

How Ibero-America can become an economic superpower

by Dennis Small

The following is adapted from a speech delivered by EIR Ibero-American Editor Dennis Small in May 1992, at the founding conference of the Ibero-American Solidarity Movement in Tlaxcala, Mexico.

If we examine the process of economic disintegration that Ibero-America is suffering today, the task of putting an end to the looting of the continent and transforming it into an economic superpower could appear to be not only a titanic undertaking, but a sheer impossibility. Five years ago, in our *Ibero-American Integration* book, we spoke of the necessity of creating 100 million new productive jobs by the year 2000, that is, within 15 years, as the central theme of reconstruction. We showed there that this was feasible: If the policies outlined by Lyndon LaRouche in his 1982 work *Operation Juárez* were adopted, we could achieve a real economic growth rate of 10% a year, and we could thereby reach the level of development of Spain within 15 years; and in 30 years Ibero-America could attain the average development levels of the OECD countries (France, Germany, etc.).

But today, five years later, the task is far greater. Productive employment in Ibero-America stagnated for the entire decade of the 1980s at a level of about 90 million productive jobs, against which a real unemployment level of 75 million persons has been generated, the equivalent of a 45% unemployment rate (Figure 1). To provide productive employment to all of these unemployed, and also to all the new entrants to the labor market over the next 15 years, that is, by the year 2005, we would have to create not 100 million new productive jobs, but 130 million. In other words, the problem has become 30% greater in five short years.

And not only this. Today we are taking off from a very deteriorated productive base compared to that of 1985; cholera has ravaged Ibero-America; the infrastructure of the continent has collapsed. That is, Ibero-America has been "Africanized."

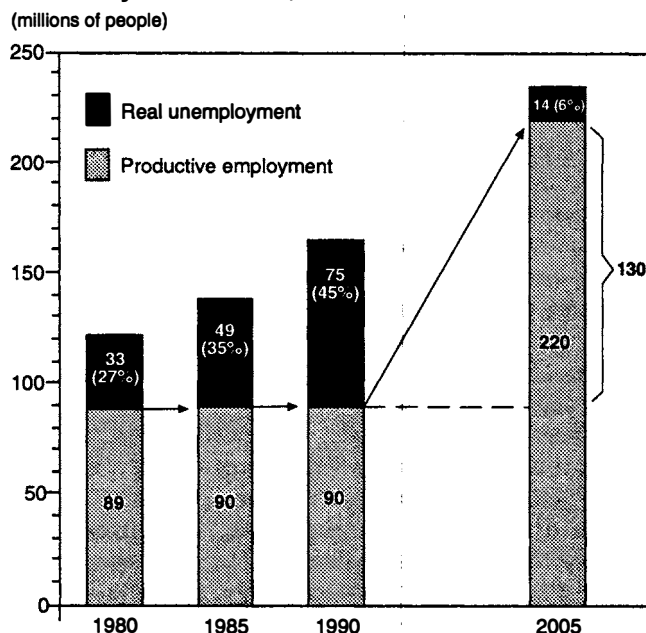
Can we succeed? Yes, we can; and the curious thing is that we can do it in the same 15-year time frame that would have been required to resolve the problem five years ago.

How, then, can we make Ibero-America an economic superpower? Obviously, we must stop the looting of the

continent with an immediate and total moratorium on foreign debt payment and with a total political break with the International Monetary Fund. Obviously, we must form a common market and customs union in Ibero-America, to take advantage of the natural complementarity of the continent's economies; obviously, we must channel all resources saved and generated into production and not into speculation; and obviously, we must establish Hamiltonian mechanisms to generate credit. But all of these things, while necessary, are not sufficient to do the job.

The most fundamental economic question is: How can we reinvest the economic surplus thus generated, and what method must we use to arrive at such investment decisions? Here is where many otherwise well-intentioned nationalists across the continent fail miserably, not to mention the neo-Keynesians and other misguided economists. Only the eco-

FIGURE 1
Ibero-America: Real unemployment and needed job creation, 1980-2005





Children living on the streets of Brazil. Raising the productive power of labor is the absolute prerequisite for economic development of the continent.

conomic theory of Lyndon LaRouche has a scientific response to this question.

Population density

In many writings, LaRouche has demonstrated that the only scientific measurement of an advancing physical economy is the rate of growth of the potential population density of the society taken as a whole. This increase, in turn, requires three conditions. First, the average per capita consumption level, required for the development of the labor force, must increase. Second, the rate of investment in capital goods, machine tools, etc., for the economy, must increase, and it must do so at a faster rate than the growth of consumer goods production. In effect, every worker, and every member of society, in his productive activity, will put into action an ever greater quantity of capital, per capita. This increases the productive power of labor. Historically, these advances occur with the progress of science and technology, and their application to the economy. Third, energy density must be increased both per capita and per hectare, both in its industrial uses and for consumption directly. Not only must energy density be increased in this way, but the energy flux-density must also increase, that is, the "heat" of the economic pro-

cess, which is also a product of technological advance.

All of this requires that the reinvestment of the economic surplus be guided by these criteria: It must be done in such a way as to increase as rapidly as possible the labor force's productive capacity to assimilate and reproduce advances in science and technology. This is the only way to decide where to invest. Economic decisions cannot be made from the standpoint of "well, here are some hungry people, and we must feed them," or "here we need some houses built and we must repair the streets." The economy cannot be approached, just as politics cannot be approached, in "democratic" terms, dividing up what little there is "equitably." Rather, we must be totally scientific, and see what produces the most rapid possible increases in the productive power of labor. This means that we must find those areas or regions of *greatest economic density*, in terms of the three indicated parameters: 1) skilled manpower; 2) intensity of capital and technology use; 3) intensity of energy use.

The 'Productive Axis'

The most economically dense "Productive Axis" of Ibero-America is made up of the area of southern Brazil, passing through Uruguay to northern Argentina (Figure 2). In Argentina, this includes the provinces of Buenos Aires, Santa Fe, Córdoba, and Entre Rios; and in Brazil, Rio Grande do Sul, Santa Catarina, Paraña, São Paulo, Rio de Janeiro, and Espiritu Santo. This region possesses the greatest economic density, the greatest concentration of labor and capital potential able to facilitate the most rapid growth rates possible of the entire continent's productive labor power. It would therefore be a mistake to sidetrack available investment into poorer regions; on the contrary, investment should be channeled as a priority into precisely that region which, because of its density, can produce extremely high growth rates compared to the rest of the continent. This economic surplus could then be used as the motor to launch large infrastructure projects to integrate the continent physically, as shown on the map.

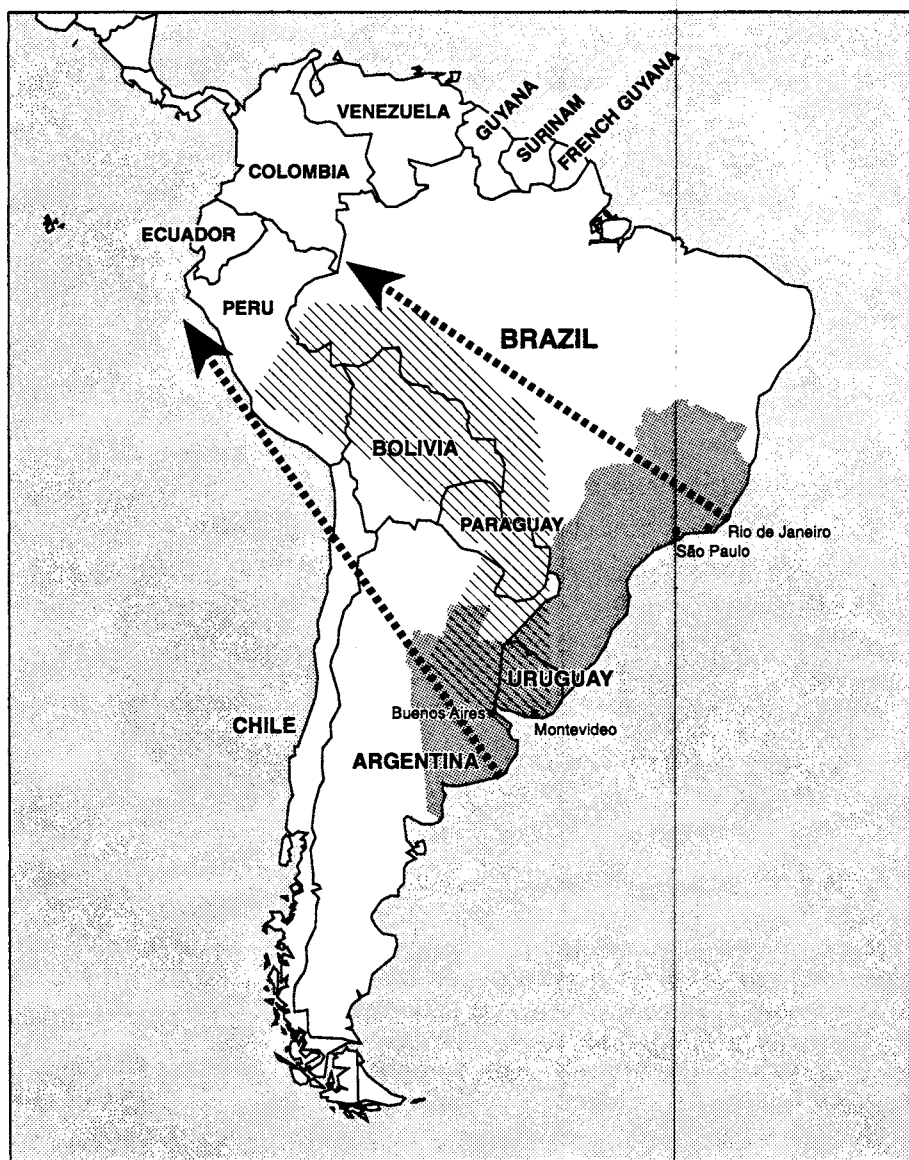
Let's look at some details of the region's economic density to better understand its potential.

Figure 3 takes four basic parameters of the physical economy and compares the "Productive Axis" with the entire Ibero-American continent for these categories. For example, in terms of total surface area, measured in square kilometers, the Productive Axis only includes 11.9% of the continent's total territory. But in terms of population, it contains 26.4% of the total. That is, the region possesses a greater population density than the rest of the continent.

As for manufacturing, we see that 40.4% of the continental total is found in this region. In terms of manufacturing production, the Productive Axis concentrates 44.3% of the continent's total. In the production of electrical energy, 39.4% of the continental total is found in this region.

What does this translate into in terms of densities? In Figure 4, we compare the densities of the Productive Axis

FIGURE 2
The Ibero-American
'Productive Axis'



in the categories mentioned with those of the rest of Ibero-America, and Spain. We chose Spain, because it's a European country with an intermediate level of development to which Ibero-America could aspire within a period of 15 years; not to mention Lyndon LaRouche's proposed "Productive Triangle"—Europe's industrial heartland connecting Paris, Berlin, and Vienna—as the planet's most economically dense region.

In the area of population, the population density of the Productive Axis is 48 inhabitants per square kilometer, which is more or less the minimum necessary to begin the process of self-sufficient industrialization. Compare this to the rest of the continent's population density, which is only 18. In other words, the Productive Axis has a population density three times greater than the rest of the continent. At the same time, this is less than Spain's, which is not even one of the

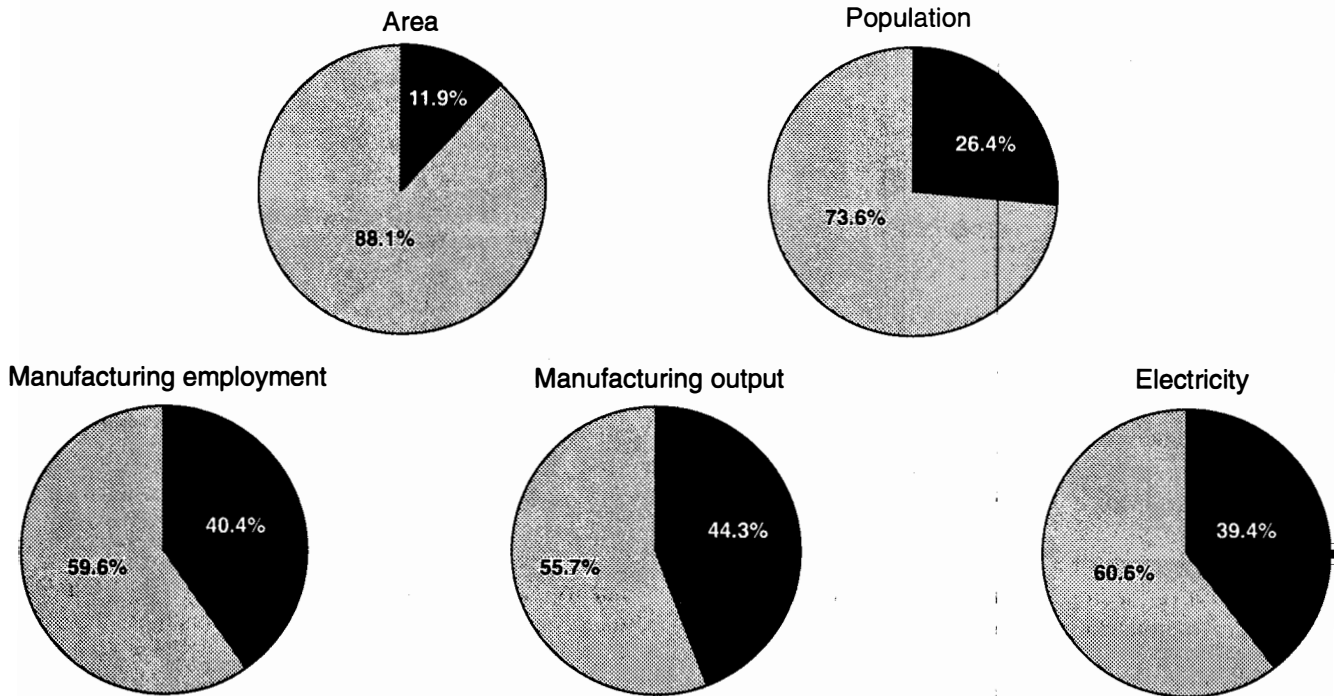
densest countries in the world: Spain has 77 inhabitants per square kilometer compared to France (102), Germany (221), Japan (325) and South Korea (428). Europe's Productive Triangle possesses a population density of 288 inhabitants per square kilometer.

Employment in manufacturing provides an approximate measure of the existence of skilled labor, LaRouche's first parameter. In this category, the Productive Axis has a density of 2.6 workers per square kilometer, compared to 0.5 for the rest of Ibero-America and 5.0 in Spain. That is, as far as this particular parameter is concerned, the Productive Axis is over five times more dense than the rest of the continent.

The density of manufacturing production, measured in thousands of dollars per square kilometer, reflects LaRouche's second parameter: relative intensity in use of capital. The rest of Ibero-America is at the level of 7, com-

FIGURE 3

The 'Productive Axis' as a percent of Ibero-America, 1990



pared to the Productive Axis which stands at 39—that is, between five and six times more dense than the rest of the continent in terms of manufacturing production. But once again, the Axis stands far below Spain, which produces \$135,000 worth of manufactures per square kilometer.

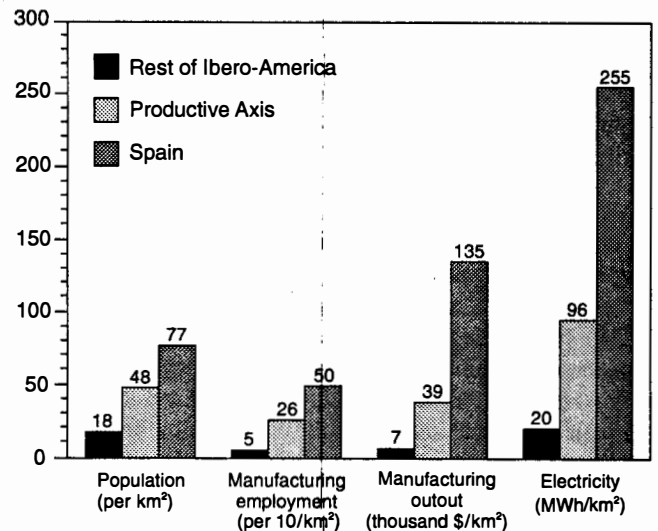
The last category is electrical energy: the Productive Axis consumes 96 megawatt-hours per square kilometer, almost five times more than the rest of Ibero-America, with a level of 20. Spain consumes 255 megawatt-hours per square kilometer.

These broad parameters of the physical economy give us an idea of why we have to center any continental development project in the Productive Axis: Only there can we find a sufficient concentration or density of the limiting conditions of economic growth. We must use that productive capability to generate the necessary growth rates to achieve a “densification” of the rest of Ibero-America, to bring the entire continent to the level of Spain within 15 years.

What makes this possible are not so much the existing densities found within the Productive Axis which in themselves are not so impressive; but rather the region’s potential to generate and absorb technological advances—a potential which is due more than anything to the existence of a significant number of scientists and technicians, particularly in Argentina and Brazil. This is the continent’s most important economic resource: that technological and scientific capability which is exactly what the International Monetary Fund

FIGURE 4

The relative densities of the 'Productive Axis,' 1990



and Wall Street want to destroy no matter what. It is these capabilities, particularly Argentina and Brazil’s nuclear and aerospace programs, which make it possible to transform Ibero-America into an economic superpower.