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". . . four years of authoritarian rule in Uruguay have provided a semblance of law and order and the hope of a brighter economic future. But these years have also witnessed an unprecedented deterioration of individual liberty and human dignity in Uruguay."

Authoritarian Uruguay

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FEBRUARY, 1976, marks the fourth anniversary of the informal end of democracy and the establishment of an authoritarian regime in Uruguay, a nation whose twentieth century history had been virtually unscarred by dictatorships, military or otherwise, until 1973.

In the 1950's, it became obvious that Uruguay's economy was structurally inadequate. An urban-oriented economic development and a heavy emphasis on the fair distribution of the benefits of economic growth—which led to the creation of Uruguay's famed "welfare state"—resulted in an economy in which more than 50 percent of the national product was accounted for by the services sector. This predominance of services was unusual even in developed countries, which relied on industry to sustain economic growth. It was unheard of in the other developing countries, which were and are heavily agricultural. The abnormal emphasis on services—and on government-provided services in particular—was fruitless, in the long run, because it lacked growth potential. The public service sector was characterized by low worker productivity, a bureaucratic management that suppressed entrepreneurial talent, an inherent inability to earn necessary foreign exchange, and a low capacity for generating and adopting new technology.

Uruguay's industrial sector, which had come into being largely because of government protection from foreign competition, was geared to the production of consumer goods for the domestic market. But it, too, proved inadequate, because a domestic market of only two million people could not provide the incentives for efficient specialization, capital accumulation, or labor absorption.

Finally, the country had a very traditionally managed, land-intensive livestock sector, which was the sole foreign-exchange earner and the main food supplier. However, the post-Korean War decline in the demand for and the price of livestock products (because of the rapid reconstruction of agricultural capabilities in West Europe, the essentially self-sufficient nature of United States economic growth, and the spread of artificial substitutes for wool and leather) signaled the need for a drastic reorganization of Uruguay's livestock sector that would lead either to lower costs of production for traditional items or to a new range of agricultural products to match the shift in world demand.

As concern mounted in government and academic circles, serious applied economic research was undertaken; the country's first in-depth, multivolume, economic development plan was prepared in the early 1960's. However, the vested interests of the mass of urban employees, industrialists and landowners dictated that the welfare-cum-pastoral society should not be disturbed. Therefore, politicians shied away from tough decisions about the country's economic future and from the intelligent choices that were being presented. Instead, politicians, with the support of the public at large, advocated more public spending and more generous credit to the private sector. Thus, the government was increasingly responsible for providing the jobs and the incomes that were not provided by the normal interaction of economic forces.

Budget deficits were enormous as the public sector expanded employment, spending, credit, and investment beyond its revenues. After a time lag, this inevitably caused an accelerating inflation and growing trade deficits, because people were spending their higher incomes, producers were hiking prices in response to increased sales, workers were demanding higher salaries to protect their purchasing power, and the government, afraid of hurting employment or real income, was financing the inflation by means of monetary and credit expansion.

There were other serious policy errors. To soften the impact of inflation on urban workers and lower-income groups, the government did not allow food prices, utility rates, housing rents, and mass-transit fares to rise as fast as overall prices. This intervention induced a reduction in the growth rate of food output and a heavier dependence on food imports; it was responsible for a deterioration of gas, electric, telephone, rail, bus, and other key services; and it handicapped the housing industry. To encourage the importing of nonsubstitutable items at low cost for the benefit of urban consumers and industrial producers, the exchange rate was adjusted too slowly and too infrequently. This worked against livestock exports and against the interest of potential exporters of nontraditional items, because it reduced the profitability of (and heightened uncertainty about) selling abroad, thus discouraging investment into export-oriented activities. Finally, government policy motivated a flight of capital and much currency speculation.

In addition, there were errors by default. Because inflation turned money into an increasingly less attractive asset, the government should have allowed interest rates on checking accounts and time deposits to rise to stay slightly ahead of inflation. But the government did not take this step, and the resulting negative real rates of interest discouraged savings and encouraged a flight from money into other assets (e.g., foreign currency and land). Inflation also created an excessive demand for credit on the part of both individuals and businesses. Inflation also tended to erode real tax revenues, because it encouraged the postponement of tax payments (it is cheaper to pay one's taxes with depreciated currency). The tax system should have been established on a more current basis, and the nonfulfillment of tax obligations should have been heavily penalized. Instead, inflation was allowed to breed additional inflation by generating greater fiscal deficits.

The impact of economic conditions on Uruguay's political system can be inferred from two statistics. In the 18 years from 1955 to 1972, the total output of goods and services (i.e., the real gross domestic product) grew by a meager 11 percent, almost the poorest economic performance of any Latin American country. During the same time span, consumer prices increased by a staggering 23-fold; in the peak year 1968, prices rose by 125 percent. A lack of employment opportunity led to popular anxiety and frustration, particularly among the young, whose job prospects were dim. Inflation diverted resources from useful production and introduced social chaos, as workers, managers, professionals and civil servants engaged in a struggle to maintain their real earnings.

Strikes and demonstrations became a monthly and then weekly and then daily exercise. Naturally, the political system was strongly criticized by various economic groups.

INSTITUTIONAL WEAKNESSES

Why did the situation deteriorate so rapidly without generating new leadership? At least two institutional factors militated against a new leadership and in fact contributed to the country's political decay: a multiparty committee executive and a unique method of tabulating election returns.

From 1954 to 1967, Uruguay's executive branch was headed not by a President but, rather, by an executive committee of nine men, six from the majority and three from the minority parties. In hindsight, this pioneering arrangement can be said to have failed. Ideological and personality differences within the committee rendered the executive ineffective. By 1966, when a referendum was held and the constitution was finally amended to provide for an executive headed by a President, it was too late.

The other institutional factor was the peculiar method by means of which, under Uruguayan law, the results of political elections were tabulated. Political parties were allowed to enter several tickets, i.e., several teams of candidates, for executive and legislative posts. The winning ticket was the ticket that received the most votes within the party that received the most votes. This meant that despite the votes it amassed, a given ticket could not win unless its party also won. Thus political parties entered as many tickets as possible in the hope of securing the largest total of votes. In effect, intra-party selectivity was discouraged, the rise of new parties was blocked, and the will of the electorate was often frustrated because power was won by a subset of politicians who, in fact, might have received only a small minority of the vote. Thus the election law blocked change and new leadership.

The breaking point came in the early 1970's, with the appearance of a relatively small but effective group of urban guerrillas, the now famous Tupamaros. Mostly young men and women from Montevideo's middle class, the Tupamaros engaged in highly successful and much publicized robberies and kidnappings, designed to embarrass the Uruguayan government, to weaken its power and respectability, to highlight its impotence and ineptness, and thus to destroy its legitimacy. By 1972, it was clear that they had succeeded.

But the political power they hoped to seize eluded them. Instead, President Juan M. Bordaberry called on the patient military to intervene in a definitive antiguerrilla campaign. As a condition of military intervention, a "state of war" was declared, effectively cancelling all constitutional rights and freeing the armed forces from public accountability. The military engaged in massive arrests, searches, and interrogations; by early 1973, the Tupamaro organization was disbanded and most of its active members were in military jails.

However, once out of their barracks, military forces were not ready to relinquish power. Heady from their military success against the guerrillas, the top brass decided to help fill the vacuum of leadership. In February, 1973, they told President Bordaberry that he could remain in office but would thereafter rule with the aid of a Security Council whose members would include the commanders-in-chief of the three armed forces and a limited number of key ministers. Bordaberry was forced to agree to the new administration, which introduced a new and different stage of Uruguayan political life.

FOUR YEARS OF AUTHORITARIANISM

At first, the military did not agree on concrete economic and social policies. Ideological divisions ran deep: some officers preferred a Peruvian-style solution (nationalist-leftist); others urged a Brazilian-style regime (nationalist-rightist). However, all military officers agreed that the useless trappings of representative democracy had to be eliminated, so that they could monopolize political power. Accordingly, during 1973, Congress was dissolved and many popular legislators were detained; Communist and socialist parties and other left-wing student and political organizations were proscribed; trade unions were disbanded, and key labor leaders were imprisoned; all opposition newspapers were shut down, and many of their reporters and editors were jailed. President Bordaberry, an honest and conservative landowner who agreed with the military, took charge of the clean-up campaign. To aid and control him, however, a 25-man Council of State was established in December, 1973.

By early 1974, the ideological struggle within the armed forces had been resolved. Indeed, despite the absence of a strong military *caudillo,* the Brazilian type of nationalist-rightist group had apparently prevailed. In June, 1974, President Bordaberry was told to fire most Cabinet members and Alejandro Vegh Villegas was named finance minister. A competent professional and a man with a strong personality, with close ties to the business community at home and banks and official lending institutions abroad, Vegh Villegas was chosen to implement a new conservative economic policy.

NEW INITIATIVES

In 1974 and 1975, relatively bold initiatives were taken. A Foreign Investment Law was approved to make it clear, for the first time in many decades, that foreign capital would be welcome in virtually any sector of the economy, that profits could be remitted freely, and that foreign funds could be repatriated after an initial (three-year) period. An Industrial Development Law was also passed to provide a legal framework for a program to grant tax, credit, and import-duty concessions to industries of national interest.

The importation of capital goods, spare parts, and maintenance tools was facilitated by Central Bank rulings that greatly liberalized import controls. An Export Development Law granted various fiscal privileges to local firms producing goods for export or engaged in the marketing of export items. As part of a program to rationalize the tax system, inheritance, personal-income, dividend, and other taxes were abolished and the role of property, company, and value-added taxation was enhanced. The market for foreign exchange was for the most part freed from long-standing and complex quantitative controls and regulations. After a long period of neglect, the country's once fine infrastructure (water and power supplies, railways, roads, and the like) was modernized and expanded by means of substantial loans from international agencies. Steps were taken to explore potential mineral and oil fields. The potentially enormous contribution of fishing—a prospect long ignored by meat-consuming Uruguayans—was recognized, and the largely government-owned fishing fleet and processing facilities were greatly enlarged. Uruguay's economic relations with her neighbors were strengthened by a series of rewarding trade and integration agreements.

Virtually all these measures, however, would have a visible impact on Uruguay's economy only in the long run. Meanwhile, key short-run problems were not solved. While Uruguay slightly improved her production record—the gross domestic product grew, in real terms, by 1.1 percent in 1973, 2.1 percent in 1974, and an estimated 3.6 percent in 1975—this improvement was not accompanied by an increase in the ratio of investment to national income, which is the principal determinant of future growth. Fiscal deficits have continued, government spending exceeded income by 9.8 percent in 1973, 33.9 percent in 1974, and 37.5 percent in 1975. An inadequate exchange-rate policy, the tremendous rise in the price of oil (which Uruguay imports), and structural problems in the world market for meat all contributed to turning a current-account surplus of $37.2 million in 1973 to deficits of $132.6 million and $202.9 million in 1974 and 1975, respectively. Finally, a monetary policy which was insufficiently restrictive nourished cost-of-living increases of 97.2 percent in 1973, 77 percent in 1974, and 81.7 percent in 1975.

Nevertheless, the latest figures show an improvement on the foreign trade and inflation fronts. In the first six months of 1976, exports exceeded imports by $16 million, while the corresponding figure for the first six months of 1975 was a deficit of $72.9 million. Similarly, in the period from December, 1975, to June, 1976, consumer prices rose by only 9 percent, as compared with an increase of 25.6 percent in the equivalent period a year before.

The country's future economic performance depends

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wants to offset the growing penetration of Brazil in the River Plate Basin. Argentina faces the prospect of Brazilian hegemony unless she develops rapidly so that both nations can share influence in the southern cone and the south Atlantic.

Argentina's constitutional democracy was destroyed by the corruption of the democractic principle. When a country's constitutionalist principle has been corrupted, when its economy has been grossly mismanaged, when sedition is pervasive, and when the society is in an advanced stage of disorder, then a military regime is probably the only alternative. Such a military regime is not a tyranny if it comes into existence after the demise of responsible government. The Videla government is probably the best alternative as long as it serves the common good. ■

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heavily, however, on institutional stability and on the quality of short- and long-term economic policy. These factors are obviously contingent on political events, and there have recently been some potentially significant changes in this field.

Although the nation's constitution had been de facto invalidated, it mandated national elections in November, 1976. In conversations about these elections between President Bordaberry and the top officers of the armed forces in early 1976, Bordaberry expressed his belief in an absolute, corporative state with an all-powerful executive and an auxiliary legislative body formed by representatives from the landowning, industrialist, and professional classes. As he saw it, political parties were to be dissolved because of their uselessness and/or because they might one day be utilized as Marxist fronts. Bordaberry saw himself as the permanent caretaker of the country.

On the other hand, most top military officers favored solutions that, in the long run, did not include an absolutist regime nor their direct and personal involvement as rulers. This opposition to a military-junta solution apparently stemmed from the lack of a consensus on who (from within the military) should become President and from a careful reading of the Argentine experience with military leaders. Instead, there was apparently a consensus that politics is for politicians, and that the proper role for Uruguay's military was a transition role between generations of civilian leaders.

Given these important differences in viewpoint, negotiations between President Bordaberry and the military continued. Apparently, differences tended to sharpen and not to fade. Some top officers drew up a plan calling for a gradual return to "limited democracy," Brazilian style, in which a new group of civilian leaders would slowly acquire increasing authority in administrative tasks and political decision-making. Bordaberry apparently rejected this plan. As negotiations became deadlocked, the military asked Alberto Demicheli, the 80-year-old civilian chairman of the Council of State, to prepare himself for a temporary appointment as President. On June 12, 1976, and without any violence, Bordaberry was ordered to resign and Demicheli became interim President.

Shortly thereafter, the chiefs of the armed forces announced that 72-year-old Aparicio Méndez—who, ironically, is a professor of constitutional law—would become the new President on September 1, 1976. Méndez, an old-time conservative politician (after Demicheli, the highest-ranking civilian in the Council of State) was obviously chosen because he would be an obedient puppet. The military also revealed a more detailed version of its plan for the country's future. It specified that—if he lives that long—Méndez would remain in office for five years; that he would be replaced by a candidate, chosen by the two largest political parties and approved by the armed forces, who would also rule for five years; and that free elections with more than one candidate would be held five years after that, i.e., in 1986.

To encourage the new generation of politicians that the military would like to see in ten years' time, the first "institutional act" signed by President Méndez in early September, 1976, was a purge of several thousand political leaders. Anyone who had been a candidate for a leftist party in the last two elections (1966 and 1971) was stripped of all his political rights for 15 years. Candidates of all other parties and all national staff members of existing parties also lost all political rights except the right to vote for the same period. As the weekly *Latin America* put it in its September 10, 1976, issue,

> With only those actually holding office in the present administration exempted, a whole generation of politicians has been virtually retired for life.

Méndez's second "institutional act" was no less important: it abolished the Supreme Court and replaced it with a ministry of justice within the executive branch of the government.

One minor non-event was the non-reappointment of four former Cabinet members, including Finance Minister Vegh Villegas. Vegh Villegas had made it known that he was personally opposed to Mendez's measures; in addition he was no longer liked by the military because he insisted on economy in defense spending and on moderation in the awarding of military pay increases. He was replaced by Valentin Arismendi, a little-known economist who has pledged to continue Vegh Villegas' policies.

In conclusion, four years of authoritarian rule in Uruguay provided a semblance of law and order and the hope of a brighter economic future. But these years have also witnessed an unprecedented deterioration of individual liberty and human dignity in Uruguay.

Thus Amnesty International, the well-known London-based organization, has estimated that, on a per capita basis, there are more political prisoners in Uruguay than in any other country in Latin America. That is surely a change for a country that formerly had no political prisoners. It should also be noted that, deprived of their rights, Uruguayans have voted the only way they could: preliminary results of the 1975 census show that in that year there were no more people in Uruguay than there had been in 1966. This is the result of massive emigration and a drastically reduced birth rate and is surely an indicator of the popularity of Uruguayan-style authoritarianism. ■

COLOMBIA

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As in the case of education, however, the proportional contributions from general tax revenue by the states and municipalities to total public health expenditures have been declining. The states also receive tax revenues from games of chance and from beer and liquor sales. In the wealthier states, per capita expenditures in public health are probably rising more rapidly than in poorer states.

International loans, which in 1973 financed one-fifth of total public health sector expenditures,[20] are intended to help the Colombian government expand health services coverage. The government's current strategy places priority on delivering mother- and child-care services, with a strong emphasis on nutrition, to the poorest 30 percent of the population. However, the government also wants to minimize investment costs and to improve the utilization of existing health facilities. Since these do not reach the poorest segments, health services probably will be improved for the middle income level rather than for the poorest 40 percent of the population. This is not an unreasonable compromise, but it illustrates the great difficulty of redistributing income to the poorest level when the middle level has a far from adequate average income level.

The lowest two-fifths of the Colombian population is likely to remain severely impoverished in the foreseeable future. It is illiterate, it is of poor health, and it lives predominantly in outlying rural areas beyond the reach of education and modern medical care. Except for sporadic guerrilla attempts, this segment of the population has not yet been politicized. The eventual solution to its misery probably lies in rural-urban migration, which will bring the poor within reach of education and health services. Any hope that the poorest segment of the population will achieve more meaningful participation in the economic development of Colombia will remain frustrated, however, as long as the urban unemployment rate remains at its current high level. ■

[20]Ministerio de Salud Publica, *Gasto Institucional en Salud, 1973*, Bogota, 1975, table 1-6, p. 39.

LATIN AMERICAN POLICY

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discussion of OAS sanctions on Cuba was considered taboo, lest wrangling over Cuba obscure the "frank discussions" to which Kissinger was committed.

To reinforce the credibility of his intentions to enter into a "new dialogue," Kissinger tried to clarify three long-standing issues before the conference opened. He flew to Panama to pen an agreement on the "spirit" of a new Canal Treaty, potentially reversing a 70-year-old United States policy.[19] He helped to reach a solution of the Colorado River dispute with Mexico. And, to the surprise of seasoned observers, he reached a mutually acceptable arrangement with Peru concerning compensation for United States-owned properties seized by decree of the Velasco government.

Kissinger arrived for the "Tlatelolco Conference" with an impressive bipartisan congressional delegation to show that Congress was participating in the new beginnings.[20] The theme of Kissinger's remarks, soon to be dubbed the "Spirit of Tlatelolco," was collaboration among hemisphere equals in a discussion of survival in an interdependent world. He pointed out that Latin American expectations of United States capabilities had been too high. "We will promise," he said, "only what we can deliver."[21] He renewed a commitment to a system of general trade preferences and pledged the administration to try to avoid placing new limits on Latin American access to United States domestic markets. He indicated that the United States was prepared to undertake prior consultation with its neighbors on the world food conference, the population conference, and the conference on the law of the sea. He also declared that the United States would try not to impose "our political preferences"[22] or intervene in the domestic affairs of others and would try to promote a decent life for all of the citizens of the hemisphere.

On the problem of the rights of United States investors in Latin American nations, the Secretary did an adept job of verbal sparring. On the one hand, he dutifully referred to the historic Latin American doctrine that holds that a foreign investor has no right to invoke the protection of his home government. On the other

[19]U.S. Department of State, *News Release*, Text of an address by Secretary of State Kissinger at Panama on the occasion of the signing of the joint statement of principles for negotiations on a new Panama Canal treaty (Washington, D.C.: Bureau of Public Affairs, Office of Media Services, February 7, 1974).

[20]The congressional delegation included Senate Majority Leader Mike Mansfield, Senate Minority Leader Hugh Scott, and House Speaker Carl Albert.

[21]U.S. Department of State, *News Release*, Text of an Address by Secretary of State Kissinger before the Inaugural Session of the Conference of Tlatelolco (Washington, D.C.: Bureau of Public Affairs, Office of Media Service, February 21, 1974), p. 3.

[22]*Ibid.*, p. 5.