

EIR Operation Juárez

An underpopulated and underemployed continent

Part 9

Ibero-American integration

Taking into account unemployment in agriculture and misemployment in unnecessary services, the true level of joblessness in Ibero-America is 35%. That means that more than a third of the most important resource of the continent, its labor power, is not contributing to creating wealth.

The Schiller Institute's book, *Ibero-American Integration: 100 Million New Jobs by the Year 2000*, was published in Spanish in September 1986. An international team of experts prepared this study on the urgent measures needed to free Ibero-America of its economic dependency, elaborating the outlines of Lyndon LaRouche's 1982 proposal, "Operation Juárez."

This week EIR's exclusive English-language serialization of the book opens Chapter 4. Numbering of graphics follows that of the book.



The extensive documentation in earlier chapters of this book has clarified the financial dimensions of the problem of Ibero-American economic underdevelopment, and demonstrated that the debilitating financial dependency aggravated during the past 20 years is by no means a necessary or inevitable by-product of development policy. If need be, a unified Ibero-America could go it alone. However, whatever political and financial policy framework for economic development is chosen, it will of necessity fail unless it facilitates, as a first priority, resolution of the critical unemployment and underemployment problems of Ibero-America.

As we shall demonstrate in this and the next chapter, a target of creating 100 million new jobs by the year 2000 is both necessary and feasible; achieving this objective requires the indispensable condition of in-depth transformation of the Ibero-American economies from now through the year 2015, from their present miserable condition to average 1980 Western European levels of development. The job creation program, designed to solve the unemployment problem as well as the problem of absorbing the millions of new workers entering the labor force between 1985 and 2000, must at the same time be geared toward effecting a dramatic shift in the structure and internal composition of the labor force. To sustain any reasonable pace of economic progress, the manufacturing portion of the labor force must gain rapidly in absolute numbers and in relation to the agricultural and service sectors. Such restructuring is necessary in order to reduce the drain on the growth-producing sector by subsistence agriculture and non-productive service jobs.

Clearly, our insistence that Ibero-America face its unemployment and underemployment problems by confronting the challenge of creating 100 million jobs by the year 2000—largely in the goods-producing sectors of the economy, which requires massive capital investment—is totally at variance



Children at play in Mexico, 1985. Although Mexico has the greatest population density in Ibero-America, it has only one-third of the density of Germany in 1860, and one-seventh the density of West Germany today!

NSIPS

with the development proposals of other institutions. The World Bank and others see the principal solution to the problems of poverty and unemployment in population control, preferably leading to a zero-growth outcome. Thus the policy summary of the World Bank's 1984 *World Development Reports*, devoted to "Population Change and Development," states:

... Evidence described in this report seems conclusive: because poverty and rapid population growth reinforce each other, donors and developing countries must cooperate in an effort to slow population growth as a major part of the effort to achieve development.

We assert and shall prove that, on the contrary:

1) There is *no* causal relationship or demonstrable historical correlation between poverty and rapid population growth.

2) There is, in fact, no known historical example in which successful economic development and industrialization on a significant scale were *not* accompanied by rapid population increase.

3) In the case of most countries of Ibero-America, it is *lack* of adequate population size and density rather than overpopulation which constitutes a serious barrier to successful development.

In this chapter, we will demonstrate the truth of these assertions, by proving that Ibero-America is underpopulated and that, unless the rate of population growth rises, and unless the total population doubles within 30 years and quadruples in 60, economic development based on modern technology will be a simple chimera. The remainder of the chapter will then be devoted to deriving an accurate estimation of current unemployment and underemployment, as the necessary point of departure for offering both quantitative and qualitative recommendations for restructuring the labor force in accordance with the requirements of our above-stated development goal, a matter which we will develop further in Chapter 5.

South Korea, one of the very few countries which successfully industrialized during the 1960s and 1970s, is a successful example of the first two points mentioned above; it exhibited both a high population growth rate and one of the highest population densities in the world (433 inhabitants per square kilometer). GDP, industry and population growth rates are given in **Table 4-1**.

A rate of 2.6% per year certainly qualifies as rapid population growth, and just as certainly did *not* impede rapid economic growth. 2.6% population growth is also quite comparable to Ibero-American growth rates during the 1960s. However, industrial growth in Ibero-America was only one-third to at most one-half that of South Korea during the same time period. There were many reasons for that, but population growth was not one of them.

In more detail, the figures for population, work force, and economic growth for the seven largest Ibero-American

TABLE 4-1

South Korea: population, GDP, and industrial growth

(average annual rates)

	Population growth	Growth of GDP	Industrial growth
1960-70	2.6	8.6	17.2
1970-82	1.7	8.6	13.6

Source: World Bank

TABLE 4-2

Ibero-America and South Korea: Total population, population of working age, total GDP, and manufacturing GDP 1950-1985

(average rates of annual growth)

	1950-55	1955-60	1960-65	1965-70	1970-75	1975-80	1980-85
Argentina							
Population	2.0	1.7	1.6	1.5	1.7	1.6	1.6
PWA*	1.7	1.5	1.5	1.5	1.5	1.2	1.2
Total GDP	3.0	2.7	4.4	4.3	2.9	2.2	
Manuf. GDP	3.9	4.3	6.2	5.1	3.4	-0.2	
Brazil							
Population	3.2	3.0	3.0	2.6	2.4	2.3	2.3
PWA*	2.9	2.6	2.8	3.1	3.1	3.1	2.6
Total GDP	6.8	6.8	4.5	7.7	10.4	6.9	
Manuf. GDP	8.1	10.2	3.7	10.1	10.7	7.4	
Colombia							
Population	2.9	3.0	3.1	2.8	2.2	2.2	2.2
PWA*	2.3	2.6	3.0	3.4	3.2	3.2	2.9
Total GDP	5.3	4.0	4.7	5.8	5.7	5.4	
Manuf. GDP	6.9	6.1	5.6	6.4	7.4	5.2	
Chile							
Population	2.1	2.4	2.3	1.9	1.7	1.7	1.7
PWA*	1.8	2.2	2.2	2.3	2.6	2.5	2.0
Total GDP	3.8	4.1	3.8	4.7	-2.2	7.5	
Manuf. GDP	3.9	5.5	6.0	4.6	-4.9	7.6	
Mexico							
Population	3.0	3.2	3.2	3.3	3.3	2.9	2.6
PWA*	2.5	2.7	2.8	3.2	3.4	3.5	3.6
Total GDP	6.0	6.2	7.1	6.9	6.5	6.7	
Manuf. GDP	6.1	6.2	9.4	8.8	7.1	7.2	
Peru							
Population	2.6	2.7	2.8	2.9	2.7	2.7	2.6
PWA*	2.3	2.3	2.6	2.9	3.1	3.2	3.1
Total GDP	5.7	5.3	6.4	3.7	4.6	1.9	
Manuf. GDP	9.0	7.0	7.0	4.6	5.7	1.1	
Venezuela							
Population	3.9	4.0	4.0	3.6	3.6	3.6	3.3
PWA*	3.3	3.4	3.6	4.0	4.4	4.2	3.7
Total GDP	8.7	6.5	7.3	4.9	4.9	3.4	
Manuf. GDP	12.2	7.9	8.6	4.8	5.2	5.0	
Ibero-America							
Population	2.8	2.8	2.9	2.6	2.6	2.4	2.3
PWA*	2.4	2.4	2.6	2.8	3.0	3.0	2.8
Total GDP	5.3	5.0	5.3	6.0	6.5	5.6	
Manuf. GDP	6.3	6.7	6.3	7.6	7.0	5.7	
South Korea							
Population	1.1	3.1	2.8	2.4	1.8	1.6	
PWA*			2.8	2.7	3.3	2.7	
Total GDP	6.9	3.3	6.5	10.4	9.5	7.6	
Manuf. GDP		10.0	12.3	21.5	17.9	13.0	

*Population of working age
Sources: ECLA and World Bank.



TABLE 4-3

**Energy, GDP, and population density
in various countries
1983**

	Energy per capita (TCE*)	Energy per km ² (TCE*)	Population density (Inhabitants per km ²)	GDP per km ² (in dollars)
Argentina	2.1	22.7	10.7	25.9
Brazil	1.1	16.5	15.2	29.9
Colombia	1.1	27.6	24.2	31.0
Chile	1.1	17.0	15.4	25.5
Mexico	1.9	73.6	38.1	73.6
Peru	0.8	11.1	14.6	13.7
Venezuela	3.3	63.3	18.0	76.6
South Korea	1.7	693.0	407.7	782.0
Spain	2.7	204.3	75.7	312.6
Italy	3.6	674.2	188.8	1,172.0
France	5.0	498.4	99.9	942.2
Republic of Germany	6.0	1,489.6	246.7	2,622.8
Japan	4.3	1,365.3	320.6	2,857.2
United States	10.2	255.9	25.0	349.9

*Tons of coal equivalent

Sources: United Nations and World Bank.

countries in comparison with South Korea are given in **Table 4-2**.

This table shows that no correlation whatsoever can be made between growth rates of total or of working age population, and growth rates of overall GDP or of GDP in manufacturing. The World Bank's supposed evidence of the negative effect of population growth is of necessity drawn, if it is drawn from anywhere, from the experience of the past 35 years of development efforts. But if it is claimed that the drop in population growth rates in Brazil from 1960-65 to 1980-85 correlates with high overall and manufacturing growth rates between 1965-1975, that same fall correlates with the stagnation in growth after 1980, and with the period of greatest increase in the working age population. In fact, it is quite unclear whether the World Bank's argument blames the relative increase in the population between 0 and 15 years for the supposed negative impact on growth, or the increase in working age population which demands a higher rate of job creation. **Table 4-2** shows that growth rates for *neither* of these variables correlate from country to country and from time period to time period with growth rates of the GDP.

Argentina, the country with the lowest population and working age growth, also shows by far the slowest rate of economic growth. Chile, with the second lowest population

growth has also the second slowest economic growth. Mexico, with the second highest population growth rates, has economic growth rates second only to Brazil, while Colombia, whose population growth collapses in the 1970s, shows no appreciable change in its growth rates over the entire 30-year period.

In other words, the rate of population growth per se is irrelevant to the speed with which a country can develop economically, with the obvious exceptions. The determinants of development are independent of population growth, and the effort to link them has been a deliberate obfuscation of the true causes of industrial and economic growth, or absence thereof, in developing sector countries.

Ibero-America is a region with one of the richest resource bases in the world. It lacks neither in food or energy production potential, nor in abundant resources for industrial development. Lack of mobilization of their resources rather than population pressure is what has condemned the large majority of people in Ibero-America to its present state of misery. **Table 4-3** compares energy density, population density, and GDP values per square kilometer in Ibero-America with those of South Korea and various industrialization nations. The table shows in particular a close correlation of commercial energy consumption per square kilometer and GDP per square kilometer. This, of course, is no great surprise. Energy per square kilometer reflects density of industry and intensity of agricultural cultivation. Increase those and you will eradicate poverty. Increase them 10- to 50-fold and you will begin to approximate West European levels of development. For this the necessary investment capital will have to be found and we will show in the next chapter how it can be found. The more serious problem—if one looks at the population densities in the West European nations—is how to find the required number of people and how to provide them with the requisite skills to carry out the desired industrialized program.

Population density and development

The demographic and labor force parameters relevant to successful economic development are two:

1) Sufficient minimum population density of approximately 50 inhabitants per square kilometer is required to support investment in infrastructure and provide labor force and markets for industrial production.

2) A process must begin of shifting composition of labor force in which surplus agricultural labor excessed by the introduction of machinery and technology into farming must go primarily into industrial, especially manufacturing, jobs, rather than services.

For the reader, whose mind most likely has been badly abused by population control propaganda, it will be easiest to accept this two-fold premise, if he gets accustomed to rigorously thinking of human population not in terms of consumers, but in terms of producers. Producers employ specific

TABLE 4-4
**Population density in Europe and Japan,
 19th century**
 (inhabitants per km²)

	1860*	1880*	1900*	1980
Belgium	158.2	180.9	219.4	323.2
France	68.4	68.4	70.3	98.6
Germany	110.4	126.8	158.0	247.6
Italy	83.0	94.5	107.8	186.4
Great Britain	94.7	121.7	151.6	229.2
United States	4.1	6.6	9.9	29.8
Japan	93.7	98.7	118.1	309.9

**Population density in Ibero-America and
 South Korea, 19th century**
 (inhabitants per km²)

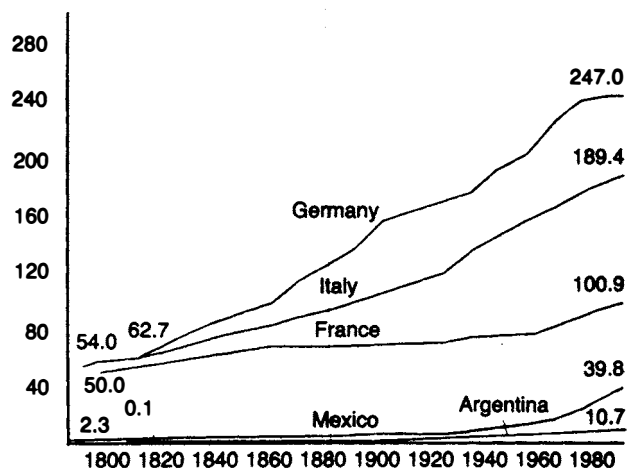
	1900*	1920*	1940*	1960	1980
Argentina	1.4	2.8	5.7	7.4	10.2
Brazil	2.0	3.6	4.8	8.5	14.2
Colombia	3.6	5.1	7.6	13.6	22.7
Chile	4.3	4.9	6.6	10.0	14.7
Mexico	6.9	7.3	10.0	18.8	36.2
Peru			5.5	7.7	13.5
Venezuela	2.6	2.7	4.3	8.4	17.4
South Korea			168.5	253.9	387.8

*Data from census year closest to start of the decade, which is not the same in each decade nor in each country.
 Sources: Statistical yearbooks of each country.

types of production technology, and the efficient utilization of such technologies implies necessary levels of education, a certain scale of production, and a division of labor with minimum required numbers of operatives in each production technology-implied job category. On the basis of such considerations it becomes possible to specify "critical mass," i.e., what absolute size of population and labor force and what distribution of labor force are necessary to run agricultural and industrial enterprises at desired levels of overall economic development.

A high population density alone is no guarantee of viable economic growth, as many Asian countries demonstrate. But conversely, an adequate population density is an absolutely necessary precondition for industrialization on a sustained basis, either throughout the extent of a smaller country, or in major belts or pockets in large countries. The large countries of Canada and Australia managed to industrialize by concentrating their limited populations into a few relatively dense

FIGURE 4-1
**Population density of various Ibero-
 American and European countries**
 (inhabitants/km²)



Sources: B.R. Mitchell, *European Historical Statistics*, and statistical yearbooks of Mexico and Argentina.

pockets while employing highly mechanized, capital intensive agricultural methods to their large expanses of agricultural lands. Sweden was able to do it primarily because its small population is tightly clustered near its southern border where it functions as an extension of the dense population concentrations of northern Europe. The United States industrialized along two population dense axes, and built an extensive railroad network to permit capital-intensive, expansive agriculture in the less densely populated regions.

No country without at least large areas of high density settlement has ever supported sustained industrial development.

The reason for this is obvious. The industrial revolution created the ability to mass produce a constantly growing number of manufactured items of increasing specificity and specialized use. To do this efficiently requires an ever larger marketing region to permit large-scale batch manufacturing sufficient to realize economies of scale. The denser the surrounding population, the greater the potential market, assuming that that population is given sufficient buying power. Even with dense population, of course, the critical question is construction of the transportation infrastructure to get the goods to the markets, but the denser the population, the relatively less expensive is the cost of constructing that infrastructure per unit of goods to be moved.

Of course, foreign trade is also essential to healthy industrial growth, no matter what the size and density of a country, but it is always an adjunct to the development of domestic markets, a source of key items that cannot be economically

produced at home and a market for excess domestic production. Apart from hot-house city-states such as Singapore and Hong Kong, no economy has industrialized by relying primarily on exports at the expense of developing in-depth domestic markets for the output of its industries. Further, these are examples which Ibero-America should not follow, despite Henry Kissinger's insistence otherwise, given that the major portion of their much-touted "growth" is due to their participation in the international drug market (especially in the case of Hong Kong).

The experience of the 19th century success stories in Europe and Asia, compared to Ibero-America in this century, shows how important it is that Ibero-America continue relatively high rates of population growth into the next century to ensure increasing population densities and viability of economic growth.

The contrast between Ibero-America in the present century, and Europe and Japan 100 years ago when these countries all underwent their first major industrialization booms, could not be more stark. The population density of Germany in 1860, for example, was 11 times that of Argentina in 1980, and 20 times that of Argentina in 1940. It was 23 times Brazil's 1940 population, and still 8 times Brazil's population density in 1980. Mexico has historically had the highest

density, but was still in 1980 only one-third the 1860 density of Germany, and one-seventh the density of West Germany today. France, at the end of the 19th century, had a higher population density than Ibero-America today (see **Table 4-4** and **Figure 4-1**).

The major point to be made is not that Ibero-America per se should already have reached European population density levels, but rather to show how absurd is the argument that Ibero-America is in any possible sense overpopulated, or likely to reach some level of overpopulation any time in the foreseeable future.

In Ibero-America, until the last 30 years, population was so sparse almost everywhere that there was no basis for sustained manufacturing development in any country, with the exception of Mexico. Today, despite the still very low densities overall, the local concentrations of people do exist (50 inhabitants per square kilometer) to make industrialization possible, but only if all of the major points of concentration are linked by efficient transportation facilities and operate as a common market. Only Mexico and Brazil currently have the appropriate size and density of population to sustain modern industrial development. Anything beyond that would necessarily depend upon the integration of the entire continent.

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