United States was nearly 600 watts per capita. Energy was scarce and expensive and no industrial development project could be planned based upon the private production of electicity. (See Table 4.)

The country which always led in volume as well as price in the provision of electricity was Costa Rica. In fact, during these years only the capital city and some of the other more important cities had public lighting, although many times it was provided through private companies. The major utility companies in Costa Rica and Guatemala were subsidiaries of the American and Foreign Power Company and, in El Salvador, of the Canadian International Power Company.[11] However, in this aspect as in others which will be pointed out later, the State begins to play a decisive role in the modification not only of the lack of resources but also of the ownership of the producing companies. By 1977 the generation of electrical energy had not only been nationalized but also had grown to approximately 5,692,900 watts/hour.[12]

Table 4

INSTALLED ELECTRIC POWER CAPACITY IN CENTRAL AMERICA, 1954
(total and per capita)

Country	Public Service	Private Plants	Total	Capacity per capita: Total	Capacity per capita: Public Service Only
	Kilowatts				Watts
Guatemala........	28,033	8,458	36,491	11	9
El Salvador......	50,717	20,000	70,717	34	24
Honduras.........	3,765	14,247	18,012	12	2
Nicaragua........	13,292	(1)	13,292	12	12
Costa Rica.......	53,000	2,000	55,000	59	57
Total	148,807	44,705	193,512	21	16

SOURCE: Same as Table 3.
(1) Negligible

The next pages present some indicators that allow us to approach the structure of Central American underdevelopment as it manifested itself in the 1950s and which constituted the beginning of changes, particularly industrialization which have taken place. An indirect and somewhat imprecise way to present the "dimensions" of market demand can be found in Table 5, where information illustrating the demand or use of certain utilities is displayed. In the early 1950s, the Central American economy had begun to "move," as a result of domestic factors related to political and external factors, and to the increasing international supply and demand.

Considering relative and comparative value, per capita income and its growth rate are important indicators. The Central American average per capita income in 1950 equaled $242 in 1970 dollars. In 1950, the interregional differences in per capita income were not as marked as they would become later. Nonetheless, Costa Rica was already in first place with a GDP per capita of $322 and El Salvador was in last place with $203. In the middle range were Nicaragua with $223, Honduras with $234, and Guatemala with $255.[13]

Socio-economic indicators are presented in Table 6. While rational income data is important, it must be used with caution. Improvement of the national accounts was to be attained only later and one must remember that Central America had its first trustworthy census only at the beginning of the 1950s. In any case, the information confirms that the majority of the regional population was dedicated to agriculture and it was in this sector that the greater volume of the domestic income was produced. What this information can reveal is the greater or lesser degree of sectoral underdevelopment in 1950. The ratio between population and income underlines the new way in which Costa Rica had a less backward agriculture in 1950. Honduras was precisely at the other extreme: a larger portion of the population occupied with the agricultural sector and a lesser relative production. To initiate the proof of this hypothesis, the relative degree of industrial "growth" or manufacturing appears greater in Guatemala and lesser in Honduras, with Costa Rica closer to the latter country.

Industrialization: Background (I): Agriculture

It is now recognized that no industrial option can be attempted seriously without substantial changes taking place in the structure of agricultural production. This is meant not so much in the classic sense in which an agricultural revolution always precedes an industrial one, but rather in the more modest and contemporary example in which the dynamics of the commodity-producing sector is in the long term the only source of economic activity. In this sense, it is not true that Central America was a backward society because its agriculture was such; on the contrary, it was the entire society, i.e., the state and the dominant ideologies, that conditioned the nature of the primary sector. Hence, agriculture was the only dynamic sector and until the end of the 1940s maintained the basic features of the monoproduction model. Three-fourths of the population depended on agricultural production; nearly 90 percent

Table 5

SOME INDICATORS OF THE SIZE OF THE CENTRAL AMERICAN MARKET
(Quantity in units indicated)

Item	Five countries		Percentage of total				
	Total	Per capita	Guatemala	El Salvador	Honduras	Nicaragua	Costa Rica
Population (end of 1954)........thousands.....	9,110	......	35.0	23.7	17.6	13.4	10.3
Average of 16 indicators below......................	....	......	24.0	23.6	12.0	14.3	26.1
Registration of automotive vehicles (1952)...number...	47,675	177[1]	32.7	23.9	9.7	11.5	22.3
Imports of automotive vehicles (1953)...number...	9,233	941[1]	27.0	18.1	18.1	15.5	21.3
Imports of gasoline (1953)... ....dollars...	8,554,000	0.98	25.0	29.0	12.5	12.5	21.3
Radios in use (early 1954 for all countries except Costa Rica, for which 1952)............units....	197,000	45[2]	38.1	23.4	9.6	12.2	16.1
Imports of radios (1953)..... ....dollars....	2,623,000	0.30	23.5	24.9	13.1	10.5	28.0
Telephones in use (early 1954)..........number.....	42,528	207[3]	15.1	35.3	16.5	8.2	24.9
Motion-picture theater seating capacity (1954).... ....seats.....	220,000	40[4]	21.4	19.6	12.7	23.6	22.7
Circulation of daily newspapers (1952)....number....	291,000	29[5]	19.6	24.1	10.3	19.2	26.1
Imports of newsprint (1953).. ....metric tons....	7,742	2[6]	22.3	35.4	5.0	9.8	27.5

(continued)

Table 5 (continued)

Item	Five countries		Percentage of total				
	Total	Per capita	Guatemala	El Salvador	Honduras	Nicaragua	Costa Rica
Imports of kraft paper (1953).........metric tons...	3,536	0.9[6]	21.0	11.4	5.5	19.7	42.4
Imports of structural steel (1953)...metric tons...	21,654	5.5[6]	18.2	6.4	15.6	19.3	40.5
Imports of flat glass (1953).........metric tons...	2,878	0.7[6]	37.7	17.6	9.8	10.2	24.7
Imports of refrigerators (1953).........dollars.......	2,307,000	0.27	15.8	29.7	12.8	15.4	26.3
Imports of sewing machines (1953).........dollars.......	1,804,000	.21	17.4	25.3	12.6	18.6	26.1
Imports of watches (1953).............................dollars.......	1,429,000	.16	19.4	32.7	13.1	6.8	28.9
Imports of typewriters (1953).........dollars.......	860,000	.10	30.3	20.2	15.6	16.2	17.7

SOURCE: Investment in Central America, op. cit., table 25.

[1] Persons per vehicle.
[2] Persons per set.
[3] Persons per instrument
[4] Persons per seat.
[5] Persons per newspaper.
[6] Pounds per person.

Table 6

DISTRIBUTION OF ECONOMICALLY ACTIVE POPULATION AND NATIONAL INCOME,
BY COUNTRIES AND ECONOMIC ACTIVITIES
(in percentages)

Activity	Guatemala		El Salvador		Honduras		Nicaragua		Costa Rica	
	Population	Income	Population	Income	Population	Income	Population	Income	Population	Income
Agriculture	73.1	45.5	63.2	44.9	83.1	52.5	67.7	40.5	54.7	44.4
Manufacturing	12.7	20.5	11.4	14.5	5.8	9.3	11.4	14.1	11.0	12.9
Commerce	3.1	8.5	5.5	17.5	1.3	8.6	4.6	10.5	7.9	11.8
Transport and communication	.6	5.0	1.5	2.1	1.1	6.0	1.9	3.6	3.5	4.9
Other	10.5	20.5	18.4	21.0	8.7	23.6	14.4	31.2	22.9	26.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

of the foreign currency was garnered from the commercialization of agricultural products: the agricultural sector provided the financial resources for the purchase of machinery, food and, above all, luxury items and the basic resources of the State.

There was an apparent heterogeneity in the productive structure that continues to exist today. However, toward the end of the 1940s, not only was the heterogeneity more pronounced but also the heterogeneity was refashioned by the perverse effects of the world crisis and the period that lasted until the end of World War II. Agriculture differentiated itself into one extensive peasant economy, partly for subsistence and partly for production of foodstuffs for the local or regional market, as well as into cattle and coffee-growing estates and banana plantations. The crisis first affected coffee exports through the drop in international prices and later affected the foreign sector of the plantations which, with the exception of Honduras, was also not able to resist the drop in demand.

Only the peasant sector of the economy maintained and even increased its functions. The capitalist crisis exacerbated the conditions necessary for the growth of the simple mercantile economy as an alternative to the weakening of the export mercantile sector. That is, the weakening of coffee-growing production reinforced the underlying tendencies of this type of mercantile production which no longer was aimed only at auto-consumption but instead was directed towards exchange. That explains why, for example, the production of corn increased in Guatemala, El Salvador, and Nicaragua between 1932-1938. The simple mercantile economy will always reappear as long as independent producers maintain their means of production and the internal demand increases, which places pressure on the side of the consumption of foodstuff.[14] It is paradoxical, but during the brief exporting apogee of the 1920s, the internal production of many popular food products was stopped, leading to their purchase abroad. Therefore, Bulmer-Thomas' hypothesis discussing any agricultural import substitution during the 1930s does not seem exaggerated.[15] The reproduction of society is ensured without the creation of the earlier levels of capital accumulation. In that sense, although coffee production did not decrease, one can still speak of <u>stagnation</u>.

This was the situation of Central American agriculture when once again international demand reappears and international market conditions began reestablishing themselves. Fifteen years have elapsed and the population of Central America has almost doubled. Agricultural output began a slow period of recovery, especially by means of coffee sales. This period constituted a time of various "movements." The first of these movements simply relied on international prices and was not accompanied by an internal reorganization of the methods of production nor by a raise in wages. The economic policy of the oligarchy was based on the belief that profit only depends on price levels and not on the costs of production. Thus, the export "boom" should not be disregarded, as may be seen in Table 7.

Table 7

FOREIGN TRADE IN CENTRAL AMERICAN EXPORTS
(1940, thousand dollars)

	1940	1950	1955
Guatemala	12.0	79.8	109.0
El Salvador	12.2	68.9	107.5
Honduras	9.6	56.8	49.4
Nicaragua	9.4	27.7	72.6
Costa Rica	7.4	56.9	81.5
Central America Total	50.9	290.0	420.0

SOURCE: 1st Column: Latin American Republics, Foreign Trade Series, No. 193, Pan American Union, 1949, Table 1. 2nd and 3rd Columns: Statistical Abstract of Latin America, Vol. 20, UCLA, 1980, p. 329.

One must acknowledge that without technological change, economic growth only finds incentives to expand or set limits on the amount of cultivable land or in the increase of population as a work force. When a country depends on foreign commerce, only demand can act as a catalyst for economic expansion. However, the first movement was limited to a few years: between 1947-1948 and 1955-1956. These were the years of good prices when a pound of Central American coffee went from 24.7 cents to 61.4 cents, but later declined--with oscillations--until 1973 when Central American coffee climbed violently to later fall in 1979.[16]

The second movement in the agricultural production of coffee consisted of the incorporation of the land and an increase in the labor force. At first, the value of agricultural output increased from \$649.1 million in 1946 to \$980 million in 1955,[17] while the average output of coffee went from 164 million kilos to 190 million kilos between 1944-1945 and 1952-1953, respectively.[18] In the second instance, production increased at even greater rates. Nonetheless, the growth of the agricultural production in its aggregate is more important than the expansion of coffee crops. The mechanics of the diversification of production and of exports have been parallel. (See Table 8.)

Table 8

AGRICULTURE INTERNAL MARKET

	CORN (1948-1974)						RICE (1948-1972)						DRY BEANS (1948-1972)					
	1948-1952			1977			1948-1952			1977			1948-1952			1977		
	Area	Prod.	Yield	Area	Prod.	Yield	Area	Prod.	Yield	Area	Prod.	Yield	Area	Prod.	Yield	Area	Prod.	Yield
Costa Rica	58	77	13.2	43	61	14.2	25	35	14.2	63	130	20.6	27	11	4.1	35	14	4.3
El Salvador	182	191	10.5	245	377	15.4	15	26	16.9	13	33	26.0	36	29	8.1	55	40	7.3
Guatemala	538	437	8.1	590	756	12.8	8	9	11.8	17	35	21.0	63	30	4.7	126	67	5.3
Honduras	283	205	7.3	412	377	9.2	11	18	16.4	24	31	12.9	50	22	4.4	91	50	5.5
Nicaragua	111	115	10.3	240	222	9.3	22	31	13.9	15	45	29.9	38	27	7.2	82	64	7.9
Centroamérica	1.172	1.025	9.8	1.530	1.793	12.1	81	119	14.6	132	274	22.1	214	119	5.7	389	236	
Argentina			16.3			32.8			29.9			35.3			9.6			10.8

Area = Thousand hectares. Prod. = Thousand metric tons. Yield = Hundred kilos per hectare. It refers to area sown.

AGRICULTURE EXPORTS (Traditional Products)

	BANANA (1948-1974)						COFFEE (1948-1972)[2]					
	1949-1952			1974			1949-1952			1977		
	Area	Prod.	Yield	Area	Prod.	Yield	Area	Prod.	Yield[1]	Area	Prod.	Yield
Costa Rica	16	434	271	33	1.100	333	51	23.2	454	87	79	971
El Salvador	--	--	--	9	53	57	112	74.5	655	147	180	1.224
Guatemala	17	185	109	59	450	76	162	57.6	355	270	147	544
Honduras	57	802	140	48	1.360	283	63	13.1	207	122	57	467
Nicaragua	1	13	128	40	250	63	56	19.5	348	88	62	700
Centroamérica	91	1.434	162	189	3.213	162	444	187.9	405	714	525	781
Ecuador			119			175						
Brazil									407			480

Area = Thousand hectares. Prod. = Thousand metric tons. Yield = Hundred kilos per hectare.

(Continued)

Table 8 (Continued)

AGRICULTURAL EXPORTS (Non-Traditional Products)

	SUGAR CANE (1961-1977) 1961-1965						COTTON (1948-1977)							CATTLE (1947-1974)		
	Area	Prod.	Yield	Area	Prod.	Yield	Area	Prod.	Yield	70	72	74	77	1947-52	1972	1974
Costa Rica	24	1.082	451	37	2.160	584	--	--	--	-	-	-	-	601	1.655	1.767
El Salvador	25	1.060	424	38	3.300	858	21	8	3.6	46	68	78	71	795	1.000	1.009
Guatemala	32	1.960	606	85	6.800	801	5	2	3.2	57	81	114	135	977	1.740	1.916
Honduras	33	796	240	55	1.660	302	--	--	--	--	--	--	--	884	1.600	1.661
Nicaragua	21	971	456	42	2.578	621	21	8	3.8	67	103	146	138	1.068	2.670	2.600
Centroamérica	135	5.869	435	257	16.498	777	47	18	3.5	170	252	338	344	3.258	8.665	8.953
Cuba			384			375										
Argentina									2.4							

[1]Calculations made by the author.

[2]Yield = Kilo per hectare.

SOURCE: James W. Wilkie, Statistical Abstract of Latin America, Vol. 20, Latin American Center Publications, University California, Los Angeles, 1980, Tables 1502, 1503, 1504, 1506, 1508, 1512, 1514, and 1600.

As may be deduced from Table 8, coffee expansion was far from spectacular. The reproduction of this type of productivity structure--based on the holding of large parcels of land and on the exploitation of a labor force of extraordinarily low wage levels--conforms with relatively low or slow rates of capital accumulation relative to the movement that characterizes a more developed economic structure or one that is simply appropriate to an industrial economy. This is so because the surplus value is not only less but also is it not all reinvested, neither in greater amounts each time nor with a speed which an expanding economy would assume. Here, as in other manifestations of economic life, we see the weight of a long tradition of landowning culture for whom the revenue (from the land) is more important than the profit (from the capital) because the land is a symbol of social prestige and a source of personal services.

All this is manifested in multiple ways. In fact, corresponding to an agricultural structure dominated by an oligarchical culture are two features whose presence no doubt constitute difficulties in attaining capitalist modernization. One is the low rate of per capita productivity or per surface-unit of production. The other is the percentage of land, from all that is available, effectively used in productive activities. In 1950, out of a total of 43.1 million hectares of cultivable land, only 2.7 million were actually sown either with annual or permanent crop.[19]

The production model which dedicates such a low percentage of land to production corresponds to a highly monopolistic landholding structure which generally coexists with an extraordinary pulverization of the plots of land held by peasants. This last point is one upon which we need not linger because information about it is abundant and well-known. The agricultural census carried out in all Central American countries in the early 1950s brought to light some surprising facts regarding the latifundio/minifundio dichotomy. A large part of the analytical studies regarding the problems of agricultural modernization hold up the above asymmetrical structure as the most important barrier to the attainment of development.

For a long time, the accumulation of capital in Central America had the characteristics of primitive accumulation. This was because capital expanded by expropriating peasants' land but lacked technological change in the organization of agricultural production. Additionally, this took place in a social and technical environment of weak capitalism. The accumulation of land and its development by means of labor represented the fundamental mechanisms in the conformation of an agrarian bourgeoisie. Because the production was destined for other markets, wage levels were relatively indifferent to the expansion of agricultural production. Undoubtedly, this situation constituted a permanent obstacle to capital transfers to the urban-industrial sector.

However, during the 1950s the landholding route that Central American agriculture had undertaken for a century did not impede agricultural diversification as much as it did the relative modernization of the production of commodities directed to foreign markets. Table 8 gathers this information in summary form and ratifies the well-known assumption that during a long time--and the 1950s corroborate this--the only explanation for growth is the expansion of exports. The increases in agricultural output (which may be assimilated as an indicator of productivity per unit of size) only later will become gradually important.

The five Central American countries were traditionally self-sufficient in the production of basic grains of popular consumption. This varied according to countries and time periods, strictly depending upon the expansion of the export agriculture. The production of basic grains is fundamental to the reproduction of the general population and of the labor force. Hence the demand for foodstuffs is more rigid and does not depend upon income levels. During brief periods the region had to import corn and beans, but what was an exceptional practice became an obligatory state policy. Since 1960, Central America became a region permanently deficient in food supplies.

In the information summarized in Table 8, it is seen that corn and bean production, which was based on the transfer of crops to marginal lands of the peasant sector, increased at a slower pace than did the population. The division of labor which assumes leaving the supply of food in charge of a small parcel of land or peasant plot can become functional in the capitalistic development of a society only for a limited period of time. This is functional because the peasant economy produces at a level of subsistence prices, which are undervalued but in harmony with the income levels of the working population. The regional output of corn increased from 1.0 million metric tons (1948-1952) to 1.5 million, only marginally improving the yield per hectare. The output of beans doubled, after almost doubling the land used but without altering the yield rate. Only Guatemala is a wheat producer and in the time period under consideration it went from 20,100 to 45,000 metric tons, which corresponds to the 40 percent average domestic consumption. Nevertheless, the yield doubled from 5.8 to 10.2 kilograms per hectare.[20] The only commodity in the basket of popular consumption which underwent a notable improvement in its yield was rice, which after 1960 was cultivated in modern, well-equipped facilities and which partly became an export product.[21]

In the division of labor mentioned above, agricultural production aimed at the international market fell to the major estates. Therefore, it is not coincidental that it was on the landholders' properties that both the changes in productivity and the important agro-export diversification took place. Incidentally, it should be noted that the agro-exporting matrix does not become exhausted in the postwar period simply because this is the era of industrialization. On the contrary, when the period of mono-exporting[22] ends, the agricultural structure becomes modernized.

The character of this modernization has decisive social and political consequences. Before referring to these, let us examine how, in approximately 25 years, the production of coffee almost triples (from 187.9 to 525.3 million metric tons) and the yields per hectare double until El Salvador and Costa Rica become the countries with the highest coffee productivity in Latin America. At the same time, in the 1960s, the production/export of sugar cane rises, almost tripling in volume but, above all, considerably improving yields in El Salvador and Guatemala--

countries which attain second place after Peru in production in Latin America. Finally, cotton (which was previously imported) rapidly increased the amount of cultivated land and, after 1948, expanded nineteen-fold in relation to 1977. The productivity of Nicaraguan and Guatemalan cotton is not only the highest of Latin America but has also been considered one of the highest in the world.[23]

The landholder's route of capitalist development flows--(belatedly in our judgment[24])--into the creation of modern business. One must remember that when we speak of the capitalization of agriculture what we call accumulation is, on the one hand, the expansion of the units of production (the growth of the large cattle, sugar, and cotton concerns) through the incorporation of technology and the use of industrial inputs of the most varied nature. On the other hand, it is the expansion of market capital, which tends to be more important at some moments, when the limits of the economic space (by the limits that the non-capitalist area of agriculture imposes) are decisive. In other words, with the relative modernization of export agriculture, the development of market capital becomes important. Finally, it is through this capital that the partial transfer of agrarian revenue/gain is made to the industrial sector.

The character of agrarian capitalist concerns in Central America has not been studied sufficiently. Without doubt, it constitutes not only an important contributing factor to economic and regional growth, but also an antecedent which facilitates the later urban-industrial implantation. In any case, the technical transformation of export production, the incorporation of constant capital, the use of new managerial experiences, etc., do not constitute a general movement which ends by transforming the landowning oligarchy. It is a matter of the initiative of a few large property owners and, while the internal processes are not known, the results can be observed. The gradual modernization has had two characteristics: a) since it is initiated by landowners, it does not alter (or only partly modifies) their exploitive relation with the peasant class, and b) the initiative originates out of political conditions favorable to only some economic groups and not to the property owners in general. The role of the State and its clientel, the association with foreign agro-industrial capital, and the conditions of international demand, were favorable, at least for a while, to this modernization.

In sum, if the creation of an export sector in the past became the dynamic center of the Central American economy, its relative modernization and diversification play a determinate role in the creation of the market during the postwar period. But the wealth accumulated by the export sector can be converted into industrial investment capital only under special conditions and, in our experience, the social origin of such capital was another. In addition, by the way in which agricultural output and export function, this sector plays a contradictory role: it helps to adjust the domestic market while at the same time limit it constitutively. This point will be analyzed later.

Industrialization: Background (II): Bourgeoisie and Artisans

With the end of World War II, the criticisms of stagnation and crisis were formulated in a positive way--as a deliberate industrialization project. This was true for Latin America in general but even more so for the Central American countries. Sundry factors promoted this project, taking advantage of the convergence of favorable international and local conditions. Today we can classify such factors and causes into two different sources: the political-ideological factors and the economic-structural factors.

The two factors are not disassociated but, because of the role that the State was obligated to carry out, the new social forces it had to represent, and the international responsibilities it had to face, we dare state that the project of industrial growth was the product of political decisions. The political decisions were based on valuable ideological components existing to date and taking advantage of favorable economic junctures, both international and domestic.[25]

The analysis of this ideological climate must necessarily recall the forces gathered as if the awaited moment of industrial take-off had arrived by the new development projects in Latin America. Early on ECLA presented and elaborated theories which described these hopes. These theories prospered in countries, i.e. Central America, where anti-oligarchical criticism was ripe. More than once it was stated that industrial growth was a consequence of the exhaustion of the primary export model of the region which, as we have seen, was a "cadaver" which enjoyed good health during the last 25 years. But the model's robustness does not exempt it from weaknesses, which gave way to the criticism that is formulated against the model's inherent weaknesses: a mono-export economy, dependency on the international market, excessive accessibility to foreign countries, structural heterogeneity, underdevelopment of the peasant class, authoritarianism, etc.

Consequently, it is necessary to distinguish both the criticism of the development pattern and the nature of the anti-oligarchical political offensive from the vigor of the primary-export matrix, which constitutes an antecedent of Central American "industrialization." The theoretical elaborations of ECLA, as well as the way in which its reception was organized in the region, deserves a detailed examination. Nevertheless, let us quickly mention the basic arguments used in the early 1950s by technocrats, government, government functionaries, and politicians,[26] and also which constituted the programmatic content of many of the new popular political parties:

- Only industrial growth can create secure foundations for the elimination of underdevelopment and poverty; only industrialized countries have high levels of material life;

- Industrialization is the only route to reaching greater economic diversification and, hence, to being less vulnerable to foreign markets;

- Structural unemployment in the countryside can only be eliminated with new sources of urban employment; at the same time, urban development favors not only new labor markets but also the improvement of sources, education, etc.;

- Industrial growth can benefit from agricultural production and, in turn, contribute to modernizing it even more and hence, make a more harmonious industrial model attainable;

- The modernization of economic life, urbanization, and the higher levels of education, culture, and social and political participation can create conditions for democratic life and can definitively eradicate dictatorships.

Today we recognize that the irresistible attraction that the industrial project awakened in an agrarian society was more important than the existence of social forces capable of taking advantage of or responding to the aggregate of all the stimuli offered by the new production techniques, transportation facilities, organization of credit supply, relative availability of foreign currency, political sympathies, etc. Consequently, we should briefly examine the weaknesses which were "agents" of change and which conditions of productivity served as starting points.

As previously stated, agrarian capital does not become investment capital when the appropriate surplus reaches a certain volume, but rather when favorable political and economic conditions exist. The first thing we must recall from our experience is the historical limitations that were structurally imposed on the accumulation of earnings (from coffee). That can be explained by the separation that took place between the production and distribution stages, and the realization of the value, which is when the absolute earnings are fixed. In its development, this contradiction establishes internal limits, not only for the development of agrarian capitalism but also for the bourgeois transformation of the landowner-merchant class. When we speak of limits, we refer to the capability of extracting/retaining surpluses, which may be destined for local productive capitalization or may be shared (as, in fact, happened) with the international marketing-financial capital.

To control the mechanisms for the actualization of value implies the attainment of a greater earnings quota and, parallel to this, getting a fix on local capital accumulation.[27] This was historically what weakened the capitalization of the coffee-growers group. But the bourgeois weakness of the agricultural "entrepreneur" does not completely explain the narrowness of the domestic market, which should be created as a direct consequence of productive specialization and, above all, should be created when increases in productivity take place. The narrowness of the market is related to the conversion of profits into wages.

In fact, labor productivity in export agriculture is independent of wage levels because there is not a structural relation between the levels of economic surplus and the development of the productive force. In other words, the organization of agricultural production is not necessarily tied to the rate of profit because the latter does not depend upon the costs of production but rather upon the strength of foreign demand. The amount of surplus is essential in determining the social income, which includes wages. But in the coffee economy the levels of income of the labor force were set by the cost of primary foodstuffs (wage goods) produced by the permanently depressed peasant sector.

In sum, the development of productive forces is not related to the rate of plus valia nor is the plus valia related to the remuneration of labor. Increases in productivity--when they occurred--were absorbed by the financial/marketing capital and were never even partially expressed as wage increases. It is almost natural, then, that the level of these --which corresponds to the cost of the reproduction of the work force-- have certain limits imposed by social and cultural conditions, that are characteristic of a backward agricultural society. Consequently, what takes place is the creation of narrow demand and a market limited to the small groups of greater income.

Despite the previous considerations, the export econony slowly created a domestic demand that was satisfied by three different subsystems of the economy: the basic grains (corn, beans, rice, etc.) by the peasant economy; an important proportion of other foodstuffs of popular consumption, (clothing, shoes, beverages, etc.) by the artisan sector (rural and urban); and machinery, luxury items, and other more sophisticated foods by the foreign market through imports.

Given the extreme sensibility of this type of economy, at times of crisis in foreign trade, imports decreased and domestic consumption was also forced to decrease or satisfy itself with that artisan supply which was available in Central America, even though undervalued. The instances of trade expansion brought about the import of new and better manufactured goods and the creation of an internal demand for manufactured goods (partly satisfied by imports and partly by artisan goods) at the end of the 1940s constituted the foundation for the Central American process of industrialization.

In passing, we observe that neither at the beginning of this process nor during its later development was the institution of agrarian reform necessary. The so-called Common Market supplied its places; faced with the necessity of attaining a social broadening of the domestic market, a geographical broadening was attained. Leaving the rural sector intact favored the project in its beginnings because, among other reasons, the costs of reproducing the urban work force could be kept down. The articulation of the peasant economy in conjunction with this system assured that the variable capital represented a lesser portion of the industrial costs.

Our analysis assumes that during and after the 1940s the domestic market initiated a process of change which modified the outlines of overall demand. This coincided with the expansion of Central American exports, a diversification of the regional supply of primary products, and better prices in general. The political-institutional changes (the modernization of the central bank, improvement of transportation systems, ports, electrical energy, etc.) which are analyzed in depth below also coincided with an improvement in the supply of international credit and, without doubt, with a new conception of what should be the international division of labor.

Let us briefly examine the state of Central American production of manufactured goods during the early 1950s. The data taken from the corresponding census or official bulletins, found in Table 9 offers useful and concentrated information. The data available prior to this time is incomplete and unreliable.

Table 9

GENERAL INFORMATION ON CENTRAL AMERICAN MANUFACTURING

	No. of Establishments	No. of Workers[b]	Salaries (000)[c]	Aggregate Value[c]	Raw material extracted
Costa Rica	3.381[a]	13.456	3.853	5.953	18.3%
El Salvador	502	20.801	4.856	40.309	
Nicaragua	346	8.216	[d]	6.741	
Guatemala	1.072	16.759	8.485	26.346	36.5%
Honduras	243	8.423	4.087	9.614	

SOURCE: National Census of El Salvador (1951), Costa Rica (1952), Guatemala (1953). Honduras: Banco Central, Estadísticas industriales, 1953; Nicaragua, Ministerio de Economía, Encuesta agroindustrial, 1951.

[a]The census included small handicrafts.
[b]The term "workers" was taken from the total number of "employees," but it was not possible to do this with salaries in the case of Honduras.
[c]The original information was in local currency and was changed into dollars at the exchange rate in force at that time.
[d]The November 1953 salary was multiplied by 12 to obtain the annual total.

The growing tendencies toward industrialization had as their starting point an earlier foundation which combined in unequal amounts a few important manufacturing units with an extended mass of urban artisan shops. The census data usually confuses them and subsequent studies usually ignore them.

The first characteristic is sufficiently obvious, given its lack of originality, since the generalized development of manufacturing was combined in each country with the presence of three or four large, highly concentrated and relatively modern factories. Sundry beer factories have existed in Guatemala and El Salvador since the end of the last century; in both countries, as well, textile mills were founded in the 1920s. Perhaps the most illustrative example can be found in Nicaragua, where 35 percent of the total value added was produced by only one sugar refinery, the Ingenio San Antonio, which was surely the largest of the region (in 1952 Ingeniero San Antonio produced 77 percent of the refined sugar of Nicaragua). (See Table 10.)

A second feature can be found which properly constitutes agro-industrial production. It is not an error in the census definition, but rather the historical content of a process which in its origins considered as industrial the final phase in the development of certain agricultural products of immediate consumption. Thus, according to the Industrial Census, the six principal business concerns in the six provinces turned out to be the coffee benefits, included under the rubric "foodstuffs." Notice the importance of three of the five countries. The rubric of drinks, which in El Salvador produces the highest absolute value of the value added, includes (mistakenly) all the coffee benefits, which correspond to 79 percent of the item. Among chemical goods, the most important were the manufacture of candles, alcohol, paraffin, and caustic soda.

The main body of Nicaraguan production--60 percent of the total value added--is constituted by the production of the timber and rice mills and the refinery mentioned above. There are 340 "establishments" but only one cement factory (172 laborers and $2.6 million in value added), one beer factory (178 laborers and $6.2 million of value added), and one tobacco factory (148 laborers and $2.9 millions of value added).

In Guatemala, the most important category of foodstuffs includes production from flour mills, refineries, and sugar mills, and the coffee and rice benefits, which produced more than 75 percent of the value added. The remaining are bakeries and cracker and pastry factories. The central feature is evident: among hundreds of artisan shops, there was only one cigarette factory, one cement factory, two footwear factories and one brewery. When we speak of artisan shops, we refer to a triple condition common to the region: first, these establishments have an average of four employees and laborers; next, they only modify in an elementary way the raw material they utilize; and finally, they only add a minimum value to the total production. Such is the case with shoemakers, tailors, bakers, pastry chefs, candle, roof-tile, brick factories, sweets, etc., which appear as disjoined in the census but display the nature of the productive structure.

Demand for the more sophisticated products was satisfied through imports. This is proved, among other ways, by the structure of postwar imports. In this sense, one can speak of an import substitution parallel to the decomposition process of the artisan enterprise. In a sector of the latter, its recomposition took place upon managing to incorporate the most modern capital and technology in a way similar to that which took place in the category of foods and beverages. Once all this happens and demand, rehabilitated through the effect of external demonstration, begins to be satisfied locally, Central America has embarked on an industrialization model which in a new way becomes dependent of foreign countries.

Table 10

MOST IMPORTANT MANUFACTURING SECTORS, NUMBER OF ESTABLISHMENTS AND AGGREGATE VALUE[1]

	Guatemala		Honduras		El Salvador		Costa Rica		Nicaragua	
	No. of Firms	A.V.	No. of Firms	A.V.	No. of Firms	A.V.	No. of Firms	A.V.	No. of Firms	A.V.
Beverages	43	5.2	23	1.8	172	23.8			46	1.6
Foods	249	4.2	48	1.4	117	6.1	1445	2.5	163	5.8
Chemical Products	54	2.5	19	1.7	19	1.1	62	.4		
Textiles	45	2.4			20	3.2	43	.5	4	.8
Footware and Clothing	218	2.6					663	.8	91	.5
Furniture			8	1.0						
Sawmill			21	.7			185	.6	36	2.4
Printing Shop					31	1.1				

[1]Data on aggregate value in millions of dollars and on firms in absolute figures.

SOURCE: Idem Table 8.

The import of raw materials, semifinished products and capital goods, together with the acquisition of copyrights and patents, widens the import ratio even more. The analysis of this cycle will wait for a later time.

Table 11

CENTRAL AMERICAN IMPORTS, BY PRINCIPAL COMMODITY GROUPS, 1955

(Percent)

	Foodstuffs and related products	Raw materials	Manufactured products
All countries	12	13	75
Guatemala	13	12	75
El Salvador	16	15	69
Honduras	8	12	80
Nicaragua	7	11	82
Costa Rica	12	13	75

SOURCE: Department of Commerce, Investment in Central America: A General Survey, Washington, 1955, p. 78.

[1]This term is used intentionally in order to distinguish it from the endogenous development processes of the productive forces which lead to the construction of the so-called "heavy industry."

[2]The theoretical discussion of this kind of problem, which comes up from time to time, only goes to show the difficulties which still subsist when searching for an explanation of development problems. This statement does not excuse the limitations which will undoubtedly be present in this paper.

[3]Fred L. Block, The Origins of the International Economic Disorder: A Study of U.S. International Monetary Policy from World War II to the Present, University of California Press, 1977, p. 10. The mythical period of the gold standard, predominant ever since World War I, was subsequently challenged by the efforts of several European countries to construct a more nationally controlled capitalism.

[4]Guatemala did not sign the Ex-Im Bank convention. Costa Rica had received, up until 1942, $6.3 millions, El Salvador, $1.2; Honduras, $2.7; and Nicaragua, $5.1. Revista de la economía nacional, Guatemala, August 1942, p. 16.

[5]Revista de la economía nacional, April 1941, pp. 32-33.

[6]There is an interesting comparison between that moment and the present one in A. Fishlow, C. Díaz Alejandro, R. Fagen, and Hansen. Rich and Poor Nations in the World Economy.

[7]Edmund Riley, Vice-President of the XXXI National Conference on Foreign Trade, New York, October 1944, quoted in Economía y finanzas: Revista nicaraguense de economía, February 1945, p. 15.

[8]Speech given at the International Economic Conference, New York, November 15, op. cit., p. 14. Author's underlining.

[9]UNCTAD: Handbook of International Trade and Development Statistics, 1979, New York, p. 25. In 1950, American exports made up more than the total exports of the countries which now form the European Economic Community (excluding Great Britain) reaching a total of $10,149 million. Latin American exports reached a total of $9.100 million; since then, the difference between the United States and Latin America has been increasing constantly.

[10]Op. cit., p. 30.

[11]Department of Commerce, Investment in Central America: A General Survey, Washington, 1955, p. 19.

REFERENCES

[12]CEPAL: Centroamérica: Evolución económica de la postguerra, México, Diciembre 1979, p. 4.

[13]CEPAL: Centroamérica: Evolución económica de la postguerra, op. cit., p. 90, table 1. All data is given in dollars at 1970 constant prices.

[14]Jefferson , C. Boyer arrived at a similar conclusion in his field project in Honduras. See Agrarian Capitalism and Peasant Praxis in Southern Honduras, Ph.D. dissertation, Duke University, 1982.

[15]V. Bulmer-Thomas, The Central American Economies in the Inter-War Period, Queen Mary College, London University, mimeograph, p. 19.

[16]Formation on prices of coffee exports is often subject to manipulation, which nearly always makes it unreliable. We did not manage to have access to other sources, such as the Latin American Commodities Report. The local sources are given in local currency, sometimes including the f.o.b. value. For reasons of comparison, we have used the "Commodity Prices International" from the Statistical Abstract of Latin America, op. cit., p. 340, which gives information on Salvadoran coffee.

[17]CEPAL: Series históricas del crecimiento de América Latina, Santiago, 1978, table 7. The information on 1946 is approximate. The amounts are given in dollars at 1970 constant prices.

[18]The average production figures between the two dates indicated were 58 and 61.9 million kilos of coffee for Guatemala, 59.5 and 74.8 for El Salvador; 9.6 and 13.7 for Honduras, 13.9 and 18.9 for Nicaragua, and 22.8 and 21.4 for Costa Rica. Investment in Central America, U.S. Department of Commerce, Washington, 1955, Chap. II, p. 21.

[19]L. Fletcher, et al., Guatemala's Economic Development: The Role of Agriculture, Iowa State University Press, 1970, p. 39. Information concerning land effectively sown varies during the ensuing years. GAFICA and SIECA-FAO documents give other figures.

[20]In Guatemala wheat is produced exclusively in small or medium-size agricultural units. Central America is a permanent importer of raw wheat and flour. Information obtained from Statistical Abstract, op. cit., Table 1500, p. 234.

[21]Argentine, Brasil, Ecuador and Cuba's yields have been included in Table 8 in order to compare them with the others.

[22]In this analysis we have not taken into consideration at any time the banana plantation or its exportation. The isolated structural characteristic of this type of plantation in relation to the internal market limits any possibility of transmitting dynamism. The so-called "enclave"

was important only in the analysis of the gross geographical product. During the 1960s the foreign plantation was substituted for local growers who were commercially tied to the banana transnational companies. Indeed, modernization in banana agriculture should be taken into consideration at some time.

[23]Statistical Abstract, op. cit., pp. 188-195 and table 12, enclosed. Also to be noted, CEPAL: Centroamerica: evolución económica, op. cit., pp. 47-49.

[24]E. Torres-Rivas, "Comments on Capitalist Development in Central American Agriculture." Presented at the seminar on Forms of Cultural Productive Organization in the Countryside, Csuca, June 1982, San José, Costa Rica. In this paper there are several comments on land tenure modernization.

[25]On analyzing the Venezuelan experience, S. Bitar arrives at the conclusion that the definition of a deliberate policy was present in the country's industrialization. See S. Bitar and E. Troncoso, "La industrialización de Venezuela en el contexto latinoamericano," in Economía de América Latina, CIDE, N^{o} 8, 1982, p. 159. In other industrialization processes there have been other factors according to the opinions expressed by H. Sosa in "Principales problemas de la industrialización latinoamericana," in M. Nolff, (ed.), Desarrollo industrial latinoamericano, México, FCE 1974, pp. 206-207.

[26]Certain specialists in economic development have presented decisive arguments on this subject. For example see, P. N. Rosenstein-Roda, "Notes on the Theory of the Big Push," in Ellis & Wallich (Ed.), Economic Development in Latin America; B. W. Hodder, Economic Development in the Tropics, Methuen & Co., New York, 1980, Ch. 8; or the works of Hirschman, Kindleberger and, especially, those of Raúl Prebisch.

[27]In some cases, such as that of Guatemala, not even agricultural production was totally in the hands of the Guatemalan citizens. For example, up until 1944, 216 agricultural companies, haciendas, and plantations belonged to German capital. They produced 50 percent of the total sugar crop, 33 percent of exportable coffee, and were the owners of nearly 30 percent of the cattle. See Reynold & Carlson, "Economic Development in Central America,' in Inter-American Economic Affairs, 2:2, 1948, p. 14.