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The Challenge to Democratic Reformism in Ecuador

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THE CHALLENGE TO DEMOCRATIC REFORMISM

IN ECUADOR

by

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THE CHALLENGE TO DEMOCRATIC REFORMISM IN ECUADOR

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PREFACE

This study was concluded and submitted for publication prior to the tragic death of President Jaime Roldós in an airplane accident on May 24, 1981. The authors feel, however, that the validity of their analysis is not altered substantially by the unexpected change in political leadership in Ecuador. In its broad philosophical and programmatic outlines, the path charted for the Roldós administration in 1978 and 1979 was very much a joint enterprise between Jaime Roldós and his vice president, Osvaldo Hurtado, and conformed closely to the diagnoses and analyses publicized by the latter in his extensive historical and socio-political research efforts of the sixties and seventies. The commitment of Osvaldo Hurtado to the social, economic, and political reform strategies of the Roldós government is further strengthened by virtue of the critical role in the drafting of the regime's five-year National Development Plan played by Hurtado who, as vice president of the country, was head of the government planning agency, the National Development Council.

Upon assuming the presidency, Hurtado went to some lengths to assure the country that the reform mandate that had swept Roldós into office would not be betrayed and that the programs begun by the fallen president would be continued. The continuity promised by the new president received symbolic reinforcement on June 2 with the election by congress of León Roldós, younger brother of the former president, to the vice presidency for the remaining three years of the original

five-year term. Thus, though some personnel and orientational changes can be expected over the next three years, both the problems and the strategies advanced to solve them remain essentially unaltered. The Hurtado administration, like the one inaugurated by Roldós, will seek structural reform within a democratic framework; President Hurtado, like his predecessor, will be confronted by serious challenges that will call into question the validity of the development model adopted by the regime. These are the issues that are addressed by this study.

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N.D.M.
June 10, 1981

THE CHALLENGE TO DEMOCRATIC REFORMISM IN ECUADOR

I

Introduction

Ecuador is a small and misdeveloped country that has recently embarked on an important experiment in national development. The nature and outcome of this experiment have implications not only for the social science researcher, but more importantly for the Ecuadorean people themselves and for developing countries in the region and throughout the hemisphere. The administration elected in 1979 has pledged to carry out a program of far-reaching reform within a democratic framework that will harmonize economic development and social justice in a way designed to effect a major transformation of the basic structures and values of the nation. It is clear that the reforms proposed will clash with the country's entrenched heritage of three centuries of unequal social and economic growth and with a political tradition characterized by autocracy and authoritarianism. Many observers wonder whether sufficient resources of any kind can be mobilized during the four years of the current regime even to begin to overcome the inertia of imbalanced development, attributed by some to the forces of dependency and by others to structural rigidities inherent in the social relations of production.¹ On the other hand, it is true that the conditions in Ecuador today could not be more propitious to initiate a process of significant transformation: unprecedented revenues from petroleum provide the state with a promising resource base for reform, the government is led by a new generation of men who have a profound awareness of the country's past and of its present problems,

the administration is staffed by a corps of able men and women freed from the sterile conflicts that once dominated the rhetoric (if not the reality) of national politics, and the economy has a potential for diversification that could provide a base for independent development. How the current regime capitalizes on these favorable circumstances, its success or failure in achieving the goals of development and justice, might provide clues to a clearer analysis of the causes of misdevelopment and to a clearer understanding of the solutions needed to resolve the development crises that plague countries throughout the Third World.

President Jaime Roldós and Vice-President Osvaldo Hurtado were swept into office in August, 1979, on a tide of enthusiasm and hope. This most recent revival of constitutional government ended a nine-year period of dictatorship that had begun with José María Velasco Ibarra's autogolpe of June, 1970, followed two years later by his own ouster at the hands of a military institution that viewed with alarm the anticipated victory in the 1972 presidential elections of populist and unpredictable Assad Bucaram at a time when the petroelum era was beginning to dawn in Ecuador. General Guillermo Rodríguez Lara's Nationalist Revolutionary Government of the Armed Forces, inspired by the promise of petroleum-financed socio-economic reforms, floundered in a miasma of political intrigue and economic uncertainty, and ultimately provoked a division within the armed forces themselves. The resolution of this conflict culminated in the removal of Rodríguez from office in January, 1976, and his replacement by a military triumvirate whose exclusive mandate was to extract the armed forces from politics and to transfer the direction of the government to civilian leadership.

The victory of Roldós and Hurtado in the second-round elections of April, 1979, capped a protracted struggle against formidable odds. Roldós' lack of seniority in the CFP party and Christian Democrat Hurtado's well-publicized animosity toward the populist political style in general and the CFP and its leader Bucaram in particular, rendered these men unlikely choices as CFP standardbearers. However, after Bucaram's aspirations for the presidency were frustrated by a governmental decree requiring Ecuadorian parentage for presidents of the republic (the CFP leader's parents were Lebanese immigrants), Bucaram's nephew, Jaime Roldós, was selected as the party's candidate on the basis of his close ties with Bucaram, his outstanding and loyal service to the party, and his commendable and widely publicized performance as a member of one of the three legislative commissions established by the military junta to lay the institutional groundwork for the return to constitutional rule. Hurtado, who was Roldós' personal choice as a runningmate, proved to be a credible selection by virtue of his strength in the highland provinces (to balance that of Roldós on the coast) and the considerable affinity existing between the two men as regards their diagnoses of the country's problems and the strategies for solving them. To be sure, both candidates were handicapped by a relative lack of political experience and a nationwide image. Hurtado, however, enjoyed perhaps a slight advantage over his ally because of the skillful leadership he demonstrated as chairman of the third legislative commission that was responsible for drafting an electoral law and a law governing political parties for the new constitutional order. To the problems of youth (Roldós was 37 and Hurtado 38 at the outset of the campaign) and inexperience was added that posed by the stature of the

candidates' principal rival, center-right Frente Nacional Constitucionalista candidate Sixto Durán Ballén. In addition to his respectable record as a modernizing mayor of Quito during seven years (1970-1977), Durán also had in his favor (a dubious asset as it turned out) the full support of the Guayaquil oligarchy, members of which not only made generous financial contributions to his campaign, but also stumped personally in his behalf.

To erase the populist hues with which they were tainted by virtue of their CFP sponsorship, and to project instead an image of intelligent and efficient reflection on the country's basic problems, the CFP candidates synthesized their ideas for government in the form of a succinct document titled "21 Bases Programáticas," which outlined a comprehensive program of industrialization and integrated national development, social equality, national sovereignty, and educational, fiscal, and administrative reform. Roldós and Hurtado carried their message of "La Fuerza del Cambio" to Ecuadorean citizens throughout the twenty provinces of the country. They promised not only a working democracy, but also economic opportunity and an improved standard of living for all those groups--workers, Indians, women, disenchanted middle-class youth, marginalized elements--whose share in the distribution of petroleum-generated social, political, and economic rewards during the long years of dictatorship had failed to keep pace with their expectations.

Electoral victory was achieved through a campaign strategy based on a sober and forthright discussion of key issues, on maturity and modest self-confidence in the face of personal attacks by the opposition, and on firmness in response to the numerous attempts to undermine the electoral process by civilian and military factions alike. In the July,

1979, first-round elections (in accordance with the new electoral law that required a fifty-plus-one per cent majority for the winning candidate), the Roldós-Hurtado ticket led a pack of six candidates with an impressive 28 per cent of the votes cast, followed by Durán with 21 per cent. Liberal candidate Raúl Clemente Huerta came in a close third with 20 per cent of the votes. The run-off election, held on April 29, resulted in an overwhelming victory, with Roldós winning 62 per cent of the vote, the first candidate in the history of the country to garner over one million votes in a national election. In the parliamentary elections held at the same time, voters elected CFP candidates to fill thirty of the sixty-nine seats in the new unicameral legislature.

The decisive victory in the presidential contest represented a clear mandate for profound change in Ecuadorean society in accordance with the reformist objectives outlined by the winning candidates during the campaign. Economic development, social justice, and stable democracy, the major themes of the campaign, became the framework for governmental action; indeed, they were destined to become the chief legitimizing features of the new regime. Though no one doubts the sincerity of Roldós-the-candidate in projecting these goals for his government, nonetheless, the prospects of their accomplishment by Roldós-the-President, given the current and likely future state of social, economic, and political affairs in Ecuador, might justifiably give cause for concern. For the government inevitably will confront at least two sets of contradicting forces that even if they do not work at cross purposes to basic policy objectives, most certainly will greatly curtail effective governmental action toward their fulfillment during the five-year presidential term.

One important dilemma to be faced by the new regime will be the compatibility of costly, redistributive-oriented social justice on the one hand, and broad-based economic development on the other, given the narrow resource base within which the government performance must operate. The administration will be forced to choose between short-term consumption--a sine qua non for continuing support by middle-class, worker, and marginalized sectors--and long-term development strategies based on accumulation and resource rationalization. Stated another way, the dilemma revolves around the question of whether or not the political costs entailed in inordinate emphasis on long-range development can be reconciled with the economic costs of policies geared toward short-range consumption. Because of the political imperatives inherent in the governmental strategies adopted, in the long run the measure of the regime's success will be the extent to which these two key dimensions can be harmonized despite the evidence that, given the current state of development in Ecuador, they seem to be, if not mutually exclusive, at least potentially mutually antagonistic, a reality the consequences of which were not lost on Perón's Argentina, Paz Estenssoro's Bolivia, Allende's Chile, and Castro's Cuba during the early years of the Revolution. Thus, considering the potentially contradictory nature of the regime's economic and social programs, it is entirely possible that the government could with little difficulty work itself into a hopeless zero sum deadend.

The problem of social change within the state capitalist framework adopted by the Roldós regime is only further exacerbated by a rigid social system that over three centuries has consecrated inequality and has revealed itself to be remarkable resistant to all but the most superficial modifications. It was precisely the imminent prospect of governmental

tampering with traditional privileges that inspired the vitriolic and at times militant opposition by the traditional Sierra-Coast oligarchy to the Roldós candidacy.

A second potentially destabilizing element for Ecuador's new regime is implicit in Roldós' pledge to consolidate a functional and enduring democratic order. While on the surface this might be interpreted as an affront to the civic pride of the average Ecuadorean citizen for whom theoretical republican democracy has been long since consecrated in the annals of national lore, dating to the first constituent convention of 1830, the president's point is nevertheless not lost on those who reflect on the endless succession of caudillista- or military-inspired coups and de facto governments over the country's 150-year history. Ultimately, the burden of proof will be on Roldós to demonstrate that pluralistic democracy is indeed feasible in Ecuador despite the examples of the past and despite the overwhelming evidence that democratic structures in the country have not proven particularly adaptive to long-term crisis. The military interventions of 1925, 1931, and 1963 would seem to indicate that in the twentieth century the armed forces have not at all been reluctant to step in at the slightest sign of a breakdown of social order, ironically enough usually on the pretext of defending Ecuador's democratic birthright. Thus, in the final analysis, the country's tenuous institutional base will only heighten the difficulties to be confronted by the government in its efforts to implement policies of rapid social reform and economic development. The specific framework for some of these economic, social, and political dilemmas will be discussed on the following pages.

II

Society and the Economy: Dilemmas and Alternatives

Social and economic conditions in Ecuador, though in relative terms much improved after nearly a decade of petroleum-triggered prosperity and change, still reveal many unfavorable characteristics. In fact it can be argued that the petroleum boom engendered a model of development that only reinforced the trends toward the concentration of wealth and status that had been latent in national society ever since the beginning of the republican era. Quantitatively, the Ecuadorean economy has experienced unprecedented growth in recent years, with GDP increments averaging between 10 and 11 per cent per year during the 1970s. The dynamics of this spurt of growth have occasioned a considerable reorientation of the national economy. Greatly increased revenues permitted an extraordinary growth of public spending and a correspondingly greater involvement of the state in the national economy. Manufacturing and fishing were likewise positively affected by the process of accumulation generated by petroleum. The traditional sectors of the economy, however, experienced a diminution of importance in direct proportion to the development and growth of new activities. Agriculture, for example, has been progressively surpassed as the economy's principal generator of production, employment, and foreign exchange; at the same time, the impressive growth of manufacturing has caused a steady erosion of the GDP share of artisan production in the industrial sector (Gobierno, 1980 I:33).

Thus, despite the affluence of recent years, Ecuador still remains in many ways a very backward country that is characterized by serious imbalances and structural shortcomings. Significant portions of the

population are economically, socially, and politically marginalized; the country's dependence on industrialized countries is increasing; foreign trade remains vulnerable to wild fluctuations in world market price and demand; and because of the development model followed since the advent of petroleum, the gap between rich and poor, city and country is widening (Gobierno, 1980 I:22).

In its five-year development plan, which was signed into law in March, 1980, the government has identified several key areas where governmental action and the healthy development of the economy are expected to be hampered as a result of serious economic and administrative dislocations. The Roldós administration is aware that social justice will not be forthcoming without the integrated development of the nation's economy. To accomplish the dual objectives of economic development and social justice, however, the government must have sufficient autonomy to ensure an allocation of Ecuador's limited resources in a way that is appropriate to specific policy objectives outlined in the Plan. Not only is state autonomy in question, however; concern is also expressed over recent trends in petroleum, agriculture, industry, foreign trade, and public sector policy.

Chief among Ecuador's development resources is petroleum, which, at least for the immediate future, will continue to be the motor force of the national economy. Two noteworthy dilemmas to be faced by the regime in this area will be (1) how to cope with the distorting effects of the petroleum boom and (2) how to reduce the country's growing dependence on this rapidly depleting resource. On the one hand, exports of petroleum, now accounting for about 50 per cent of the value of all exports (El Comercio, August 6, 1979), allows Ecuador to enjoy a strong currency and unlimited credit abroad, to import capital and consumer goods, and,

at least for the moment, to maintain favorable trade balances. On the other hand, cheap fuel at the expense of heavy government subsidies has led to wasteful and rapidly increasing domestic consumption at such a rate (about 15 per cent yearly) that it is estimated that by 1982, Ecuador's domestic market will absorb a full 100 per cent of national production at current levels (Gobierno, 1980 I: 38; IV: 21; Latin American Weekly Report, March 14, 1980:4). Between 1979 and 1980, domestic consumption of petroleum products jumped from 30,000 to 40,000 barrels per day. Thirty per cent of the national demand for petroleum derivatives must be imported at a cost of 440,000 dollars daily. Imported oil that costs the government 44 dollars a barrel is sold on the local market at a subsidized price of 8 dollars (El Comercio, October 9, 1980). Thus, despite generating considerable national wealth and stimulating secondary growth in other sectors of the economy, petroleum has also engendered a bonanza mentality that has ultimately led to wild spending and great waste. According to current estimates, and barring the incorporation into production of new oil fields, Ecuador's oil reserves will be totally depleted in fifteen years. Increasing national demand for electrical energy, 60 per cent of which derives from thermal sources, places an additional burden on this already beleaguered resource (Gobierno, 1980 I:38). Oil, then, seems to be following the boom-bust course previously traced by cacao and bananas: a wave of investment, rapid expansion of capacity, generous profits for fortunate minorities, free-wheeling speculation, and finally decline and stagnation.

Coincidental with the growth of petroleum, and linked to it, is the recent decline in agriculture, particularly in production areas destined for domestic consumption. In the period 1969-1971, for example,

Ecuador produced an annual average of 81,197 metric tons of wheat and 559,470 metric tons of potatoes. By 1975-1977, production of these commodities had decreased to 56,482 tons and 483,048 tons respectively. In 1979, wheat production declined even further to 21,846 tons that were cultivated on 26,700 hectares of land, one-fourth of that devoted to wheat production prior to the initiation of petroleum exports only seven years earlier. Between 1961 and 1978, the agricultural sector's share of the GDP declined fourteen percentage points, from 33 per cent to 19 per cent (IBRD, 1979:130; Junta, 1979:Anexo 3).

Production declines in wheat and other staples (such as barley and oats) are attributable primarily to governmental price controls and low profits, factors that have produced a flight of capital into more lucrative areas of the economy such as export agriculture, construction, industry, and real estate (El Comercio, December 19, 1979). Other data reveal clearly that domestic market agricultural production, primarily in rice and fruits, has increased measurably only in the coastal region, and even there not rapidly enough to satisfy national demand. Overall declining production for the domestic market has brought about a situation of great irony wherein agricultural staples have to be imported in a country where over 50 per cent of the economically active population still works in agriculture. Wheat imports, for example, have increased steadily from 59,000 tons in 1965-1966, to 83,000 tons in 1970-1971, to an impressive 240,000 tons in 1978-1979. The cost to the government for wheat imports in the latter year alone amounted to 38.5 million dollars (El Comercio, July 3, 1979; December 18, 1979).

Ecuador's agroexport sector, traditionally the mainstay of the economy, has presented a somewhat mixed picture since the advent of the

petroleum era. Though agroexport's relative share in the GDP and in total export volume has understandably declined, production increases of both traditional (coffee, cacao, and bananas) and non-traditional (African palm) commodities, combined with generally favorable market conditions, have resulted in considerable overall increases in agroexport values, with increments averaging 73 million dollars annually during the period 1970-1978 (El Comercio, December 6, 1979). Thanks largely to the growth of the export sector, agriculture was able to demonstrate an overall 2 per cent value added growth rate in 1979 (IDB, 1979:241). Though the rate had increased to 2.7 per cent during the first ten months of 1980, it still was far short of matching population increases of approximately 3.4 per cent (Economía, September, 1980:1). Over the short term, agricultural stagnation is obviously linked to the dislocations wrought by the petroleum boom of the seventies. Long-term structural deficiencies, however, are equally responsible and, in the view of the current regime, must be eradicated if the ideal of agricultural self-sufficiency is ever to be achieved. Such long-term causes of agrarian stagnation would include an inefficient land tenure system that tends to concentrate landholdings in a few hands, a proliferation of small, unproductive plots (minifundismo), anachronistic price mechanisms that force a drain of resources from rural to urban areas, inappropriate agrarian technologies that lead to low productivity, underutilization of land, limited financial and technical resources, and inefficiency of governmental agencies responsible for agrarian and livestock development (Gobierno, 1980 I: 37).

The rapid development of industry in recent years could perhaps ease the impact of the serious decline in food production and offset the disastrous effects of a sudden loss of oil revenues. Using 1970 as a

base year for an index of growth, manufacturing jumped from 119.77 in 1972 to 253.30 in 1979 (El Comercio, December 14, 1979). In percentage figures, industry grew at an annual rate of 13.2 per cent, and manufacturing at 10.2 per cent during the period 1970-1976. Between 1961 and 1976, industry's share of the GDP grew from 16 per cent to 36 per cent, and manufacturing from 14 to 17 per cent (IBRD, 1979:128, 130). In terms of specific activities, by far the greatest increases were registered in the manufacture of metal products, machinery, and equipment, where the production index rose from 134.86 to 625.49 between 1972 and 1979 (Banco Central, 1979:150-151). While agricultural production grew by 371 million dollars between 1970 and 1978, industry and manufacturing achieved a gain of almost 600 million dollars in the same period (Junta, 1979:Anexo 1). Though the growth of this sector is expected to continue for the foreseeable future, the extent and rate of growth will be highly dependent on factors both internal and external to the sector. Minister of Industry Germánico Salgado has identified as the principal problems and distortions in this sector (1) the country's unhealthy reliance on imported technologies, raw materials, and intermediate goods, (2) the heavy regional concentration of industrial activities, and (3) former policies of indiscriminate protectionism that inhibited competition and encouraged high prices and low quality (El Comercio, December 14, 1979). Given industry's high degree of dependence on foreign inputs in the form of technology and capital equipment, its fate over the short term will be very much tied to the country's capacity to generate foreign exchange through petroleum sales abroad. Over the long term, either the export sector must be diversified in order to support industry's appetite for imported materials, or else the structure of production in industry will

have to be transformed in a way consistent with the country's present and future technological and raw materials capabilities. Additional restraints to the growth of domestic industry are the miniscule domestic market, which has engendered an industrial system geared toward higher income and foreign buyers (Junta, 1979:8-9), and an inadequate transportation and communications infrastructure which has failed to keep pace with the demands of a growing economy.

The current economic development process, characterized by speculation and rapid growth, has been demonstrated to be particularly vulnerable to inflationary pressures, a phenomenon that has obvious social as well as economic implications. The International Bank for Reconstruction and Development reported that the inflation rate in Ecuador for the period 1970-1976 averaged 15.2 per cent per year (1979:126). The high during the period was 22.7 per cent in 1974 (Herrera, 1979:85). Though a reversal of this trend was apparent during 1978 and 1979, with rates of 11 and 10 per cent respectively being reported, 1980 promises to see a return to levels in excess of those operating prior to 1978. Recent laws increasing the minimum wage and reducing the workweek are being credited for a new round of price hikes that could result in an inflation rate of as much as 30 per cent for 1980. The government, however, has announced optimistically that it will seek to limit inflation to 20 per cent through the imposition of credit restraints (Latin American Weekly Report, January 11, 1980:6). Inflation in Ecuador nevertheless is not only a function of circumstantial phenomena. The Roldós administration has identified at least five inflation-producing factors that are inherent in the production structure of the economy: (1) low productivity in the agricultural and livestock sector, leading to food supply shortages,

(2) inadequate marketing systems, (3) limited manufacturing capabilities for consumer goods, (4) rigidities in the budgetary system, and (5) the speculative use of payments mechanisms and the uncontrolled expansion of credit and finance (Gobierno, 1980 I:36-37).

With a foreign debt of close to 4 billion dollars and a growing dependence on imports, external pressures are destined to complicate Ecuador's economic problems during the presidency of Jaime Roldós. Repayment of old debts will signify an enormous drain on the nation's resources while the government must be careful of contracting new debts for necessary development projects. The National Development Council (Consejo Nacional de Desarrollo, CONADE) estimates that the country will require 3,000 million dollars over the next four years to import the goods and services needed for capital formation and the healthy operation of the economy. Additionally, it will need another 1,200 million yearly for debt service and profit remittances on foreign capital invested in the country. The ability of the economy to generate these sums is limited. Petroleum will constitute an uncertain revenue base at best, since increasing profits are contingent upon the fate of foreign markets and the success of domestic exploration efforts. On the other hand, imports are becoming increasingly more rigid: certain goods (raw materials, capital equipment, food products) must continue to be imported at the same or increasing levels to avoid causing serious disruptions in the national economy (Gobierno, 1980 I:22,34). Increased indebtedness, constraints on export expansion, and the growing demand for imports, are all factors that in recent years have seriously curtailed the foreign trade sector, traditionally the most dynamic of the economy. Moreover, Ecuador's dependence on foreign sources rather than on internal consumption for

capital accumulation places the nation's economy at the mercy of world market conditions, monetary fluctuations, and changes in technology to a dangerous extent. Foreign incursions in the Ecuadorean economy extend as well to a steadily growing presence of foreign capital in important sectors of the national economy (Gobierno, 1980 I:34). On the other hand, the agricultural origins of a significant portion of the country's foreign exchange earning capacity prevents an even more unhealthy dependence on petroleum and lends a modicum of diversity to the country's export sector.

By the government's own admission, the real or anticipated dislocations of the national economy have an effect on state action that, in conjunction with an oligarchic-dominated social order and a potential curtailment of net public revenues, could seriously limit the government's options as an agent of socioeconomic change. Of particular concern is the erosion over recent years of tax revenues, which between 1972 and 1979 declined from 14.3 per cent of the GDP to 10 per cent (Gobierno, 1980 I:35). Instead of improving internal sources of revenues, previous regimes in the seventies resorted increasingly to the expedient of foreign loans in times of need, thereby encumbering for years to come the nation's primary, albeit temporary, source of income, petroleum. Pressures on the external sector for national revenues are only intensified by the heavy public sector reliance on customs duties, today accounting for 50 per cent of all tax revenues (Gobierno, 1980 I:35). But the weakening of the state is not only a function of a feeble tax base; rather the relative autonomy of the state in guiding the transformation process will be further diminished in direct proportion to the decline in petroleum exports and the preservation of current socioeconomic

structures. Furthermore, petroleum wealth has allowed Ecuador the luxury of a bloated and expensive bureaucracy (estimated at between 150,000 and 200,000 individuals in 1977 [Herrera, 1979:107, 112_7]), the costs of which are increasingly difficult to bear while a middle sector of professionals, bureaucrats, and technicians depends for economic security on the maintenance of a burgeoning administrative budget. The growing state enterprise system (numbering 49 firms in 1980) and autonomous agencies, together with a costly, poorly coordinated, and largely inefficient bureaucratic apparatus, constitute not only a net drain on scarce state revenues, but also a great waste of resources that could be more profitably used for critical development projects (Gobierno, 1980 I:38; II:117).

Ill-conceived public policies devised and executed by previous regimes only exacerbate the growing crisis in public administration that confronts the Roldós-Hurtado regime. Nowhere are the dilemmas facing the current government more apparent than in the area of subsidies and price controls. Though on the one hand government enforced pricing regulations on fuels and food staples such as wheat, corn, potatoes, rice, sugar, and milk serve to project a concern for social justice and to generate political support among the poor, on the other hand, they do little to encourage initiative for investment or production in the private sector, nor are they consistent with the government's stated objective of broad economic development within a capitalist framework. In the same vein, other public policy orientations have worked to perpetuate dualistic, elitist, and dependent tendencies through decisions on public expenditures, foreign commerce, and monetary and credit policies that have clearly favored the cities over the countryside and monied

minorities over impoverished majorities (Gobierno, 1980 I:39).

Perhaps the greatest challenge to governmental resourcefulness will come not in the economic realm, but rather in the social arena. Ecuador's social problems indeed are massive both qualitatively and quantitatively. The legacy of a colonial past laden with hierarchical, paternalistic, and authoritarian traditions weighs heavily on the entire culture. As Ecuador approaches the year 2000, repression and exploitation continue to exist in a pervasive way throughout national society. Petroleum wealth in the seventies did little to bring about justice and equality in Ecuador; indeed most observers agree that the petroleum era has left the poor worse off not merely in relative terms, but in absolute terms as well (Gobierno, 1980 I: passim.; Economía, 1980:5).

Declining food production and inflation, two phenomena that derive directly from the development process generated by petroleum, have had an observable impact on the diets and living standards of the poor. According to a study reported in El Comercio (November 28, 1979), the average daily consumption of proteins in Ecuador is thirty-seven grams, considerably less than the minimum recommended sixty-two. The National Institute of Nutrition reported that the sector of the population economically most in need suffers a deficit of 18 per cent in calories, 19.4 per cent in animal proteins, and 43.6 per cent in calcium (El Comercio, October 15, 1979; December 28, 1979). Low nutritional levels, though a nationwide phenomenon, are especially critical in urban areas where jobs and salaries have not kept pace with the growing influx of migrants.

Available evidence would indicate that as more and more wealth was generated in the seventies, not only was less going into the hands

of the poor relative to other social groups, but also that as inflation eroded the purchasing power of the sucre, lower echelon wage earners were finding it increasingly difficult to satisfy minimum needs. Between 1970 and 1979, salaries grew at an average rate of 16.9 per cent per year while prices rose at an average rate of 12.2 per cent. Net salary gains over the period, therefore, were on the order of only 4.2 per cent at the same time that the economy was expanding at an annual rate of approximately 10 per cent, and productivity at a rate that approached three times that of net wage increases (Gobierno, 1980 IV:25-26). At the same time that wealth was becoming increasingly more concentrated, wages as a percentage of GDP were declining from 42.1 per cent in 1970 to 33 per cent in 1979, according to a recent study by the Central University Institute for Economic Research (Economía, 1980:4). Using 1970 as a base year, the purchasing power of the sucre had declined 66 per cent by 1979, so that the 1979 minimum wage of 74 dollars monthly had a real buying power of only 25 dollars. The 100 per cent minimum wage increase of 1980 (to 148 dollars) gave the average worker a real wage of only 44 dollars relative to 1970 (Economía, 1980:5). In 1977, the Central Bank drew an index of real minimum wages by sectors adjusted for inflation that revealed that, using 1970 as the base year, income for artisans had an index of 86.5 while indexes for agricultural workers stood at 97.1 and 82.0 for Sierra and Coast respectively (Banco Central, 1977:154). The Central University study cited previously demonstrates that a recommended 2,600 calorie diet for a family of five cost 152 dollars in July, 1980, 4 dollars more than the official minimum wage (Economía, 1980:5), while minimum family expenses in Quito for rent, food, transportation, schooling, clothing, and recreation were estimated in 1979 to be 220 dollars

per month (El Comercio, October 15, 1979).

The plight of the urban employed is magnified many times over in the case of Ecuador's approximately 1,300,000 marginals. Constituting over 50 per cent of the economically active population, the marginals essentially are those citizens who are underemployed, individuals who because they lack secure employment and adequate remuneration, are physically or psychologically removed from access to health services, education, housing, social security, and political influence (Gobierno, 1980 I:34). The problem of marginalization clearly is greatest in the rural areas and constitutes only one of many complex factors contributing in recent years to a process of rural-urban migration that by 1981 had assumed significant proportions. The low level of job generation by the urban modern sector, combined with deficiencies of education and skills on the part of the migrants, serve to complicate the process of integration by recent arrivals and to heighten the social tensions in the urban setting (Gobierno, 1980 IV:31). Invasions of municipal and private lands by new migrants constitute a growing problem in Guayaquil, and both the port city and the capital find that their resources are strained to an intolerable level by the multiple difficulties wrought by the migratory trend.

Evidence of rural marginalization and of the growing gap between city and countryside are everywhere apparent. Drinking water is available to inhabitants of only 16.8 per cent of rural areas while dwellers of 81 per cent of urban areas are the benefactors of this service. Rural inhabitants receive medical attention on average only once every two and one-half years and only 2 per cent of rural heads of families receive social security benefits. Of the 158,000 housing units constructed

by the government in the seventies, 98 per cent were in urban areas, despite the fact that a majority of the national population is rural (El Comercio, October 11, 1980). Eighty-eight per cent of rural residents lack electricity and 87 per cent have no indoor plumbing (El Comercio, December 27, 1979). The impoverishment of the rural sector is but one manifestation of a broader phenomenon, the lack of national integration, that is recognized by CONADE as being a major deterrent to national development (Gobierno, 1980 I:34). The dichotomy between large, metropolitan economic centers and small provincial units, between tradition and modernity, is a singular expression of the atomization process that characterizes Ecuadorean society. Perhaps more invidious than the socioeconomic dimension of the problem is the cultural one, revealed in the persistent condemnation by dominant minorities of their indigenous and mestizo heritage, a practice that not only inhibits the formation of a national value system, but also fosters the adoption of models and values extraneous to Ecuadorean cultural reality.

Qualities of exploitation, inequality, marginalization, and the prostitution of national values that characterize the Ecuadorean social system are perpetuated by an educational system plagued by chronic scarcity of human and material resources and by antiquated methods and curricula. Though recent governments have made important inroads on infrastructural deficits in education, especially at the elementary level, the country today still is unable to provide adequate educational opportunities for its school-age population. The deficit is greatest at the secondary level, where only 46.7 per cent of the high school age population was enrolled in 1979. Moreover, desertion rates are high

at both the elementary and the secondary levels: nationwide, only 51 per cent of grade-school age children reach the sixth grade, while at the secondary level the completion rate in 1979 was 48.6 per cent (Gobierno, 1980:V:40, 58). Not surprisingly, rural education is considerably more deficient than that provided in urban areas. Secondary education is practically nonexistent in the countryside, while at the elementary level, 67 per cent of children entering the first grade do not complete the sixth (Gobierno, 1980 V:40). Revised figures for the 1974 census indicate that over 98 per cent of agrarian workers have less than six years of schooling (CONADE, 1979). Illiteracy nationwide is estimated officially at 26 per cent.

Simplistically viewed, the election of 1979 was essentially a contest between reform and status quo, between one candidate who promised to rationalize the management of Ecuador's prosperity and transform structures in a way that would allow a greater number of citizens to share in the new-found affluence, and another candidate who harkened back to the trickle-down developmentalist models of the sixties. When Roldós was elected, the mandate was clear: over one million voters chose reform over status quo and the new regime was committed to embark on a search for the mechanisms to implement the social, economic, and political reform programs that had been laid out in the "21 Bases Programáticas." The administrative structure for reform had already been provided by the 1979 constitution in the form of the National Development Council (CONADE), the governmental planning agency that, under the direction of the vice-president of the country, would unite all major groups in mapping out and executing strategies

for national economic and social development. Shortly after the election Vice-President Hurtado set about to forge the technical team that would form the nucleus of CONADE, absorbing in the process the old National Planning Board (Junta Nacional de Planificación) that had been in existence since the fifties. By January, 1980, a 1000-page draft five-year development plan had been submitted for national debate and it was that plan, with modifications, that was signed into law by the president on March 8, 1980.²

In keeping with the dominant theme of the Roldós campaign, the Plan emphasizes three global objectives: democratic institutionalization, economic development, and social justice. The administration acknowledges that its most important task is the creation of a solid foundation for functional democracy and the peaceful transfer of political power (I:23, 45-48). The problem of democracy is viewed not so much as a question of "bad constitutions" as it is one of anachronistic structures that inhibit the full participation of Ecuadorians in the national system. Expansion of the democratic base, therefore, implies a concomitant expansion of the national economy, the elimination of social inequality, the stimulation of mass participation, the integration of indigenous cultures into national life, and the enhancement of the autonomous decision-making capabilities of the nation. The government is aware, however, that conterminous policies of economic development and social justice--so critical to the government's perception of its "historic" role--can be a two-edged sword. Conscious of the potential contradictions between the implied dual models of accumulation and distribution, the administration seeks to pursue both objectives simultaneously and in a way that will ensure

complementarity rather than mutual exclusion.

Broadly speaking, economic development programs contemplated in the Plan will be oriented toward the following goals: intensification and rationalization of natural resource usage (especially in the area of energy resources), stimulation of domestic production in agriculture and industry, and expansion of exports. Priority attention will be devoted to the agrarian sector in terms of providing it with economic, technical, and educational resources in order to improve the supply of staples for the domestic market, increase exports, and reverse the flight of resources from the rural sector. Efforts will also be made to decentralize the development process in the country and to improve public administration so as to render it a more effective agent of national development.

Social objectives in the Plan will aim to ensure "the equitable participation of all Ecuadoreans in national wealth by providing greater access to the economic, social, and cultural rewards of the nation" (I:48). Though difficult to achieve in the short span of five years in a country where 50 per cent of the population is marginalized, the government nevertheless will strive to open the way to social justice by eliminating underemployment and increasing jobs, expanding health, housing, and educational services, encouraging mass organization, and restoring an appreciation of native cultures as a first step in forging a national culture.

According to projections contained in the National Development Plan, the three main priority objectives of democratic institutionalization, economic development, and social justice will be carried out in a framework of broad-based structural reform in five key areas:

taxation, administration, land tenure and agrarian production, education, and the political system (I:23-24):

- 1) Taxation: reforms in the tax system will be executed to render taxation more equitable, to orient the private sector toward priority activities in the national economy, and to garner for the state more revenues for social programs and public sector investment.
- 2) Administration: administrative reform will seek to infuse public administration with a more efficient structure, eliminate waste, and incorporate criteria of talent, merit, and professionalism in appointments to governmental posts.
- 3) Land tenure and agrarian production: agrarian reform, which will take place through current legislative norms and in coordination with programs of colonization and integrated rural development proposed in the Plan, will attempt to remedy traditional inequities of land distribution and use. Reform in this area will give access to land by landless peasants, salaried rural workers, and minifundistas. It will further strive to encourage the formation of more efficient productive units, increase rural productivity, and ultimately to integrate the peasant into the political, social, economic, and cultural development process of the country.
- 4) Education: reform of the educational system is premised on the notion that public education is a critical medium for the execution and preservation of the transformations projected in all areas of society and the economy. In addition,

it is viewed as the appropriate instrument for forging the affective and effective commitment of all citizens to the transformation process. Educational reform therefore will be directed toward a major restructuring of the curricular and methodological foundations of the system, in addition to expanding basic educational infrastructure.

- 5) Political system: reform in the political arena will seek to decentralize political power in Ecuador and to mobilize the populace through grassroots organization and through the franchise and plebiscite processes. Ultimately, the goal is to enhance mass participation not only in the social and economic life of the country, but also in political and governmental decision-making.

For the five-year period 1980-1984, the Plan envisions an injection through public and private sources of 13,935 million dollars into the economy, which will stimulate annual average GDP increases of 6.5 per cent and an overall per capita domestic product increment from 1,114 dollars to 1,312 dollars. The dynamic growth of the economy will generate 490,000 new jobs, which will be sufficient to absorb 100 per cent of the increase in the economically active population (439,000) and will reduce unemployment by 50,000. Workers entering the job market during the period will see their salaries' share of GDP increase from 33 per cent to 40 per cent. Efforts to stimulate exports will result in annual average increases of 4.2 per cent in export value, a considerable improvement over the 1.5 per cent average for the period 1975-1978. (I:75-76). The government is convinced that these goals are realistic given the present state of the economy and the society and the projected

future evolution of both over the five-year period of the plan. The forecasts indicated take into account such factors as the likely availability of domestic savings and public revenues, the residual scarcity of certain factors of production such as skilled labor, the perpetuation of certain structural rigidities in productive capacity, and the country's limited capabilities for foreign indebtedness. Certain assumptions, however, have been made, such as the progressive expansion of the export sector. Without increased exports, either certain projected economic goals will have to be curtailed or else they will be achieved only with significant injections of foreign capital, a circumstance that would introduce inevitable imbalances in the national economy (I:76-77).

Because the rural sector is a critical component in any national development scheme, and to overcome the neglect to which it has been subjected during the petroleum era, agriculture and livestock will occupy an important place in actions relating to the implementation of the Plan. Out of total projected public investments for development of 4,714 million dollars during the term of the Plan, 745 million dollars (15.8 per cent) are earmarked for the rural sector for programs of agrarian reform and colonization, technical assistance, rural credit, agricultural research, and storage facility construction. In addition, the rural sector will also benefit from social improvements and infrastructure projects involving forestation, irrigation, electrification, housing, sanitation, roadbuilding, and education. Government efforts to stimulate agricultural production and productivity, as well as to improve the social and physical infrastructure in the countryside, will result in yearly sectoral growth rates of 5.1 per cent over the period.

Traditional export crops such as cacao, bananas, and coffee, together with newer items such as palm oil, will receive direct stimulus as part of the administration's strategy to lessen the dominance of petroleum in the export sector. Steps will also be taken to improve the production of such staples as rice, potatoes, wheat, and corn. The administration has already moved to increase the retail price of wheat and milk as an incentive to further private investment, and it will continue to study price levels operating for other basic commodities in an effort to reverse the pattern of agrarian stagnation and the concomitant drain on foreign exchange reserves.

Social as well as economic objectives are inherent in the administration's programs of land reform, colonization, and rural mass organization. The Plan projects the distribution of 895,000 hectares of land to 77,000 peasant families during the five-year period, while another 15,000 families will be resettled on 750,000 hectares through colonization programs (III:51, 62). Furthermore, the organization of communes, communal enterprises, producer and marketing cooperatives, and peasant federations will be actively encouraged by the government. This effort, combined with the improvement of government services to peasants, will serve to "promote a qualitative transformation of rural society through which a more just distribution of the benefits generated by the development process will be achieved" (III:23-25). Though social objectives are important, it is nevertheless apparent that the agrarian strategy is predicated on the desperate need for increased production. And though the long-term goal of the government in the agricultural sector is self-sufficiency through coordinated planning, it is recognized that over the short term the country will have to adjust to a situation of less

than total abundance until the current dislocations can be remedied through actions that are as much a function of private sector response as they are of state initiative (El Comercio, December 18, 1979).

Another key area for governmental action under the guidelines of the Plan is energy. Specifically, the Roldós administration will work to increase the availability of renewable energy sources (particularly hydraulic power) while at the same time it strives to reduce dependence on thermal sources, rationalize the consumption and price structure of petroleum derivatives, strengthen CEPE financially and orient its activities toward explorations for new oil deposits, and upgrade the National Energy Institute to enable it to intensify its search for practical means to utilize non-conventional energy sources (I:50-51; VI:13-20, 57-61). Over the five-year period, the government will spend 1,457 million dollars (30.9 per cent of the total planned public investment for development) in projects relating to energy, with the greatest expenditures coming in hydroelectricity and oil and natural gas exploration and production.

The heavy dependence of Ecuador's economy on oil both as an energy source and as a generator of foreign exchange determines that the performance of the petroleum industry and the nature and implementation of governmental policies relating thereto will be critical factors in the success or failure of the National Development Plan. Increasing demand and diminishing reserves will mean over the period that Ecuador's exportable surplus of petroleum will experience a 7.5 per cent decline. On the other hand, anticipated growth of the country's refining capacity will permit an increase of derivative exports that, together with expected world price increases, will result in a net petroleum export value

increase of 7.7 per cent. The total value of petroleum exports (crude and refined), based on a production rate of 225,000 barrels per day, will be 9,030 million dollars, an amount equivalent to 46.5 per cent of the total value of exports for the period (I:154; VI:22-23). Exploration for new reserves, a key factor in Ecuador's oil program, are viewed with some optimism, all the more so since the discovery in October, 1980, of a new Oriente deposit containing an estimated 1,500 barrels, an amount that will boost Ecuador's known reserves by 136 per cent (El Comercio, October 8, 1980).

The health of Ecuador's export sector has been and will continue to be a principal determinant of the dynamism of the national economy. Without the foreign exchange and the secondary growth occasioned by an active export sector, Ecuador's economy would surely stagnate. Therefore, the government's strategy during the period of the Plan will be to fortify the export sector through policies of expansion and diversification. Though it is acknowledged that petroleum will continue to dominate exports throughout the period, its relative position compared to other items will decline from 50 per cent of value in 1980 to 40.5 per cent in 1984. The slack left by the decline of petroleum values will be taken up by increasing exports of agricultural goods and manufactures (I:85-87, 89). Government sponsored programs to increase production in bananas, cacao, and coffee will result in exports of raw and processed goods totaling nearly 2,216 million dollars over the period, representing a percentage share increase from 27.9 in 1980 to 28.4 in 1984. A combination of government incentives and improving market conditions will, it is estimated, boost cacao exports by 18.7 per cent per year and those of coffee by 20 per cent.

The impetus experienced by the manufacturing sector in the seventies is expected to continue at least through the mid-eighties, with a projected average growth rate of 9.0 per cent. New market opportunities, especially through the Andean Pact, will spur the growth of manufactured exports at a rate of 31.3 per cent per year for total earnings of 2,864 million dollars and a total export share jump from 11.8 per cent in 1980 to 18.9 per cent by 1984. Major advances will be observed particularly in marine products, wood manufactures, electrical appliances, and toward the end of the period, metal products and automobiles.

At the same time that the administration will work to increase exports, it will also take steps through a variety of measures to diminish the country's dependence on imports. Current strategies call for tariff revisions to curtail luxury imports and the implementation of an energetic import substitution program (I:88, 90-91, 163). Major substitution efforts, many of which will be carried out through direct government investment, will concentrate on steel, cement, nitrogen fertilizers, paper products, automobiles, agroindustry (vegetable oils, yuca and corn flour, tomato sauces and juices), pharmaceuticals, and insecticides. Production goals in these areas alone will save the country an estimated 335 million dollars in foreign exchange. Additional savings will derive from planned increases in domestic oil refining capacity, thereby eliminating the need for costly imports of petroleum products. According to current projections, imports of all goods and services will diminish from 27.5 per cent of the GDP in 1979/80, to 24.2 per cent in 1984.

Increasing investment and production in all sectors will permit a noticeable improvement in national employment (I:93; IV:34-37). The

employed population will grow from 2,555,000 in 1979 to 3,045,000 in 1984. Since employment will expand at a greater rate than the working population (3.6 per cent per year, versus 3.1 per cent), by 1984, net unemployment will register significant declines and a good portion of the marginalized population will have been provided with steady employment. Though agricultural and livestock activities will continue to employ a majority of working age citizens, the largest employment increases will be experienced in energy, construction, and mining, with employment growth rates in excess of 6.0 per cent, followed by manufacturing and services, each with expansion rates of over 4.0 per cent. The growth of jobs will be matched by increasing wages over the period, which, according to the Plan, will reach 40 per cent of the GDP. Inflationary pressures will be lessened by measurable increases in productivity, production, and consumption, with the latter expected to grow at a per capita rate of 3.6 per cent per year (I:84).

As a necessary adjunct to the economic development process, a considerable portion of government investment (14.1 per cent) over the five-year period will be earmarked for rural and urban infrastructure in the areas of transportation and communications. One of the principal objectives of roadbuilding, telephone, and electrification projects will be to effect a greater integration of the nation by tying into major networks those areas of the country that at present remain isolated. Completion of major north-south highway networks in the coastal, highland, and Oriente regions are contemplated, together with numerous feeder roads connecting trunk lines in the three zones. Between 1980 and 1984, nearly one billion dollars will be spent on the construction of approximately 5,600 kilometers of roads (VI:104-105).

In addition, investment programs totaling another billion dollars in electrification, irrigation, and telecommunications will affect nearly every province in the country. Coastal agriculture, important for its export potential, will benefit from irrigation projects covering 138,000 hectares, while the country's generating capacity for electricity will be considerably improved through the Paute and Agoyán hydroelectric projects in the central and southern highland regions. Furthermore, telephone service by 1984 will have been extended to all twenty provinces and important cities will have benefitted from greatly expanded and improved facilities (I:111, 113-118).

The government's strategies for development in the social realm are guided by two considerations: (1) that dynamic growth of the capitalistic system, complemented by governmental regulation and direct intervention in key areas, will result in intermediate- and long-term across-the-board improvements in living standards for all social groups, and (2) that the government has an immediate responsibility to the poor for providing services and opportunities that will help over the short term to prepare marginals to participate more effectively in the emerging new order and to ameliorate conditions of poverty created by the imbalanced and disarticulated models of development of previous years. Accordingly, social programs in the Plan will have a very high priority relative to other areas of governmental action. In the breakdown of government investment programs for social and economic development, projects related to "social improvement" (encompassing such areas as drinking water, sanitation, health, education and literacy, popular promotion and social welfare, and housing) are slated to receive 32.9 per cent of the total planned expenditures of 4,714 million dollars.

In addition, another 15.8 per cent is assigned to "rural development" (including storage facilities, rural roads, electrification, health, and education), thus raising the total expenditure for projects related to social programs to 2,245 million dollars, or nearly half of total public investment in all categories during the five-year period (I:106-107). Specific projects in the field of social services include the following: the construction of 3,700 kilometers of rural roads, the creation of 37 health centers and 117 subcenters in rural areas, the establishment of 25 new potable water systems, the construction and equipping of 18 full-service hospitals, the provision of 143,400 urban and rural "housing solutions," and the implementation of a literacy program affecting 760,000 persons (I:113-118). Major emphasis will be given to education, especially in the areas of elementary education and vocational training. Over the five-year period, the government plans to increase the number of classrooms by 12,465 at the elementary level and 3,750 at the secondary level. In addition, twenty-three new technical-vocational schools will be created (V:19-20, 40, 50, 62-63).

A major component of the administration's social program is a concept called popular promotion, which is, in effect, a program of mass mobilization for the articulation of needs and the fulfillment of those needs through direct social, political, and economic involvement in the national system. According to the modus operandi adopted by the government, popular promotion, in conjunction with other complementary social and economic measures contained in the Plan, will permit the operation of mechanisms conducive to the creation of an authentically democratic society (IV:63). Popular promotion projects, involving an investment of nearly 80 million dollars, will target such groups as peasants, urban

poor, women, and youth, and will emphasize grass-roots organization in the form of communes, cooperatives, syndicates, and neighborhood associations. In addition, collateral programs will be initiated in such areas as job training, consumer protection, recreation, low-cost housing, and self-help techniques (IV:87).

Financing the National Development Plan over the next five years will represent a considerable challenge, especially given the restraints-- both those dictated by fiscal prudence and those imposed by the current and future status of the economy--under which the Plan will be executed. The administration estimates that in order to achieve average GDP growth rates of 6.5 per cent, total investment will have to increase at an annual rate of 6.8 per cent (I:83-84, 97, 125). The need to curtail foreign borrowings dictates that 85 per cent of the total planned investment of 13,935 million dollars be generated internally; the remaining 15 per cent (roughly 2,250 million dollars) will proceed from foreign loans and direct foreign investment. Though the government will be responsible for debt service payments of 2,800 million dollars during the term of the Plan, only 4 per cent of this amount will be for debts incurred during the Roldós administration. Total net utilization of new loans during the period will be 1,983 million dollars. Government plans call for the private sector, which is not legally bound to adhere to the Plan, to finance 61.3 per cent of the total projected investment. The public sector, therefore, will be called upon to provide funding totaling over 5,000 million dollars to carry out the basic projects in transportation, communications, utilities, and social services that are critical to the success of the Plan. The government's forecast of a 9.8 per cent yearly increase in public investment is predicated on

projected revenue increases accruing from tax reform and export expansion. Aware of the extreme resource limitations under which it must operate, the government has stated that public sector investment must adhere to strict criteria of rationality and efficiency. While the government must never lose sight of the social objectives of the Plan, by the same token it must manage its resources in a manner that will ensure the balanced and unencumbered growth of the economy on which the success of the three-pronged strategy (democracy, economic development, and social justice) of the Plan ultimately depends.

Political Reality and Democratic Institutionalization

President Roldós' plans for social and economic reform are intended to complement and in turn be complemented by actions designed to fortify the democratic base of the country. The political viability of the regime-- its flexibility for action and its chances of survival--will be very much circumscribed by the new juridical order created in anticipation of the return to civilian rule. Regulation of the institutional life of the new democracy is invested principally in the 1977 Law of Parties and the Constitution of 1979, both of which instruments were drafted after careful deliberation by individuals (such as Hurtado and Roldós, who themselves served on the pre-election special legislative commissions) who were intimately familiar with the historical forces that shaped the nation's past leading to the current state of affairs in Ecuador's political life.³ Their appraisal of the historical origins of the country's maladies, as well as the solutions devised to remedy them, were based on empirical evidence and pretended, therefore, to be bluntly realistic. Chronic instability; dictatorship; legislative inaction; fragmentation of parties; crises of consensus, legitimacy, and

continuity; political non-participation by vast numbers of citizens; personalism and demagoguery; and the coopting of political authority by powerful minorities, are some of the shortcomings that were diagnosed as having led in the past to a shortcircuiting of the democratic process.

A deficient party structure--a proliferation of parties and their personal and ephemeral character--was particularly singled out as one of the most flagrant causes of instability and dictatorship. Osvaldo Hurtado, president of the Third Special Commission that drew up the Law of Parties, condemned those parties that in the past reflected neither the reality nor the needs of the nation, but rather dominated the system through the personality of the charismatic leader. This situation, according to Hurtado, explains why in Ecuadorean politics "ideological and programmatic debate has always been absent, replaced instead by vacuous rhetoric, personal conflict, and the utilitarianism of de facto groupings" (El Comercio, June 24, 1977). The Third Commission therefore worked to eliminate superfluous and dysfunctional groupings and to stimulate the emergence of "genuine" parties that would spring from national reality and respond to vital social, economic, and ideological forces as they exist and evolve over time. To facilitate the realization of this ideal, the new Law of Parties, while guaranteeing the right of all groups to organize formal parties and of citizens (except for the clergy and armed forces personnel in active service) to join them, nevertheless imposes a series of restrictions and regulations relating to party name, membership, organization, and program and philosophy. To qualify for legal recognition, parties must provide a membership list comprising at least 0.5 per cent of the nation's registered voters (10,000 members out of two million voters), and proof of the "national" scope of the party, entailing

the establishment of viable party organizations in at least half of the country's twenty provinces. Furthermore, parties must constantly demonstrate their right to exist as such by participating regularly in elections and by giving evidence of voter strength equivalent to 5 per cent (100,000 votes out of two million) of all votes cast in congressional, provincial, or municipal elections.

In a major innovation, the law provides for state subsidization of legal parties, the justification for which being that under the new order, parties are to be viewed as permanent centers for political mobilization and education, as well as for the training of new political leadership; as such, they deserve direct state support. Ultimately, the goal is to render the political profession honorable in Ecuador (El Comercio, June 24, 1977). The Roldós-Hurtado government subscribes fully to this goal. The self-imposed democratic mission of the new regime is really a task of institutionalization of a party system wherein politics will be elevated to the realm of doctrine, ideology, and program. A politicized and enlightened electorate will necessarily render the government more responsive and responsible, and will reduce the possibility that political action will revert to the status of a private club for demagogues and oligarchic elites motivated only by personal or sectoral gain.

The new constitution that went into effect on August 10, 1979, contains several reforms that were designed by its drafters to eradicate major juridical deficiencies and at the same time to provide the state with the realistic instruments needed to create a functional democracy within a framework of social justice. The new charter, for example, not only recognizes the social function of property, but also establishes

four sectors of the economy (in contrast to the three sectors normally prescribed in Latin American constitutions): (1) the public sector, comprising state and "strategic" enterprises, non-renewable natural resources, and potable water; (2) the mixed sector, composed of those areas characterized by combined private- and public-sector investment; (3) the communitarian sector, made up of cooperatives, communes, and in general all properties held in common by individuals or groups; and (4) the private sector. The constitution also grants the state the authority, "para fines de orden social," to nationalize or expropriate property and to intervene in activities of other sectors when deemed necessary for the common good. Thus, the central government is given considerable power to dispose of and to allocate resources for the benefit of the nation, while collective forms of property ownership are for the first time given legal protection in the nation's political charter.

Common wisdom in Ecuador holds that, in the juridical realm, the principal causes of the failure of a working democracy are (1) the ineffectiveness of the legislative branch in discharging its responsibilities as the chief law-making body of the nation, and (2) the maldistribution of power and authority among the legislative and executive branches of government. In the past, the legislature was noted for its inability to accomplish in an efficient and dignified way anything of a positive nature, often being reduced at best to a national forum for partisan harangues, and at worst to an arena for venting personal animosities between rival petty politicians, situations that on occasion have led to brawls and even gunfire on the floor of congress.⁴ A microcosm of a fragmented, atomistic society, the national congress was not only incompetent in its own realm, but also tended to obstruct effective

action by the executive because of an improper alignment of attributes between the two major branches of government.

The Law of Parties, it was reasoned, would ameliorate some of these deficiencies by elevating politics from the personal to the ideological plane and by imbuing in the parties a national rather than a local or regional perspective. The role of the new constitution, on the other hand, would be to complement other legal instruments by building into the governing system certain important structural restraints on the freedom of action of the legislature and by reducing areas of overlapping responsibility between the executive and legislative branches of government. According to the 1979 charter, the legislative function resides in a unicameral parliament, an innovation designed to streamline the legislative process by eliminating the cumbersome bicameral system introduced in 1835. The national congress is composed of fifty-seven deputies apportioned among the provinces according to population, together with twelve deputies elected nationally, the latter incorporated in substitution of the "functional" senators of previous constitutions dating to the corporatist experiments of the 1920s. All legislators serve for five-year terms (coincident with presidential and vice-presidential terms of office) and cannot be reelected until after one complete intervening term. Legislative sessions are limited to sixty days per year beginning every August 10. Four legislative commissions comprised of five members each and presided over by the president of the congress are to assume legislative functions during periods of congressional recess. In addition to its all-important advise and consent powers over the governmental purse-strings, the national congress also enjoys unilateral control over the appointment of supreme court justices.

In contrast to the legislative body, the executive branch is granted considerable powers in all important areas of national life, in many cases only with limited checks by other branches. In declaring a state of siege, the president is required only to "notify" congress or, in its stead, the tribunal of constitutional guarantees (though the latter entities are empowered to revoke emergency powers if they judge that the circumstances warrant such a move). Nor is the president required to consult congress in making cabinet appointments. The constitution further prescribes two specific instruments that enable the president to skirt congressional recalcitrance and the debilitating stalemate that could result therefrom. The first instrument is the traditional veto, for which the constitution does not ascribe override authority to the congress, stipulating instead that vetoed bills may be reconsidered by congress one year from the date of the veto. (Presumably the president retains the option of vetoing bills resubmitted in this fashion, though the constitution is not clear on this point.) The second instrument is the plebiscite (Article 78), through which the president has the authority to bypass congress to secure passage of presidential measures previously deprived of congressional approval. The same privilege is granted congress, though in a modified form: prior presidential approval is required for congressional-sponsored referenda on measures passed by congress but vetoed by the president (Article 69).

Roldós has made a strong commitment to the new democratic order spelled out in the Law of Parties and the Constitution of 1979. This commitment applies not only to upholding the letter of the new laws, but also to furthering the spirit of those laws by strengthening the

democratic infrastructure of the nation. The Development Plan maps a two-front strategy in attacking the problem of democracy. On the one hand, the government will adopt measures of a political and legal nature to expand the franchise and to ensure compliance with legislation governing political activities; on the other hand, it will seek to change the structure of power through mass mobilization and grassroots organization (I:70-71). Significant inroads toward the expansion of participation have already been made with the registration of 378,000 illiterates for the provincial and municipal elections scheduled for December, 1980 (El Comercio, October 16, 1980). Whatever the final outcome of the administration's mobilization programs over the next four years, there can be no doubt that Roldós has already accomplished more than any previous president in giving the masses a stake in government and, at the same time, creating a powerful political force whose presence will be of decisive importance in national politics for years to come.

III

Analysis and Conclusions

The ultimate test of the Roldós administration will be the extent to which the government's programmatic strategies can be translated into meaningful economic development, social justice, and stable government based upon popular participation. The likelihood of success in accomplishing these goals will be dictated not only by the nation's resource potential nor the resolve of the country's rulers; rather to a significant degree it will also be very much a function of historical tradition and the specific national and international milieux in which the development process unfolds.

Basically, the administration's economic program revolves around two strategies: the expansion of agriculture for domestic consumption and a reduction of external dependence. Any broad program for the rural sector will inevitably face such serious obstacles as the still deeply entrenched latifundista system which condemns vast acreages to very low productivity; land exhaustion in large portions of the Sierra, a legacy of centuries of intensive cultivation; highland minifundismo (two-thirds of Ecuador's basic food items are produced on plots of less than five hectares); and the absence of a coordinated program of state financial and technical assistance (El Comercio, December 6, 1979).⁵ The development of domestic agriculture will take place to a large extent within the framework of agrarian reform. In this area, the regime must resolve the possible contradictions between the demands of social justice on the one hand, and expanded production within a capitalistic mode on the other. In reality, capitalistic agriculture will require a level of investment and efficiency that might be beyond the available resources of the state since the infrastructural and technical requirements of such a program--roads, irrigation and flood control, marketing facilities, credit, and technical assistance--will require enormous capital outlays. Moreover, a large portion of government expenditures will necessarily be destined for services with a low immediate return on investment (schools, health facilities, housing); yet these programs constitute an indispensable adjunct to the government's strategy of integrated rural development designed to improve the quality of life of the rural inhabitant at every level. Quite apart from the fiscal burdens implicit in the rural program, emphasis on capitalist agriculture could lead to serious dislocations of a social nature in the countryside. In effect, given

the predictable opposition to land redistribution from traditional landowners, the need for rational units of production, and the tendency toward more sophisticated methods of farming involving advanced technology, one of the government's greatest challenges will be to rationalize agriculture without turning the peasantry into a low-paid rural proletariat. Nevertheless, it is clear that state participation in rural reform will be guided initially by economic rather than social criteria; immediate measures aimed at social reform in the countryside would lead to further production and marketing bottlenecks that would have serious economic consequences and ultimately would only enhance the political vulnerability of the regime.

The government's plan for lessening dependency entails a variety of programs, including diversification of exports, curtailment of overseas borrowings, and import substitution industrialization and the stimulation of the domestic market. In the area of export diversification, Hurtado has made the point that Ecuador's economy is and always be fundamentally agricultural-based, a view that is reflected in the Plan's emphasis on broadening the country's export base through incentives to tropical agriculture. Additional possibilities for export include fish and fish products, forest products, and manufactured goods covered by the Andean Pact scheme. The greater financial demands that these programs signify (for example, in the form of government loans and tariff reductions) will place added burdens on the national treasury; moreover, increased government spending could lead to further inflationary pressures, thus frustrating the social reform programs of the administration. And regardless of the domestic implications of this strategy, its success will be dependent on locating new markets which themselves are

a function of world trade conditions over which the Ecuadorean government has little control.

Ecuador's deteriorating balance of payments situation over recent years has induced the government to take a radical stance on the question of further borrowings abroad. The country today has a foreign debt of close to 4 billion dollars, yet it still does not possess sufficient capital to meet all its development needs. For the government to achieve its goal of curtailment of foreign borrowing, it can either do without this source of capital (or substantially lesser amounts of it), or it can print new money, the result being either a considerable reduction of critical public works projects (by far the principal target of foreign loans) or rampant inflation and destabilization of the sucre. A third alternative, which is the one opted for by the government, is to stimulate the internal generation of capital, which would then be tapped by the government through taxation or as direct income. To raise in this way, however, sufficient revenues to finance social investment, service the foreign debt, and cover mounting administrative costs, will signify that the resource base of the state will necessarily be dependent on economic (and even non-economic) factors that lie largely outside the domain of direct governmental authority. In a speech to the nation on October 15, 1980, Vice-President Hurtado lamented that fifteen government reform programs were seriously behind schedule due to financial difficulties stemming from a decline in projected petroleum revenues and the appropriation by congress of funds for programs that were not originally contemplated in the National Development Plan (El Comercio, October 16, 1980).

The other side of the foreign trade question has to do with

manufactured imports. The government hopes to attack this problem in two ways: by restricting luxury imports (a measure that not only would reduce dependency but also would work to conserve valuable foreign exchange) and by fomenting import substitution industrialization. The administration has recognized that the latter can most advantageously be accomplished in the areas of food processing, construction materials, and pharmaceuticals. Expanded industrial production in the near future, however, will necessarily be contingent upon the elimination of infrastructural bottlenecks, a continuing favorable investment climate for private capital, a substantial growth of the domestic market, and the ultimate viability of procedures worked out in the Andean Pact for full regional integration. Moreover, the industrialization process, especially in heavy industry, will continue to depend heavily on foreign capital and technology; and notwithstanding Andean Pact restrictions on the proportionate shares of foreign and domestic capital in regional industries, international conditions will nonetheless continue to weigh heavily on the Ecuadorean development process. Additionally, the ~~long-term~~ economic effects of recent across-the-board wage hikes and the reduction of the workweek from forty-four to forty hours are still a matter of speculation. What is known at the present time is that the new salary structure will require an additional expenditure by employers of 30,000 million sucres per year and that the effect of this will be to double the country's money supply. The forecast inflation rate in 1980 due to salary rises alone is 20 per cent, with another 10 per cent expected by virtue of other factors, such as declining productivity and increasing production costs. Most analysts agree that the likely results of both legislative measures will be increasing unemployment and a

further concentration of capital in the major industries as small manufacturers and artisans are forced out of business by intolerably high costs of production.

Governmental plans for social reform are broadly oriented toward the creation of a more equitable society for all Ecuadoreans. Essentially, this means narrowing the gap between rich and poor, giving the underprivileged a stake in the future, and improving the quality of life of citizens who, because of the traditional rigidities inherent in the Ecuadorean social system, find themselves heirs to a vicious circle of poverty. The administration will approach these goals from three directions: (1) redistributing income through such programs as land and tax reform, (2) expanding services, primarily housing, health, and education, and (3) encouraging mass organization in order to increase participation. Though the theoretical foundation of the government's social program is sound, it is nevertheless one that can be achieved only at considerable cost, both material and political. Despite the fact that part of the costs of social reform will be pushed off on the rich, significant hardships on the beleaguered national budget will be unavoidable in light of the magnitude of the task, the many conflicting demands being made on finite resources, and the uncertain state of the national economy. Moreover, additional strains can be expected as a result of the economically unproductive nature over the short term of the social infrastructure investments contemplated. Ultimately, however, the political costs of social reform might well be of greater consequence than the material ones. The groups that stand to lose most, namely landowners and traditional bourgeois sectors, will be reluctant to relinquish those gains which they consider to be their birthright.

To embark on programs depriving these groups of social, economic, and political benefits to a degree in excess of what they consider "just" could force them into a type of opposition not entirely foreseen in the democratic reforms projected by the administration. In the past, the oligarchy has not been disinclined to resort to pressures of an economic nature in order to defend its interests and to impose conformity on stubborn governments, nor has it been reluctant to appeal to the military as a last resort to eliminate threats to the status quo. On the other hand, the government is equally vulnerable politically from a reaction by popular groups who have been encouraged to believe that they are the government and who will be watching closely for positive results from the reforms promised by Roldós. While the president has prudently warned against expectations of miracles overnight, any evidence of a betrayal of the popular classes by the administration could suddenly convert this important ally into a formidable adversary.

At its most fundamental level, however, the problem of social reform in Ecuador is a complex matter involving psychological and cultural change as well as basic structural change. It is not enough to transfer ownership of the means of production or the social location of political power to the masses (though admittedly these are not precisely the goals of the present administration); rather, deeply held values and prejudices also must change. Inequality and injustice in Ecuadorian society are maintained by a universally accepted value system that ascribes a social "place" to all individuals according to family name, job, education, race, and wealth. Pervading the entire society--urban and rural, institution and family, government and business--the patron-client system teaches that, for example, the landowner is on top

and the Indian on the bottom because it is simply in the "natural" order of things for owners of land to be dominant and workers of the land to be subordinate. Because the administration cannot basically alter the social relations of production (whether or not it wants to), whatever gains accrue to the Indian, the factory worker, the stevedore, and the domestic servant must be granted paternalistically and will not likely result in the dignity, self-respect, and political assertiveness essential to an egalitarian society. Moreover, there remains the determination of the powerful oligarchy not to concede either its economic or its psychological hegemony. Thus, the administration's social program suggests an interesting dilemma, namely, the extent to which egalitarian-oriented social reforms can succeed in a society that is at bottom unequal. Meanwhile, Roldós will have disseminated the symbols of basic reform with the result of raising expectations and consciousness.

Effective democratic government is not only a function of leadership, consensus, and economic wellbeing; it is also very much conditioned by the presence of an effective relationship among its constituent branches. The irony of the Roldós government is that after coming to power with the votes of over one million Ecuadoreans, when it took office it found that it did not enjoy the support even of its own party, the CFP, whose candidates had won a numerical majority in congress. As a matter of fact, differences of a personal and ideological nature had begun to surface between party boss Assad Bucaram and his protégé nephew even before the April election. Disagreements over campaign strategy and the presence on the ticket of Christian Democrat and long-time Bucaram critic Hurtado further exacerbated the conflict.⁶ After the election, the refusal by Roldós to defer to his uncle's wishes in the

development of a plan of government, combined with his selection of a multi-partisan cabinet, were symptomatic of the ever-escalating conflict between the two leaders. Bucaram subsequently moved to seal a political pact in the legislature with the Conservatives and Liberals (traditional enemies of CFP) in order to guarantee a clear voting majority under his direction; at the same time, in the face of what was interpreted to be Roldós' betrayal of the party that had elevated him to power, Bucaram served notice on the president that the CFP-Conservative-Liberal coalition would operate with complete independence in the congress.

Thus, from the earliest days of the new regime, the scenario for political action has been one of continual conflict between the legislative and executive branches of government in what appeared to be a revisitation upon the country of the type of democratic crisis that plagued Ecuador throughout her republican existence and the prevention of which had been the expressed object of the careful planning that characterized the transition from military to civilian rule after 1976. Bucaram, elected to the presidency of the parliament, skillfully used his power base to infiltrate legislative committees and the legal system with anti-government Cefepistas and to mobilize a coalition majority in congress to obstruct executive action. Not only did he work to block the passage of executive bills on such critical matters as the budget and CONADE; he also pushed through congress legislative measures (retirement after twenty-five years for women, across-the-board wage hikes, reduction of the workweek to forty hours, the creation of new universities and vocational schools) that were obviously inconsistent with publicized government planning objectives and seemed to be designed more for political impact than for true social reform or economic development.

broken and that the December coalition, achieved only at considerable political sacrifice by Roldós, was not fully serving the purposes for which it had been formed. Bucaram, though weakened, nevertheless retained the loyalty of a sufficient portion of congress to continue his strategy of harassment of the government. This second phase of the confrontation culminated in April, 1980, when the CFP spearheaded in congress a move to impeach Minister of Government Carlos Feraud for alleged violations of human rights. Roldós retaliated by calling a special session of congress to consider a constitutional amendment that would empower the president to dissolve congress once during the presidential term of office and to hold new parliamentary elections within a specified period of time. He threatened to convoke a plebiscite on the issue should the congress fail to approve the amendment. He backed down (on May 19) only when congressional leaders gave the president assurances of a stable coalition in congress which, in addition to permitting a productive relationship between the two branches, would also guarantee in the next session the election to the presidency of the parliament of a man more favorably inclined toward the government.

Since May, the new coalition--composed of Conservatives and Velasquistas, in addition to ID, Democracia Popular, and the pro-Roldós faction of the CFP--has successfully passed two tests. The first came in May with the censure vote on the Feraud case whereby the minister was cleared of charges by a vote of 33-27 (Latin American Weekly Report, May 30, 1980:5). The second test came in August when ID deputy Raúl Baca Carbo was narrowly elected (by a vote of 34-33) to a one-year term as president of the House of Representatives. Though the conflict appears to have abated, legislative effectiveness remains deficient.

The sixty-day 1980 regular legislative session did not pass a single piece of important legislation; rather it devoted its energies almost entirely to censure proceedings against governmental ministers (Correspondence, Gonzalo Ortiz Crespo-Nick Mills, October 24, 1980).

The impassioned and debilitating antagonisms that have characterized relations between the legislative and executive branches of government since August, 1979, are symptomatic of the basic weakness of Ecuador's fledgling democratic system and have called into serious question the effectiveness of the juridical reforms that had earlier been implemented precisely to eliminate the kinds of stresses that the country witnessed during the first twelve months of the new regime. Roldós' problems are far from over. Not only will he have to tread very softly in order to preserve his tenuous coalition, but he will also have to be alert to the potential consequences of expected opposition from those entrenched interest groups most seriously affected by the administration's reform programs. It is precisely these groups whose cause would perhaps best be served by a continuation of divisions in the government party and by an intensification of differences between the legislative and executive branches.

With more courage perhaps than true political sense, Roldós has taken a strong stand on the issues of economic, social, and democratic reform as the defining and legitimizing features of his administration. Even under the best of circumstances, the scope of a commitment of this type would greatly limit the government's flexibility for political action; but given the historical reality of Ecuador, combined with the vexatious political and economic circumstances in which the country

finds itself at present, the viable options available to President Roldós between now and 1984 are practically non-existent. Though he has youth, intelligence, sincerity, popular support, and a potentially sound economy in his favor, these qualities and conditions alone are normally not considered sufficient to guarantee political success in a developing country characterized by multiple dislocations, limited resources, inequities, contradictory demands, and imbalances of every sort. Given the governing strategy adopted by the regime, Roldós will stand or fall according to the extent to which he can provide credible leadership toward the achievement of the government's basic goals. Any major departure from the established plan of government, or a failure to control the injurious consequences of the implementation of the plan, could shatter the administration's fragile cross-sectoral political base. The result would be a crisis of legitimacy and a fatal destabilization of the regime. In the event that this happens, the military, the country's ultimate arbiter in its perennial political disputes, will have been vindicated in its traditional view that civilians are incapable of self-government. Roldós' democratic reformist plans will be shelved, and the armed forces will be called upon once more to save Ecuador for democracy.

NOTES

1. In the last decade a group of Ecuadorean social scientists has undertaken a thorough revision of the nation's history and analysis of the present. The innovative work of Osvaldo Hurtado (1977) is indicative of the energy and sensitivity of those now engaged. Alejandro Moreano (1976), in his challenging essay "Capitalismo y lucha de clases en la primera mitad del siglo XX," and René Báez (1976) in "Hacia un subdesarrollo moderno" provide dependentista interpretations. An attempt at synthesizing a class analysis with dependency theory has been made by César Verduga (1977). Also see Patricio Moncayo (1979), Andrés Guerrero (1975), and Manuel Chiriboga (1978; 1980). An important contribution toward a strict Marxist interpretation is that of Agustín Cueva (1976), an Ecuadorean now resident in Mexico. For an interesting summary of the recent literature on Ecuador and on some of the issues confronted by the country see Gerhard Drekonja (1980).
2. The following discussion of Ecuador's National Development Plan, unless otherwise indicated, is based on the government's six-volume Plan Nacional de Desarrollo, 1980-1984. Citations in the text will be identified by volume and page number.
3. For an account of the workings of the pre-election legislative commissions by one of the protagonists, see Hurtado (1980: Epilogue).
4. The most recent incident was on September 30, 1980, when ex-President Otto Arosemena, national deputy for the Institutional Democratic Coalition (CID), shot his colleague, Conservative Pablo Dávalos Dillon, on the floor of congress following a heated exchange over the question of the impeachment of a cabinet minister.

5. The magnitude of the problem of minifundismo in statistical terms can be stated as follows: 60 per cent of the economically active rural population is working on holdings of less than five hectares. These minifundia constitute 74 per cent of rural properties and occupy barely 11 per cent of Ecuador's cultivated land surface (El Comercio, December 27, 1979). Also see Ortiz (1979).
6. For a view of Hurtado's opinion of Bucaram and the CFP, see Hurtado (1977:204-207).

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