

# EIR Operation Juárez

## The development of jobs and productivity

### Part 12

#### Ibero-American integration

By the year 2000, 100 million new jobs will be created in Ibero-America, in which workers will be trained to be skilled in the production of capital goods. By 2015, the continent will be an economic superpower, whose production and productivity will equal the level attained by the industrialized countries of today.

This installment starts Chapter 5 of the Schiller Institute's book, *Ibero-American Integration: 100 Million New Jobs by the Year 2000!* published in September 1986 in Spanish, and appearing exclusively in English in *EIR*'s serialization. An international team of experts prepared this study on the urgent measures needed to free Ibero-America of its economic dependency and spark a true, worldwide economic recovery, elaborating the outline of Lyndon LaRouche's 1982 proposal, "Operation Juárez."

Numbering of figures and tables follows that of the book.



Economic development, properly defined, is the development of the productivity of the workforce. The goals of development, therefore, must be posed with a view to obtaining results that are expressed in a change of the composition of employment of the total workforce. The workforce must tend to move away from compositions of the "pre-industrial" and "post-industrial" type, toward a composition coherent with modern technology and the corresponding increase in relative potential population density.

This means that, in the course of one generation, Ibero-America must orient its development strategies to obtain:

- growth of its total population;
- growth of its economically active population (EAP) to stabilize at about 40% of the total population; and
- full employment of the EAP.

The recommended proportions to take into account in employing the EAP are the following:

- The number of productive operatives (non-administrative jobs in manufacturing, construction, mining, energy, agriculture, and transportation) must grow to make up about 50% of the EAP;
- The employment of these productive operatives must be concentrated in the production of capital goods, and within this area, particularly in machine tools;
- Five percent of the EAP must be employed as scientists, technicians, and engineers.

Such proportions reflect the maximum rate of creation and absorption of technological advances in the economy; i.e., the optimal increase in productivity of the workforce. If the greatest unexploited wealth of Ibero-America is its now unemployed workforce, then it could be said that the central task of development is, in a nutshell, to fully employ this force between now and the year 2000, seeking to obtain the aforementioned proportions of internal composition. Con-



NSIS/Carlos de Hoyos

*Workers leaving a machine-tool plant in Querétaro, Mexico: Over the next 30 years, Ibero-American countries will have to develop an advanced capital-goods production capability that will become the pride of their national industry.*

cretely, this means that, to all but eliminate the present joblessness and absorb the growth of the workforce from now until 2000, Ibero-America will have to triple its employed labor force, by creating around 100 million new jobs. And it will have to create these jobs with productivity levels three times higher than the present ones.

To create 100 million new, high-productivity jobs, the Ibero-American economy will have to grow by at least 10% per year on the average over this period. And if this growth trend is sustained up to 2015, it will allow the continent to reach that year with levels of production and productivity equal to those of the developed countries of today, thus closing the gap of underdevelopment. From this stage, within two generations, Ibero-America can reach productivity levels equal to those which the advanced sector will have at that date.

But it will be impossible to grow at a sustained rate of 10% per year if there is not a continuous increase in the productivity of the workforce, minimally of 4-5% per year. This can only be achieved by applying to the entire economy more and more advanced technology, and concentrating more and more capital.

There will be no lack of those who will be scandalized by this reasoning, and argue, on the contrary—as do Willy Brandt, the International Monetary Fund, and the bureaucrats of the Economic Council for Latin America—that vanguard technologies and capital intensity spur unemployment, and that therefore they should not be used. This is an absurd

argument, belied by the totality of human history. Only technological progress allows the generating of enough “free energy” in an economy, “free energy” whose productive reinvestment causes production and employment to grow geometrically.

How can we get 10% annual growth? As seen in **Table 5-1**, historically Ibero-America has achieved sustained annual growth rates of the Gross Domestic Product (GDP) on the order of an average of 6%, such as those registered during the decade from 1970 to 1980. In that period, some Ibero-American countries did reach higher growth rates, as in the case of Brazil, whose GDP grew by more than 8% per year.

Not only that. In the best of cases—Brazil’s—only certain areas of agriculture and industries have been developed, but the bulk of its productive sectors and its population have remained in conditions of technological backwardness and low productivity, exerting an enormous drag on the rest of the economy and undermining the efficiency of the development process itself. Despite the level of capitalization and productivity which countries such as Brazil have attained in some specific industries, the overall growth of its industrial sectors has been inadequate to absorb the migration from the rural to the urban milieu, thus creating a mass of unemployed who have been forced to live in miserable conditions of underemployment, marginalization, and poverty, both on the outskirts of the cities and in the rural areas. This is the story among the 47 million jobless—counting both “official” and concealed unemployment—who subsist today on the Ibero-

American subcontinent.

The problem has been worsened by the anti-technology policy of the U.N.'s International Labor Organization, Economic Commission for Latin America, International Monetary Fund, and World Bank, which have induced Ibero-American governments to go without modern technology, arguing that this will create a greater number of jobs. But they have also thus sacrificed the productivity of new investments, reducing both overall productivity and the economies' growth capability. This strategy of "intensive use of manpower," promoted as what will create the most jobs in the short term, is in reality what produces the fewest jobs in the medium to long term, because the sacrifice of productivity notably decreases the margins for reinvestment, and with it,

TABLE 5-1  
**Output, employment and productivity in various countries 1970-1980**

(average rates of annual growth)

	Ibero-America	Mexico	Brazil	South Korea	Japan*
Gross Domestic Product (GDP)	6.0	6.6	8.6	8.6	10.4
Total employment	3.1	3.9	3.9	2.8	1.4
Average productivity	2.8	2.6	4.5	5.6	8.9
Gross investment	7.4	8.3	9.0	10.1	14.6
Investment/GDP	23.8	25.7	22.0	29.4	36.0

\*1960-1970

Sources: ECLA and World Bank.

TABLE 5-2  
**Parameters of growth for Ibero-America 1985-2015**

(rates of annual growth)

	1970-1980*	1980-1985*	1985-2000	2000-2015
Total population	2.5	2.3	2.3	2.3
Gross Domestic Product (GDP)	6.0	0.5	10.0	10.0
GDP per capita	3.4	-1.8	7.5	7.5
Real employment	2.5	0.5	5.2	3.6
Average productivity	3.4	—	4.6	6.2
Gross investment	7.4	-6.7	15.0	10.0
Gross investment/GDP	23.8	19.7	28.0	34.0

\*Sources: ECLA and our own estimates.

the possibility of creating more jobs. There is no other option: Either the required jobs are created in conditions of growing productivity to obtain bigger and bigger margins for reinvestment, or the region is condemned to growing joblessness and misery.

Although Ibero-America does not offer a single example of sustained growth at 10% annually, there are countries which have achieved this. The paradigmatic case is no doubt Japan, which achieved sustained growth rates above 10% per year throughout long periods. The fundamental cause of this Japanese growth was a great increase in industrial productivity, at rates close to 9% per year, which allowed it to substantially broaden its margins of reinvestment, which came to take up as much as 36% of the GDP, as is also shown in Table 5-1. As a result, in a few decades Japan ceased being a moderately industrialized country and became a true industrial power, surpassing the other developed countries in production and productivity levels in a great number of industrial sectors. Other countries following the Japanese strategy of high rates of reinvestment also have registered strong advances: Such is the case of South Korea, which made the transition from a farming nation to a semi-industrialized nation in less than one generation.

The so-called Japanese miracle could be reproduced by Ibero-America now, and on a larger scale, as long as the same strategy is followed: reinvesting large percentages of the product in areas scientifically selected for their high technology and greater productivity. In this way, in three decades Ibero-America can turn into an industrial superpower of a magnitude comparable to the developed sector today, including the United States, Western Europe, and Japan. Table 5-2 indicates the parameters of economic growth which must characterize Ibero-American development for the next 30 years, in order to be able to reach the employment and productivity levels that will make possible the rise of this industrial superpower.

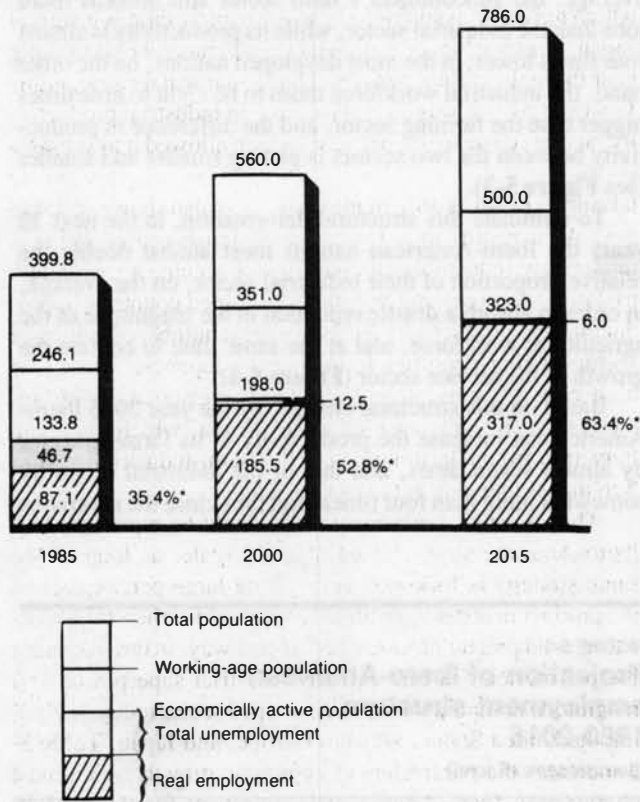
### Structural changes in the workforce

The present population of Ibero-America is 400 million people, one-tenth of the world's population (see Figure 5-1). Maintaining a population growth rate of 2.3% annually, in the next 30 years Ibero-America will almost double its population, arriving in the year 2015 with 786 million inhabitants; i.e., the same scale of population as today's developed sector. The present effectively employed labor force of 87 million persons must grow to 317 million by the year 2015—which means creating 230 million new jobs in the next 30 years—with productivity levels seven times higher than at present (Figure 5-1). Out of the activity of this labor force there will have to be produced, for a total population of 786 million persons, an adequate diet, large and decent living quarters, comfortable and efficient transportation, as well as education, health services, culture, and recreation at the level of a modern developed society.

FIGURE 5-1

### Projection of Ibero-American employment levels 1985-2015

(millions of persons)



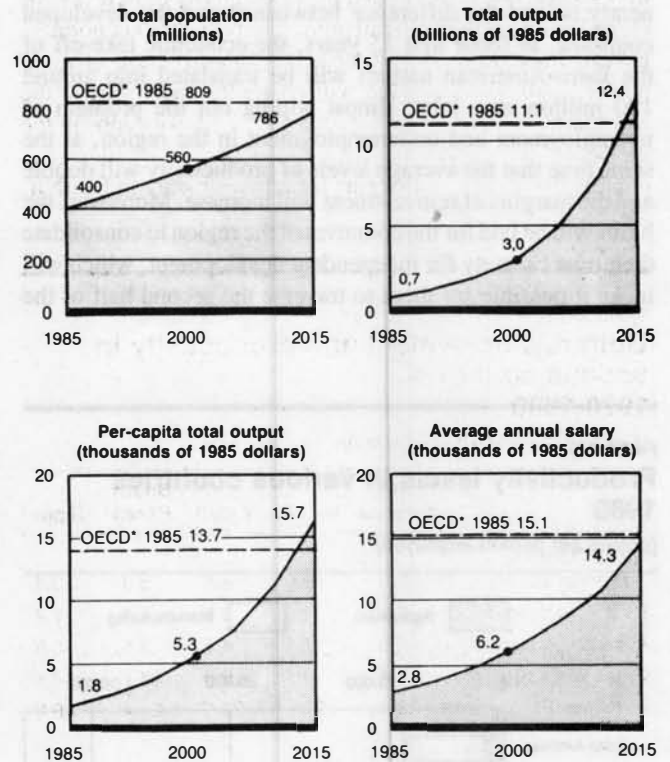
\*Percentage of working-age population.

The intermediate goal, for the year 2000, is to create 98.4 million new jobs in this 15-year timespan. This will make it possible to cut real unemployment from the current level of 46.7 million to 12.5 million in the year 2000 (from 35% to 6%), which means incorporating into the workforce 34.2 million unemployed, and adding another 64.2 million persons into the EAP, raising it from 133.8 to 198 million persons.

To achieve this dictates profound changes in the *structure* of the population and the Ibero-American workforce. By the year 2015 levels of employment will have to be achieved like those which the developed countries have had at their best moments, employing about 65% of the population of working age. At the same time, levels of productivity will have to be reached which are similar to those which such countries now have. This will make it possible to multiply the total volume of production of the subcontinent (GDP) by 17, and the per capita product by 9 (see Figure 5-2). In this way, an

FIGURE 5-2

### Projection of Ibero-American population, total output, and wages 1985-2015



\*Organization of Economic Cooperation and Development (United States, Canada, Western Europe, Japan, Australia, and New Zealand).



Labor-intensive sugarcane harvesting in Brazil. In the best of cases—Brazil's—only certain areas of agriculture and industries have been developed, but the bulk of the productive sectors and population have remained in technological backwardness and low productivity, dragging down the rest of the economy.

Ibero-American citizen will be in a position to mobilize the productive resources which today on the average are mobilized by a worker in the most advanced parts of the developed sector, and will receive in exchange, the same quantity and quality of goods and services as are received by that worker, to support his family at the standard of living that now exists in that sector.

At such growth rates, by 2000 Ibero-America will have nearly halved the difference between it and the developed countries. In those first 15 years, the economic take-off of the Ibero-American nations will be translated into around 100 million new jobs, almost wiping out the problem of unemployment and underemployment in the region, at the same time that the average levels of productivity will double and the margins of reinvestment will increase. Moreover, the bases will be laid for the countries of the region to consolidate their own capacity for independent development, which will make it possible for them to traverse the second half of the

way on their own.

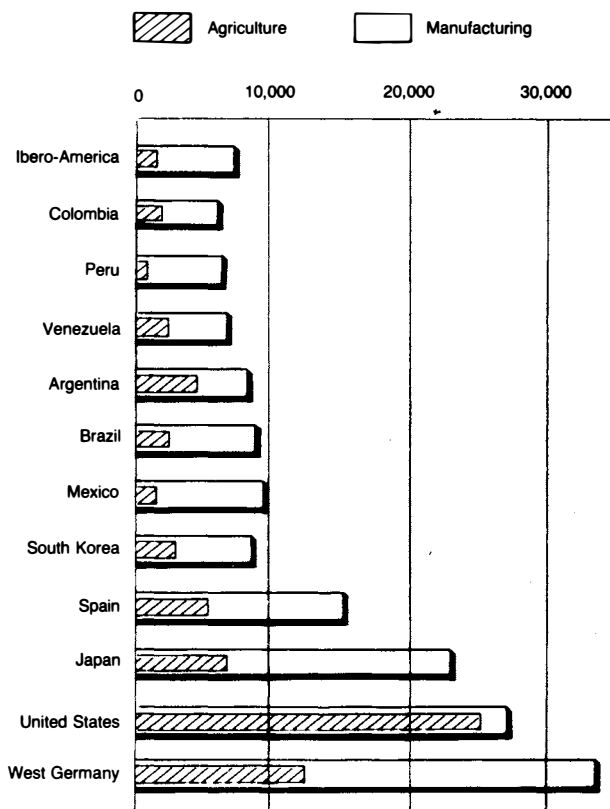
In terms of the labor structure of Ibero-America, the fundamental bottleneck that we documented in Chapter 3 will have to be resolved: the high proportion of very low productivity retained by the agricultural labor force, in combination with the relatively small magnitude of the industrial sector and the disproportionate size of the service sector. On the average, the subcontinent's farm sector still absorbs more jobs than the industrial sector, while its productivity is almost four times lower; in the most developed nations, on the other hand, the industrial workforce tends to be eight to nine times bigger than the farming sector, and the difference in productivity between the two sectors is getting smaller and smaller (see Figure 5-3).

To eliminate this structural deformation, in the next 30 years the Ibero-American nations must almost double the relative proportion of their industrial sector, on the average, in order to absorb a drastic reduction in the magnitude of the agricultural workforce, and at the same time to contain the growth of the service sector (Figure 5-4).

Based on this structural change, by the year 2015 Ibero-America can increase the productivity of its farming sector by almost seven times, and that of the industrial sector by somewhat more than four times, and thus close the enormous

FIGURE 5-3  
Productivity levels in various countries  
1980

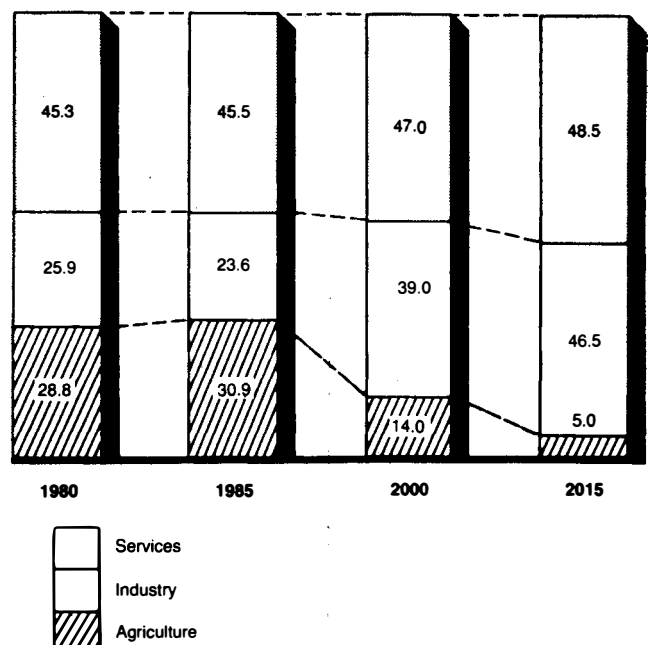
(dollars per person employed)



Source: World Bank.

FIGURE 5-4  
Projection of Ibero-American  
employment structure  
1980-2015

(percentages of total)



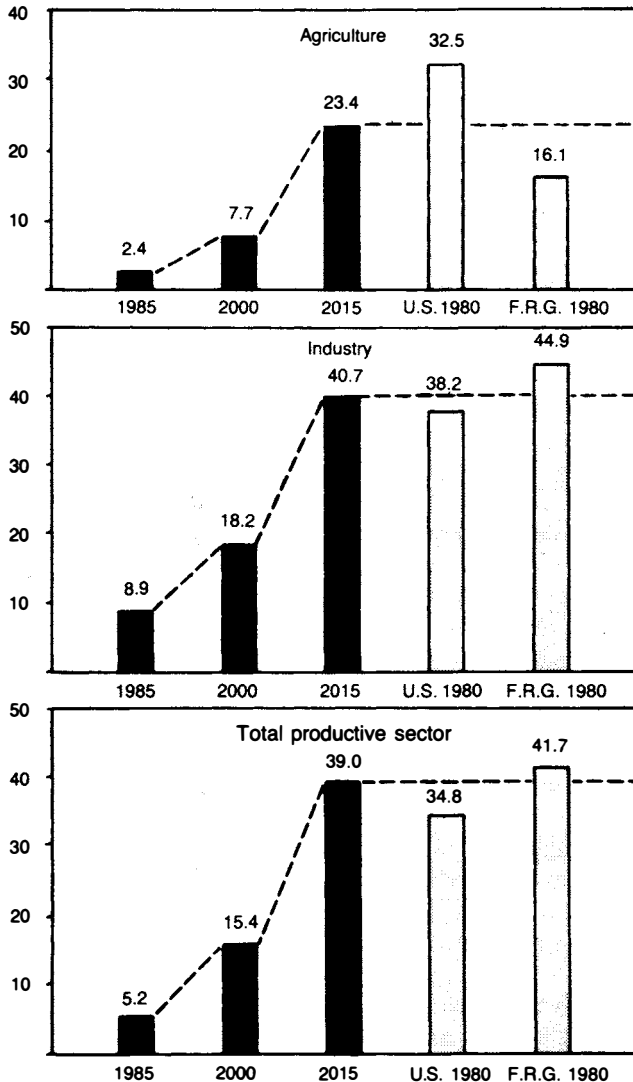
gap in productivity that exists today between the developed countries and those of the subcontinent, and between the industrial sector and the farm sector (see **Figure 5-5**).

Within the industrial sector itself there is a serious structural problem: the high proportion of consumer-goods industries and the low capacity for production of capital goods. As indicated in Chapter 4, a little more than half the total manufacturing jobs are dedicated to producing consumer goods, and less than one-fifth are oriented to capital-goods production, whereas in the industrialized countries the proportions

tend to be the inverse. Only one Ibero-American country, Brazil, has a moderately developed capital-goods manufacturing industry, which takes up more than one-fourth of its manufacturing employment.

Without a powerful capital-goods industry, the future development of Ibero-America will be illusory. Adequate capital-goods production represents the difference between underdevelopment and development, since it is the "motor" of any process of independent economic development. Hence, the main industrial effort must be concentrated in firming up a capital-goods industry capable of meeting the subcontinent's needs. Over the next 30 years this industrial branch must account for at least 40% of the manufacturing labor force, while employment in consumer-goods production must decline proportionally (see **Figure 5-6**). Within this productive effort, all the Ibero-American countries will have to develop an advanced capital-goods production capability that will be the pride of their national industry; but they will have to do it, not from the standpoint of their internal needs, but from the perspective of supplying the broader demand of the common market. Only in this way can a sufficiently large market be put together to allow all the region's countries to develop this strategic industrial sector, in conditions of competitiveness and efficiency.

**FIGURE 5-5**  
**Projection of labor productivity levels in Ibero-America 1985-2015**  
(thousands of 1985 dollars per person employed)



**FIGURE 5-6**  
**Projection of manufacturing employment structure in Ibero-America 1985-2015**  
(percentages of total)

