Economics and Differential Patterns of Political Integration:

Projections About Unity in Latin America

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ECONOMICS AND POLITICS IN REGIONAL INTEGRATION

Does the economic integration of a group of nations automatically trigger political unity? Must economic unions be perceived as “successful” in order to lead to political unification? Or are the two processes quite distinct, requiring deliberate political steps because purely economic arrangements are generally inadequate for ushering in political unity?

There are no unambiguous historical answers. We find few examples of political unity among two or more states antedating the creation of a common market or customs union between them. In most acts of federation the initiation of political ties went on simultaneously with the establishment of an actual

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1 The case of Austria-Hungary prior to 1850 is one of the few exceptions. The initiation of the customs union after that date gave rise to the complaint by Hungarians that the more industrialized Austria was “exploiting” them by monopolizing the more profitable opportunities for investment, i.e., thus obtaining unequal benefits from the union. See Oscar Jaszi, The Dissolution of the Habsburg Monarchy (Chicago: University of Chicago Press, 1929), pp. 185–212. This argument has become a standard one in the contemporary setting. The Swedish-Norwegian political union, on the other hand, never developed into an economic union at all. See Raymond E. Lindgren, Norway-Sweden (Princeton, N.J.: Princeton University Press, 1959), pp. 37–44.
or potential economic union. The German Zollverein constitutes an exception to this rule; but for other reasons it cannot serve as a guide to an answer.  

Recent history alone affords the instances in which voluntary economic integration preceded formal or informal steps toward political unity. And even here there is sometimes an articulate political component in the minds of the actors. In western Europe economic integration—to some of its partisans—is a deliberate precursor of political unity. All the governments of Central America, with the exception of Costa Rica, take the same position with respect to the Central American Common Market (CACM). But the members of the European Free Trade Association (EFTA) eschew any overt political ambitions. Commentators on the east European Council for Mutual Economic Assistance (COMECON) differ on whether the arrangement has a purely economic function or whether it is part of a larger scheme for a cooperative communist commonwealth. Kenya, Uganda, and Tanganyika have been united in a common market for 37 years and have maintained a common services organization for a number of costly and important administrative functions for almost as long; yet there is evidence of political disintegration in their relations since they achieved independence! Similarly, efforts at sustaining the economic unity of former French West Africa after 1958 resulted in political fragmentation, largely because of the perception of unequal economic benefits and burdens among the units. This negative experience, however, did not prevent these states from attempting a new step toward some measure of pan-African economic unity through the medium of the Organisation Africaine et Malgache de Coopération Economique (OAMCE). The West Indian Federation broke apart for the same reasons as did French West Africa despite the precedence of a certain amount of economic and administrative unity over political union.

If the recent history of the priority of economic ties over the formation of political unions seems inconclusive, what can we say about the Latin American Free Trade Association (LAFTA)? Here the members seem more or less united on the proposition that national economic development and industrialization will be advanced in a mutually beneficial manner through the medium

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2 It is true that the Zollverein was gradually "politicized" as it came to encompass more member states and additional and more complex economic tasks. It is also true that not even its Prussian initiators had "planned" this deliberately in order to unite Germany and expel Austria from the Confederation, even though they added this purpose to their earlier economic objectives after 1850. But the success of the Zollverein as an economic precursor to political union was due essentially to the special position that Prussia occupied within it, the enormity of the Prussian market as compared with the other members, and the fine administrative and political sensitivity with which the Prussian managers of the Zollverein wooed and satisfied their partners, sometimes at the expense of short-run Prussian losses. Further, a short war was still required to drive home the lesson of interdependence. See W. O. Henderson, The Zollverein (and ed., Chicago: Quadrangle Books, 1959); Arnold H. Price, The Evolution of the Zollverein (Ann Arbor: University of Michigan Press, 1949); Heinrich Bechtel, Wirtschaftsgeschichte Deutschlands (Munich: Callwey, 1956), Vol. 3.
of a free trade area, tending gradually toward a common market. Yet the sentiment that this trend should be considered a precursor for a post-Bolivarian pan-Latin Americanism is only rarely encountered. Can we, nevertheless, discern a political thrust in the economic effort at union? The remainder of this article will be devoted to the thesis that under modern conditions the relationship between economic and political union had best be treated as a continuum. Hence definite political implications can be associated with most movements toward economic integration even when the chief actors themselves do not entertain such notions at the time of adopting their new constitutive charter. LAFTA is no exception.

The considerations which lead us to this formulation require some explanation. Linkages between economic objectives and policies, on the one hand, and political consequences of a disintegrative or integrative nature, on the other, are of a "functional" character: they rest very often on indirection, on unplanned and accidental convergences in outlook and aspiration among the actors, on dialectical relations between antagonistic purposes. They also frequently contain elements of creative personal action by administrators who seize upon crises, the solution of which upgrades common interests among the actors; hence they include an organizational component which may, depending on the organization, be of dominant significance. Integration can be conceived as involving the gradual politization of the actors' purposes which were initially considered "technical" or "noncontroversial." Politization implies that the actors, in response to miscalculations or disappointment with respect to the initial purposes, agree to widen the spectrum of means considered appropriate to attain them. This tends to increase the controversial component, i.e., those additional fields of action which require political choices concerning how much national autonomy to delegate to the union. Politization implies that the actors seek to resolve their problems so as to upgrade common interests and, in the process, delegate more authority to the center. It constitutes one of the properties of integration—the intervening variable between economic and political union—along with the development of new expectations and loyalties on the part of organized interests in the member nations.

Viewed from this perspective, the sophisticated economic analysis of the possible benefits of common markets, customs unions, and free trade areas is not

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of direct help to political and sociological projection. Pure economic theory would be of immense help in our task if we could assume that the actors were mainly impelled by the statistical projection of benefits and drawbacks of union. But benefits and drawbacks with respect to welfare are very rarely seen in these terms by the politicians and economic administrators who fashion common markets. What is important to them is not welfare itself—as analyzed in pure economic terms—but future welfare perceived in terms of conceptions deeply tinged with ideological factors and consistently influenced by the requirements of political expediency.

Hence the success or failure of an economic arrangement in engendering political union cannot reliably be revealed by pure economic analysis. Actors sometimes bank on deferred economic benefits in the evolution of loyalties to new structures. In the meantime they “pay off” the active or potential opposition with special benefits, exemptions, and subsidies. The results may feature the simultaneous presence of inefficient resource allocation and a satisfied public. Economic policy may be pursued in a fledgling customs union in such a way as to satisfy a series of political doctrines held by the public without attaining any demonstrable net increase in welfare which can be credited to the union. The economist may rejoin the argument, of course, by urging that sooner or later the moment of truth must be faced, that assessments of net gains must be made at some point even if all sorts of bargains have bought time for the administrator. At that point, he would urge, the union will have to demonstrate its capacity for becoming a political entity on the basis of its economic prowess. Is it not equally possible, however, that in the interim there may have developed unintended consequences which reenforce the earlier bargains on the basis of new ties among groups and individuals, ties which can outlive evidence of ambiguous welfare gains? The experience of some politically successful federations would support the argument against the economist, with this proviso: whenever key actors perceive their postunion welfare as diminished because of real or alleged hardships attributed—rightly or wrongly—to the economic union, political disintegration is almost certain to set in. The growth of political integration on an economic basis can prevail only so long as the perception of benefits and drawbacks remains, at least, uncertain and uneven among sectors of the population.

This proviso also serves as the benchmark for determining the utility of economic analysis to political projection. Whenever nonideological economic analysis of the balance of welfare gains and losses clearly indicates a loss as a result of the act of union, the chances for political success are remote. While we can postulate the possibility of political union in the presence of ambiguity
surrounding the question of gains and losses, we can hardly expect a victory of political objectives over patent economic hardship—unless the union rests on force rather than consent. Economic analysis can therefore indicate the limits of the politically possible. But, then, economists rarely agree with one another in their projections of the balance of welfare gains and losses in any one instance of economic union. Our problem is to link the processes of economic and political integration, thus recognizing the continuum of economics and politics. Projections of success and failure, including those of LAFTA, can then be attempted on that foundation.

A Typology of Integration Patterns

Our demonstration aims at the delineation of typical conditions and factors and of their consequences for regional integration. Many of the judgments entering into the statement remain qualitative. We are not able to indicate clearly in all cases exactly how a series of variables is internally related, even though we know them to be associated in the manner of a syndrome. The most that can be said for the typology is that it has been derived from the available concrete situations in which economic union led—or was supposed to lead—to political union. We have examined these situations in terms of the pattern variables which are at the center of analyses of comparative politics.

The basic definitions are simple. We accept as relevant any form of "economic union" which involves some measure of continuing central administrative control, whether on the basis of a supranational or an intergovernmental principle of authority. Actors are expected to desire not merely more unrestricted trade but also some measure of factor mobility. In short, economic union (in the most general sense) must aim at more than the removal of administrative and fiscal obstacles to trade.

"Political union" implies any arrangement under which existing nations cease to act as autonomous decision-making units with respect to an important range of policies. The constitutional features which can be accommodated under this label range from the unitary state to the principle of shared-but-not-sharply-divided powers which is typical of the European supranational approach. Confederal arrangements may or may not qualify for inclusion,

\footnote{For applications of "pure economic" projections to the future of LAFTA, see Robert A. Flammang, \textit{The Common Market Movement in Latin America} (unpublished Ph.D. dissertation, State University of Iowa, 1962); Attiat A. Farag, \textit{Economic Integration} (unpublished Ph.D. dissertation, University of Michigan, 1963). But compare with Bela Balassa, \textit{The Theory of Economic Integration} (Homewood, Ill.: Richard D. Irwin, 1961). Balassa is concerned with LAFTA as well as with western Europe, and he predicts a number of steps involving politization if LAFTA is to realize its economic objectives. See also R. F. Mikesell, "La Teoria dei mercati comuni e gli accordi regionali tia paesi en corso di sviluppo," \textit{Mondo Aperto}, August 1962 (16th Year, No. 4), pp. 213–236.}
depending on whether any actual delegation of national power to a central agency has taken place. If the confederation merely takes the form of institutionalized conferences among instructed representatives who do not delegate power to a central organ, it stops short of the necessary degree of politization.

Naturally, we have to give a more extended meaning to the term "integration" than that sometimes given by economists, though we accept their usage as part of our notion of economic union, i.e., the removal of obstacles to the free movement of the factors of production. Integration, to us, means the process of transferring exclusive expectations of benefits from the nation-state to some larger entity. It encompasses the process by virtue of which national actors of all sorts (government officials, interest group spokesmen, politicians, as well as ordinary people) cease to identify themselves and their future welfare entirely with their own national government and its policies. This notion of integration, of course, is entirely compatible with the concept of divided loyalties and segmented identification on the part of individuals.

Have we not now committed the common error of confusing process with result, of applying indicators appropriate to the identification of a political union to the sketching of the integration process? A word is necessary to explain how we have sought to avoid this error. A successful political union is an entity in which the actors have already transcended their earlier exclusive identification with the preexisting national state. They have adapted to the regional entity; they bestow a significant portion of their loyalties on it. How can we know that this has been accomplished? Adaptation has taken place whenever crises and disagreements engendered by the increasingly politicized context of debate are resolved in such a manner as not to involve threats of secession and promises of revolt even though the solution extends the scope of central control. In other words, a political union can be said to exist when the politicized decision-making process has acquired legitimacy and authority. Integration, on the other hand, is merely the analytical term we bestow on the period of time intervening between the establishment of common economic rules and the possible emergence of a political entity, and on the events that we think must occur during that period in order to engender that result. The integration process, therefore, must show evidence of increasing politicization, of shifting expectations, of adaptation by the actors to a new process of mutual accommodation. But it need not show uniform or unilinear evidence. Our very commitment to the notion of an economic-political continuum compels the application of identical observational criteria for both the process and the result. Process and result are differentiated, however, by the empirical consistency which we expect to encounter in our criteria.
We now wish to break down this approach to integration into observable pattern variables, attributes which seem to intervene more or less consistently between the act of economic union and the possible end product we label political union. These can be divided into: 1) variables which obtain before the act of union, 2) variables existing at the time the union is negotiated and enters into force, and 3) variables which manifest themselves during the process which ensues after the union becomes operative. The transition from the first two to the third range of conditions involves some difficulties in terms of assumptions and observations, which will be spelled out below.

**Background Conditions**

The first major consideration among the background conditions would have to be the size and power of the units joining in the economic union. What is important here is not the absolute military power or industrial capacity of the participants but the relative weight of these features in the specific functional context of the union. Hence France’s possession of a nuclear potential is irrelevant in the context of the European Economic Community (EEC); Belgium and Switzerland were, in many respects, the equal of Italy and Germany in the context of the Organization for European Economic Cooperation (OEEC) because of their large capacity to export and import as well as provide credit. After establishing the functional similarity or difference of the units, we must specify the rate of transaction among the participants before they proceed to liberalize restrictions. Here, trade figures, labor mobility, capital movements, the possibility of establishment for professions, student exchanges, and similar indices come to mind.

A third pattern variable is provided by the degree and kind of pluralism which prevails within and among the member states. Pluralism involves two separate but related empirical questions. First, we must ascertain whether the prevalent mode of group conduct within each of the participating states is functionally specific, universalistic, or achievement-oriented. Typically, the picture is far from clear-cut, with pockets of functional diffuseness, particularism, and ascriptive orientations present even in the most pluralistic settings. Second, we must ascertain the balance of pluralism for the union as a whole, i.e., total the number of countries which exhibit a “high,” “low,” or “mixed” pattern; the final judgment assigned represents this balance. For instance, in the case of the EEC, the actual incidence of the variables ranges from the extreme pluralism of the Netherlands to the diffuseness and particularism of Sicily. Yet five out of the six members merit a “high” score and Italy a “mixed,” giving us a final “high.” In COMECON, Poland and Hungary exhibit a pattern in which
the dominance of the Communist Party has undergone diminution with the rise of other, functionally specific groupings; in East Germany this has not taken place to the same extent, with the Soviet Union perhaps occupying an intermediate position. "High," "low," and "mixed" scores balance to a final "mixed."

A final pattern variable involves the mutual complementarity of national elites. Are corresponding groups in the national settings inspired by similar or differing values? Are all key leading military men apolitical or committed to intervention in politics? Are all labor leaders wedded to a notion of permanent industrial negotiation or to the subordination of trade unionism to political revolution? Do similar groups share a common image of possible external threats? What matters with regard to elite complementarity is whether corresponding elite groups think alike or not, even if they do not live in a functionally specific setting.6

Each economic union can then be evaluated as being "high," "low," or "mixed" with respect to these background variables, on the basis of the balance of data assembled for each participating member. But what does the judgment signify? On the basis of previous work on the political implications of economic unions it was found that a high rate of previous transaction, a similarity in size and power, a high degree of pluralism, and marked elite complementarity were extremely favorable to the rapid politization of economic relationships.6 But this demonstration is far from being sufficient to settle the argument. The specific objectives of the actors must also be thrown into focus.

Conditions at the Time of Economic Union

Unless there is some meeting of the minds there can obviously be no agreement on union at all. Hence we can exclude basic disagreement among the parties. But two major consensual distinctions remain. First, we must differentiate between situations in which the parties profess a strong commitment to eventual political union, and the more common situation in which they do not. Second, there is a distinction between a comprehensive and explicit eco-

6 We are deliberately excluding the physical environment as a separate pattern variable because it seems to us that the differences in natural resource endowment, topography, climate, and the like do not enter as autonomous determinants of the integration process. They do enter insofar as they affect the aims and policies of men; but then they would show up in our pattern variables with respect to elite complementarity. Size, moreover, is considered a separate variable.

economic agreement and a more ambiguous meeting of minds. Identical commitments at the time of economic union can be said to prevail if the parties agree on the terms of the compact as well as on the paths of reasoning which led them to it. A mere convergence of aims takes place, however, when the negotiators agree on certain objectives even though they may have been led to them by quite different—and perhaps antagonistic—paths of reasoning.

This gives us four possibilities. 1) Identical economic aims with a strong political commitment merit a “high” rating, and 2) converging economic aims with a strong political commitment also deserve a “high” rating. We know of no instance, however, that qualifies for the first category, and only the EEC meets the criteria for the second. 3) Identical economic aims accompanied by a weak political commitment are rated “mixed,” and 4) converging economic aims with a weak political component merit a “low” evaluation. Naturally, the fourth category is the most populated one.

But there is a second major pattern variable, in part institutional and in part a summation of actor commitments, which must be considered along with the purposes of governments at the time the economic union is born. The modal choices are between “built-in” or “automatic” integration and negotiated integration. Built-in integration takes place on the basis of a firm schedule for the rate and amount of dismantling of obstacles to factor movements. Exemptions from the schedule are administered by the central authority, not the national governments. Further, automatic integration is associated with economic unions in the proper sense of the term, i.e., in arrangements in which the member states aim at more than a customs union or free trade area. Automaticity is here introduced by virtue of the fact that it is almost impossible to make isolated decisions in discrete economic sectors, that all decisions impinge on each other in such a way that a more or less coherent—but politicized—welfare policy is likely to emerge. Institutionally speaking, automatic integration is enhanced when an independent body of uninstructed “regional bureaucrats” possesses the power to make—or at least to initiate and advocate effectively—significant policy and when these persons act in almost permanent collaboration with national governmental services and the representatives of bureaucratized interest groups.

The opposite mode of integration features a much looser institutional structure which avoids the notion of “supranationality” in explicit intent as well as in fact. The timetable for dismantling is flexible; each major step must be negotiated anew; exemptions and escape clauses flourish, and their administration is decentralized. While the union possesses certain standing organs, their powers are insignificant because all major decisions remain in the hands of the perma-
ment delegates of governments acting alone or in the hands of periodic con-
ferences. The services of secretariats tend to be confined to technical and
housekeeping tasks. Voting formulas among governmental delegates in the
supranational case tend toward majoritarianism based on weighting; unanimity
or a modified two-thirds majority formula prevails in the intergovernmental
case.

Now it would be ideal if prognostications of the success of such economic
unions in developing into political entities could be based exclusively on back-
ground factors and conditions prevailing at the time of union. In that event
the learning capacity of the actors in adapting—or resisting adaptation—to the
new way of dealing with economic interdependence could be ignored. Rates
of transaction, degrees of similarity among national social systems, and the
purposes of the chief actors would suffice for prediction. We would not have
to worry about intransigence, shortsightedness, inability to assimilate new
information, capacity to reorganize administrative channels, and the desire to
consult with or co-opt strata in the population not hitherto mobilized for politi-
cal participation. The exclusion of the conceptually difficult "social learning"
process would certainly simplify the task of analysis.

One example must suffice to demonstrate that this procedure is not intellec-
tually defensible: a comparison of the actual experience of the EEC with that
of EFTA and the Organization for Economic Cooperation and Development
(OECD). In the case of the EEC, there is a high degree of symmetry among
most background factors, among most factors prevailing at the time of union,
and between these two major ranges. In short, an almost uniform "high" can
be scored before data on social learning is introduced. We would hazard the
prediction on the basis of preprocess data alone that politization would occur
almost automatically. However, EFTA and OECD show that symmetry with
respect to background variables was uneven and "mixed"; further, at the time
of union it was "low" in both cases. One would then predict that the chances
of automatic politization were not good. Yet the recent history of EFTA and
to a much lesser extent that of OECD indicate that such a judgment is,
at least, premature. EFTA has developed definite signs of growth and vigor;
OECD has done more than many observers were led to expect on the basis of
the conditions which prevailed in 1960–1961 when its charter was negotiated.
In other words, the actors behaved differently after the act of union than could
be predicted on the basis of our first two ranges of variables.

Therefore, an adequate typology of the integration process must allow for
a certain period of actor adaptation, for a span of time during which "learning"
can be observed. What is an adequate span of time? Experience suggests that
three years is a minimum, but that predictions based on that period may still be hazardous because much depends on whether these three years featured events which strained and tested the learning capacity of governments, politicians, administrators, and interest groups. In the case of the ten regional economic unions used in this typology, such events did indeed occur. The case for including a third range of variables, process conditions during the first three years of operation, should thus be clear.

**Process Conditions**

A major item of interest among the process conditions is the decision-making style which develops among the actors once they confront one another regularly in the act of implementing their economic union. The chief modes of making joint decisions involve a behavioral test, so to speak, of the institutional alternatives isolated in our second range of variables. A “high” rank would be attached to a way of making decisions which stresses the role of uninstructed experts who tend to agree among themselves with respect to the reasoning patterns and antecedent conditions relevant to a decision, and with respect to the outcome to be attained. Further, such decisions would normally be made in constant consultation with national administrators similarly inspired and with representatives of major private interests. It features, in short, supranationality in practice as well as in institutional competence. Naturally, one would expect such a decision-making style to be highly correlated with “high” background factors in the fields of pluralism, elite complementarity, and rates of transaction, and with “high” total scores for both ranges of variables at the time of union. But the experience of EFTA suggests once more that, while at least a “mixed” score on the first range is necessary, a “low” score on the second can nevertheless trigger the necessary quasi-supranational style at a later time.

The opposite of supranationality-in-practice is a style of bargaining in which the participants tend to disagree on the outcome they desire but nevertheless agree on many of the background and antecedent factors entering into a decision. This is all the more true in economic negotiations if and when there is a reliable and generally accepted statistical base for negotiations and when the participants share basic patterns of reasoning about the nature of trade and investment, even when they disagree on who will get how much on what terms. At the same time, of course, the institutional setting for such bargaining features diplomatic negotiation rather than bureaucratic problem solving. Learning, then, consists in the ability of the actors to transform such a forum into a setting in which the bureaucratic mode of decision making prevails. This tended to happen in EFTA but not in OECD. But the transition does not
require the growth of a "supranational" high authority or commission; de facto delegation of decision-making power to nationally appointed higher civil servants can achieve the same result, provided these people enjoy some discretion and develop their own pattern of reasoning and deliberation.

Another key pattern variable at this stage of the analysis is a reexamination of the rate of transaction among the member states. Has it grown since the inception of the union, declined, or remained the same? The key comparison to be made here is between the intrazonal rate of growth and the rate of growth in transactions with the outside world.

Our final process factor is the adaptability of the chief actors, governmental and private. It is here that the "functional" way of viewing change and adaptation becomes prominent. We want to know if new purposes develop in the interaction among the participants as a result of difficulties and disappointments experienced with reference to the attainment of the original aims of the participants. It is possible, of course, that the union succeeds without ever engendering disappointment. This happens most readily when, in the minds of the actors, the task never stops being "technical"; but then no politization occurs either. More frequently in economic unions, the original aims, identical or converging, were not achieved. Crises arose, consensus broke down, distrust was rife. Are the actors capable of transcending these developments? Are they able to redefine their means of action at a higher level, i.e., involving more mutual interdependence and more delegation of power?

Transcendence, in the context of economic decisions, almost always involves entry into neighboring spheres which were not previously part of the shared aims and the explicit program of the union. The test of transcendence, therefore, is the occurrence of a spillover into new fields, economic at first but increasingly political as the process continues. Crisis is the creative opportunity for realizing this potential to redefine aims at a higher level of consensus. The new aims are an unintended and often unforeseen consequence of an earlier consensus which ran into difficulties. The ability to manipulate and negotiate new functions from obsolete purposes is the supreme test of adaptability because it rests on antagonistic actor objectives rather than on a basic desire to agree for the sake of agreement. When this has gone on for some time without threats of disruption or secession by the members, the process of actor adaptation has resulted in a sufficient shift of expectations and loyalties to warrant our conclusion that a political union is at hand. It follows, of course, that a "low" rating must be assigned to an economic union which fails to redefine its aims in such a manner once it runs into its first squalls. Again, no spillover will occur in such a setting, and the nonoccurrence can serve as the test for nonadaptation with respect to integration and its challenges.
It is now time to come back to the notion of “automaticity” which, explicitly and implicitly, runs through this discussion of types of integration. As long as men, including statesmen, are free agents, nothing is “automatic.” De Gaulle could reverse the course of politicized economic integration and Nasser could suddenly launch it, even though in one case all the variables point to “automatic” success and in the other to failure. Mass movements, parties of the threatened lower-middle class in Europe, or the Ba’ath in the Middle East could do the same. Or entirely unforeseen events could occur—a major war, a technological breakthrough of major proportions, a massive religious revival spurning the siren call of increased welfare which underlies our economic-political projections. The improbability of such events governs our projection. De Gaulle has not reversed integration among the Six and Nasser has not launched it among the Arabs, though attempts toward these ends have certainly been made. Automaticity, then, means that, all other things being roughly equal, a “high” scorer in our categories is likely to be transformed into some species of political union even if some of the members are far from enthusiastic about this prospect when it is argued in purely political terms. Because a spillover is likely to occur in these cases, the functional adaptation to its implications is likely to be “automatic” in the sense that the participating actors will make the kinds of decisions which will safeguard their collective economic welfare; this, in turn, will imply the need for political decisions by indirection, almost by guile. But automaticity does not imply the absence of conflict, of difficult negotiations, and of temporary setbacks in the process. It suggests merely that these features will yield to future adaptive decisions which the actors take in line with their own perceptions of interest.

Is the “low” ranking union therefore condemned to inevitable failure as far as transforming an economic entity into a political one is concerned? Far from it. Such a union is condemned to failure only in that there is no parallel “automatic” process of collective adaptation at work. The economic union will fail to “take off”; the participating states will not reach the point at which anticipated suffering outweighs the expected benefits when the decision to block integration is taken. Indeed, the indicator that a “take off” into increasing politization has occurred, that the point of no return has been passed, is the very prevalence of decisions which rest on a calculus that juxtaposes anticipated national deprivation to expected benefits. In such decisions national delegates accept the analyses and statistics of fellow negotiators and of the union’s central administration as crucial evidence in their deliberations. But the “low” ranking union can still advance to political union if functional equivalents for the factors elsewhere favoring politization can be found. These functional equiva-
lents may be tenuous and unreliable, especially if they are of a noninstitutional and charismatic nature. But they may exist; and if they do, the underdeveloped countries which normally do not show “high” ratings in our ranges of variables may still unite in larger units even in the absence of “automatic” forces.

Our typology can now be summed up. The chart of economic unions in recent history shows the distribution of our pattern variables. We are fairly confident with respect to the data on which the attributions were made with reference to the EEC, EFTA, OECD, the West Indian Federation, and LAFTA. We are less sanguine concerning the other unions, but the demonstration is intended to be illustrative rather than definitive. On a continuum ranging from “good” chances at automatic politization to “poor” we find five major clusters of variables. 1) There are those unions which in the crucial area of postconstitutive action display a “high” rate of transaction, “high” actor adaptability to crisis, and—at least—a “mixed” pattern of bureaucratic decision making. The EEC and EFTA both qualify here, even though the first also displayed “high” preunion ratings and the second did not. 2) The Central American Common Market (on the basis of very fragmentary data, to be sure) typifies a category of “possible” automatic politization because a certain number of homogeneous traits obtain among the members and a considerable amount of unity of aims has continued to prevail among them. However, it is not at all clear whether due to the chronic sociopolitical instability which prevails in all but Costa Rica it will be possible to maintain consistency in elite expectations. 3) Somewhat more dubious are the cases in which some evidence toward politization has appeared, but where this evidence is perhaps matched by contrary trends. COMECON and OECD are alike in that both include industrialized member states of varying sizes and interests as well as some underdeveloped nations. They differ in the realm of governmental purposes and postunion adaptive capacity because these factors must be given much greater weight in the instance of totalitarian and planned economies as compared with the much looser pattern typical of the OECD members. Probably the future of COMECON depends much more directly on the aims and perceptions of a relatively small elite of national communist technicians and party leaders than on any automatic deductions culled from patterns of transaction or emerging styles of negotiation. For somewhat different reasons LAFTA’s chances seem no better, a point to which we will return shortly. 4) The East African Common Market (and its associated Common Services Organization) escapes being stigmatized.

7 The best comprehensive study of the Central American Common Market we have discovered is by Joseph Pincus, El Mercado Común Centroamericano (Guatemala City: Oficina Regional para Asuntos de Centroamérica y Panamá, 1963).
as "poor" only because the background and constitutive factors all show a "mixed" pattern of attributes. But postindependence performance has been unimpressive. While it remains possible that the ties and interdependencies imposed by Britain prior to the independence of these countries may still reassert themselves, chances are that East Africa will follow the pattern of our fifth type.  

5) Our last, and least promising, category includes attempts at union which had their origin in the colonial period and which tend to disintegrate upon the attainment of independence. All display a "low" pattern of collective decision making and adaptation to collective problem solving. In the West Indies a certain amount of homogeneity in perception and organization obtained during the last years of British rule; but it did not withstand the first major crisis in independent collective deliberations. In the two associations of former French African territories the uniformities and similarities among elites do not appear to have penetrated below the very top level of leadership.  

French West Africa disappeared as a unit commanding the respect and loyalty of independent Africans because the removal of French rule brought to the fore antagonistic perceptions previously papered over, even though some Africans have blamed the French for the breakup. Whether the OAMCE can do any better with a more modest program and dedication to purely economic objectives remains very much in doubt.

The Pattern Variables Applied to LAFTA

A priori, and before we turn to the possibility of functional equivalency, LAFTA is a poor candidate for making a rapid and automatic transition from a free trade area to a political union of some kind. In fact, LAFTA, now three years old, is still not even a free trade area. Its membership includes Brazil, Argentina, Chile, Uruguay, Paraguay, Peru, Ecuador, Colombia, and Mexico. The members joined together under the Treaty of Montevideo in June of 1961 following negotiations, conducted under the auspices of the United Nations Economic Commission for Latin America (ECLA), looking toward an all-Latin American or, alternatively, a subregional common market. If all goes well, the schedule of tariff dismantling laid down in the Treaty should result in the establishment of a full free trade area by 1973.


### Economic Unions: Distribution of Pattern Variables

<table>
<thead>
<tr>
<th>Background Conditions</th>
<th>EEC</th>
<th>EFTA</th>
<th>OECD</th>
<th>COM-ECON</th>
<th>East African Common Market</th>
<th>West African Federation</th>
<th>OAMCE</th>
<th>West Indian Federation</th>
<th>Central American Common Market</th>
<th>LAFTA</th>
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<tbody>
<tr>
<td>1. Size of units</td>
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<td>low</td>
<td>low</td>
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<td>low</td>
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</tr>
<tr>
<td>2. Rate of transaction</td>
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<td>high</td>
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<td>low</td>
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</tr>
<tr>
<td>3. Pluralism</td>
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<td>low</td>
<td>low</td>
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<td>4. Elite complementarity</td>
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<td>mixed</td>
<td>high</td>
<td>mixed</td>
<td>high?</td>
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<td>mixed</td>
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</tr>
<tr>
<td>Total Judgment</td>
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<td>mixed</td>
<td>mixed+</td>
<td>mixed—</td>
<td>low+</td>
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### Conditions at Time of Economic Union

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<td>5. Governmental purposes</td>
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<td>low</td>
<td>low</td>
<td>mixed</td>
<td>low (1960)</td>
<td>mixed (1958)</td>
<td>?</td>
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<td>mixed</td>
<td>low</td>
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<td>6. Powers of union</td>
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<td>low</td>
<td>low</td>
<td>high</td>
<td>low?</td>
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<tr>
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### Process Conditions

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<td>7. Decision-making style</td>
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<td>?</td>
<td>?</td>
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<td>low</td>
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<td>8. Rate of transaction</td>
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<td>9. Adaptability of governments</td>
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<td>mixed</td>
<td>mixed</td>
<td>low</td>
<td>low</td>
<td>?</td>
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<td>mixed</td>
<td>mixed</td>
</tr>
<tr>
<td>Total Judgment</td>
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<td>mixed</td>
<td>low</td>
<td>low</td>
<td>?</td>
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### Chances of Automatic Politization

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<th>possible-doubtful</th>
<th>possible-doubtful</th>
<th>doubtful</th>
<th>poor?</th>
<th>?</th>
<th>poor</th>
<th>possible</th>
<th>possible-doubtful</th>
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INTERNATIONAL ORGANIZATION
Let us examine the background factors first. The members vary in terms of industrialization, per capita GNP, rates of economic growth, and capacity to export and import. But they may be grouped in such a way as to result in partial patterns of homogeneity. Thus, Argentina, Chile, and Uruguay seem comparable in terms of per capita income and degrees of industrialization and commercialization. Paraguay, Peru, Ecuador, and Colombia appear comparable with respect to low per capita incomes, institutional stagnation, and uneven industrialization. Brazil and Mexico fall between the two major groups in showing a sustained capacity to develop and industrialize, without having yet achieved standards of living approaching the first group. The picture with respect to homogeneity in terms of economic size and power is “mixed.”

Rates of transaction before 1961 were obviously “low” since only 9 percent of the total export trade took place in mutual transactions. There was almost no migration of workers and professional people from country to country and little cross-national investment. Intracontinental transport facilities left much to be desired and institutionalized contact among groups of professionals and businessmen was sporadic. The same was true of politicians.

The social structure of the member states also fell into subregional patterns which merit a “mixed” rating. The economically most underdeveloped group also shows the prevalence of a diffuse group structure, of particularistic values in relations among groups and individuals, and of the dominance of personalistic and familial ties. Evidence of permanent economic interest groups, however, exists in Uruguay, Argentina, Brazil, and Chile. Moreover, in the realm of public affairs the urban middle class in all these nations has long been active, and in recent years the urban lower class has increasingly participated. Nevertheless, it cannot be maintained that the trend toward a stable pluralism has triumphed to the extent of eliminating pockets of traditionalism in the rural areas or of making an achievement orientation supreme even in the cities. The same is true of Mexico, where the growth of autonomous private associations is to some extent overshadowed and impeded by the dominant position of a single multipurpose party in public life and the commanding position of the

10 For a suggestive attempt to derive a typology of Latin American countries from a wealth of comparative statistics, see “Tipología Socioeconómica de los Países Latinoamericanos,” Revista Interamericana de Ciencias Sociales, 1963 (Vol. 2, Special Number). The authors group Colombia, Ecuador, and Peru together, in spite of Colombia’s substantially higher per capita income. Paraguay is placed with Bolivia, although for our purposes we have “advanced” it to inclusion in the Andean group. Brazil and Mexico are found to “cluster” along a number of dimensions, as do Argentina, Chile, and Uruguay. See also Gino Germani and Kalman Silver, “Politics, Social Structure and Military Intervention in Latin America,” European Journal of Sociology, 1961 (Vol. 2, No. 1).
11 For a summary of the rates and composition of pre-LAFTA regional trade, see O. Campo Salas, “Comercio Interlatinoamericano e Integración Regional,” Ciencias Políticas y Sociales, January 1960 (6th Year, No. 19), pp. 39-57.
government bureaucracy. The kind of pluralism most favorable to rapid integration exists only in spots and its consistency is far from reliable.

Are the chief elites mutually compatible in terms of the values they profess? Some are and some are not; the answer is enormously complicated by the difficulty of isolating stable elites in the nations which are no longer dominated by traditional social structures. Even among the more traditional Andean countries we would hesitate to ascribe a meaningful complementarity of central values to the aristocracy or to the military. Complementarities with respect to industrialization and expanding commercial activity can probably be documented among Argentine, Brazilian, Mexican, Chilean, and Uruguayan businessmen. But whether conclusions with respect to values concerning private enterprise, state planning, political freedom, or foreign policy can be drawn from such patterns is more than doubtful. However, a common distrust of North American economic prowess does provide a unifying theme. Not even the military, as an elite professional group, can reliably be regarded as having a core of shared values, either within or among countries, leaving aside the question of the duration and depth of military rule in any one member nation. We must assign a “mixed” judgment; but it may tend toward the “low.” Our total judgment for the background variables, then, would be “mixed.”

This brings us to the pattern variables observable at the time of instituting the economic union. Did the purposes of the governments coincide or merely converge? Did they converge at a high level of consensus or merely on the basis of an ephemeral, minimum common denominator? Once more, the pattern in 1960–1961 was “mixed.” The initiative for economic integration, first of all, did not come from any government but from ECLA, in general, and from its dynamic Executive Secretary Raúl Prebisch, in particular. But the more ambitious schemes for integration proposed by ECLA prior to 1960, approaching the model of a common market and equipped with some of the economic mechanisms favoring “quasi-automatic” integration, proved acceptable only to the government of Mexico, whose involvement in intra-Latin American trade was negligible. For those who already had a significant share of that trade—Argentina, Brazil, Uruguay, and Chile—a much less ambitious formula proved far more attractive. These countries were not primarily interested in long-range integration for its own sake; they preferred a modest mechanism designed to get them out of an immediate payments crisis in which they found themselves in 1959. They were interested in freeing and protecting “existing” trade, while Mexico wished to liberalize its “future” trade with the area. Paraguay, on the other hand, had no particular desire to join any bloc but was compelled to do so by the government’s perception that there was no
other way to protect the relatively heavy trade with its neighbors. Some countries shared the view of ECLA that the industrialization of the region would be accelerated by the creation of a preferential market for new industries and established ones operating below capacity; but for other countries this was not a primary inducement.\footnote{The succession of drafts, proposals, and memoranda covering this period is collected in UN Document E/CN.12/531. The period is also discussed, albeit with quite different emphases, in Victor L. Urquidi, Free Trade and Economic Integration in Latin America (Berkeley, Calif.: University of California Press, 1962) and Raymond F. Mikesell, “The Movement toward Regional Trading Groups in Latin America,” in Albert O. Hirschman (ed.), Latin American Issues (New York: Twentieth Century Fund, 1961). See also the comprehensive review in Sidney Dell, Trade Blocs and Common Markets (New York: Alfred A. Knopf, 1963). Dell forcefully supports the argument that trade blocs are uniquely justifiable in the case of underdeveloped countries.}

In short, there was no comprehensive economic consensus among the actors, no major goals which were shared in any explicit way. Furthermore, there was little evidence that some larger pan-Latin Americanism was at work here, seeking the autonomy of the southern part of the hemisphere, free from United States and European influence. While some expressed the thought that an economic union would be a protection against “imperialism” and the much dreaded European Economic Community, it cannot be shown that this sentiment was one of the major shared purposes of all the governments. The situation deserves a “mixed” rating.

This minimal consensus on common purposes is fully reflected in the powers of LAFTA as defined in the Treaty of Montevideo.\footnote{For the text of the Treaty, see Urquidi, op. cit.} There is no suggestion of supranationality. All decision-making power is lodged in the annual conference and in the standing body of permanent national delegates, the Permanent Executive Committee (PEC). The duties of the Executive Secretary and the Secretariat are purely technical and administrative, those of aiding the PEC. Moreover, the terms of the association are such as to leave the bulk of the negotiations to bilateral contacts. Tariffs are to be reduced at the average rate of 8 percent annually, but through the medium of bilaterally negotiated concessions; every three years a common list is to be drawn up, multilateralizing the pairs of concessions. Moreover—in accordance with one of the major themes of ECLA thinking—all concessions must be concluded on the basis of “reciprocity,” i.e., the expected benefits of the reductions must be roughly the same for the parties. How the common list is to be negotiated is not made clear by the Treaty. While the PEC can initiate studies, review progress, make suggestions for further steps toward integration, convolve meetings for studying such steps, and represent LAFTA with respect to third countries and blocs, it cannot take any decisions unambiguously binding the member states. During the first three-year period a two-thirds majority of member states suffices
to pass resolutions, provided no negative votes are cast. Thereafter, the method of voting can be changed. The PEC is empowered to create advisory commissions for technical subjects and for specific economic sectors which may include experts in their private capacities and representatives of interest groups. “Complementarity agreements,” aimed at the creation of preferential markets for specific goods within the larger preferential area, can be negotiated between pairs of countries, or larger groups. The advisory commissions may be used for that purpose. The Treaty provides for, but does not command, the economic steps necessary for transforming the Association into a full customs union and a full economic union; but it does not provide a timetable for such steps. Surely, on the basis of its powers LAFTA merits only a “low” rating.

Before the manifestation of any “learning” could be expected, then, the picture for LAFTA looked unpromising. But we now have three years of activity and a limited amount of data from which certain conclusions can be drawn with respect to process variables. The information is incomplete and is presented here less for purposes of offering a definite demonstration than for providing the basis for the developmental hypotheses which are to follow.

The decision-making style which appears to have developed in LAFTA is not such as to suggest a rapid passage into supranationality. Even though several major member states have put forth demands for important structural reforms tending to strengthen central power—notably in the field of payments arrangements, the harmonization of treatment of foreign capital, the coordination of economic development plans, and the initiation of negotiations for a common external tariff—none have in fact been adopted. While many study groups and advisory commissions have been set up by the PEC, the deliberations of these bodies have borne fruit only in the form of restricted complementarity agreements for certain products, of interest only to some of the members. On the other hand, Argentina and Uruguay revised internal administrative arrangements not conforming to the obligations they had assumed in LAFTA negotiations, after being reminded by the PEC that they were remiss. Certainly, the bulk of the activity within LAFTA strongly suggests particularistic relations among members and diffuseness in the perception of institutional duties, notably in the case of the PEC itself; but there is also evidence of countering trends.14 The situation, once more, is “mixed.”

The rate of transaction among the members has clearly increased since 1961.

14 For information concerning major developments in LAFTA, see the section, “Informe Mensual de la ALALC” in the excellent monthly organ of Mexico’s Banco de Comercio Exterior, Comercio Exterior. The most important articles concerning regional integration which have appeared in this journal over the last five years have recently been reprinted. See La Integración Económica Latinoamericana (Mexico City: Banco de Comercio Exterior, 1963).
but not very much and not very consistently. For the major trading nations there have been sharp annual fluctuations in exports and imports with their partners in the Association. The total of intrazonal trade in 1963 had risen by 6.9 percent over 1960; but the base figure represented only a small proportion of the total trade of the members.\(^{15}\) On the other hand, LAFTA is clearly responsible for a much larger flow of personal communication among countries and for the initiation of contacts among business and professional associations. Two regional peak associations of industrialists have appeared since 1961. Moreover, regional conferences have been held by shipowners, petrochemical organizations, the office equipment industry, the machine tool industry, the glass industry, food producers, paper manufacturers, chemical and pharmaceutical firms, and many others. Some of them have taken the form of official “sector meetings” convoked by the PEC; others have been organized on a private basis. Many have adopted resolutions requesting changes in the form of LAFTA and most of them have demanded an expansion of the scope of the Treaty.\(^ {16}\)

There is no doubt that the stimulus of a new body of rules—because it was considered potentially beneficial or harmful to private business—was responsible for an unprecedented growth in the corporate contacts among Latin Americans; the growth has provided them with their first opportunity to attempt transnational lobbying. While the rate of transaction is clearly higher than before, it still is “mixed” as compared with the growth observed in some other regional settings.

Are governments adapting to the new rules? The evidence so far available suggests that they are not. Demands for reform have gone unheeded. Decisions necessitated by crises regarding payments and the coordination of investment policies have been repeatedly postponed by the annual conference. When the anticipated pattern of “reciprocity” is frustrated by the results, governments clamor for special concessions, for exemptions, and for more understanding treatment by their partners. Peru, Colombia, and Ecuador have all been active along these lines. Uruguay threatened to withdraw unless it was given a special reward with respect to certain industrial concessions; the concessions were promptly made. Argentina, because of internal administrative and political turmoil during much of this period, was tacitly permitted to go slow by its partners. Chile complains of not having reaped the benefits of complementarity


agreements. Only Brazil has steadfastly espoused a position of seeking a solution to its adaptive problems by means of expanding the scope of the Treaty and liberalizing some of its provisions. Mexico, on the contrary, did better than expected and consequently is satisfied with the status quo. The situation here is "mixed." Overt disappointment in the attainment of an earlier purpose has not yielded new solutions which upgrade common interests.

**FUNCTIONAL EQUIVALENTS IN LAFTA AND THE LATIN AMERICAN STYLE**

We are concerned not with the cultural uniqueness of this or that region but with investigating the generality of the integration process. This emphasis, however, grants that specific regions may well possess unique cultural or stylistic attributes which are able to serve as functional equivalents for important traits isolated in some settings but lacking in others. In western Europe, our modal pattern of successful politization of economic unions, the element of automaticity to which we have called attention is provided by the internal logic of industrialism, pluralism, and democracy.\(^{17}\) We now hope to discover stylistic functional equivalents to the European attributes which are obviously lacking, in terms of *general* distribution, in LAFTA; but we do not expect to be able to reproduce the element of automaticity. Industrial society is *the* setting in which supranationality and a lively spillover process are able to flourish. The societies of Latin America have their own inner logic which may favor integration. This style owes its prevalence to the social structures and attitudes typical of the "transitional" stage. The properties of this style of regional integration along economic lines now require analysis.

The political implications of contemporary Latin American social and economic change may be summed up as a process in which the interplay between subjects and rulers is being enormously expanded, in which subjects demand more and more and rulers are challenged to change the established polity so as to accommodate the demands without destroying the system. Specifically, this process implies the rapid growth of an ever more complex system of politically articulate groups clamoring for attention, legitimacy, and inclusion in the polity. The task facing the traditional rulers is to change the established institutional pattern so as to permit the peaceful aggregation of these group demands and pressures.\(^{18}\) What makes most Latin American polities "transitional" is

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the fact that this process is incomplete. Traditional social habits of particularism and kinship survive as the group structure is developing more and more in the direction of functional specificity. But during the transitional phase certain elites acquire a strategic position in the process of change. The governmental bureaucracy, which is extensive in most Latin American countries, tends to ally itself with certain key oligarchic interests—the military, the business elite, and in some cases the trade unions—in order to acquire support for policies of innovation. Economic and political modernization may take place on the basis of such alliances, albeit without the sharp functional differentiation which we assume as given in the West. In the absence of sharp differentiation, the bureaucracy and its allies continue to use kinship ties, local memories, religion, traditional family influence, bribery, and the exchange of favors as the lubricants of innovation. The search for personal power and particularistic norms among the wielders of that power continue as innovation takes place. This is the transitional setting in which attitudes and demands relating to integration are heard.

We call attention next to the types of nationalism which prevail. Among elites committed to economic innovation—thus excluding much of the landed oligarchy, most of the older military officers, and some of the oldest industrialists—we encounter an unstructured national sentiment in which negative arguments predominate: expulsion of the foreign imperialist exploiters, elimination of their domestic oligarchical lackeys. This is the nationalism of pure resentment; as yet, it is difficult to discover among its themes any dedication to a positive national mission, an appeal to a unique people, a vicarious identification on the part of the masses now entering the political arena with a national purpose. The nationalism of resentment seems to prevail particularly among students and in the countries farthest removed from sustained economic development and smooth institutionalized interaction between rulers and ruled.

There are, however, indications of a new, positive type of nationalism which finds an expression, for example, in recent Mexican foreign policy. A more neutralist form is represented by Brazil under Quadros and Goulart, as well as elsewhere in Latin America in many intellectual and reformist circles which do not yet participate consistently in government administration. If it is too much to claim that this sentiment is close to Castroism, it is not too much to stress its tolerance for the Cuban experiment. Self-conscious Latin American neutralism shares with Castroism the determination to achieve industrialization without depending on capitalism in general and on American corporate interests in particular. It also feels that the *quid pro quo* exacted by the United

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States in the past for the giving of economic assistance—support for anticommunist policies—is unreasonable and that Latin America should fashion its own relations with all "power blocs." Latin America's destiny is held to be very similar to that of Africa and Asia, to that of all victims of Western imperialism. In Brazil's case the attitude has found expression in the assertion of special ties with Africa and in pride concerning the multiethnicity of Brazilians. Argentina, of course, did not require the special stimulus of the cold war and the anticolonial revolution to assert its separateness from the United States and its opposition to American influence.20

These neutralist sentiments are unevenly distributed among Latin American countries and between the strata of any one nation. Revolutions and coups have a tendency of pushing them aside or bringing them to sudden prominence. A consistent assertion of these forces cannot be predicted in the LAFTA setting, except insofar as the process of continuing social and economic mobilization is likely to push all the nations in the general direction of the Mexican model or to make a generalized proto-Marxism the most widely accepted tool for all political and economic analysis. In terms of regionally prevalent economic doctrines, we encounter a definite anticompetitive bias.

Instead of competition and the growth of a regional market on the basis of the most efficient producers, the emphasis is placed on complementarity and reciprocity. Translated into political terms these concepts imply continuous bargaining, consistent measuring of gains and losses incurred by specific national firms and industries rather than by nations as a whole—provisions of the Montevideo Treaty to the contrary notwithstanding. This style engenders an extreme sensitivity to the fears and hopes of one's opposite numbers. It spells caution, compromise, and emphasis on short-run developments. But it also corresponds to some of the most widely and passionately held convictions of contemporary Latin American business and intellectual elites.

The dominant motif in Latin American economic circles with respect to the industrialized world which buys the bulk of the area's primary products is one of fear, distrust, and impatience. The economically stronger unit is seen as

20 See especially the evidence that in Mexico there is an emerging conception of national purpose generated by a purely national experience in carrying out a social and economic revolution. This purpose then gives rise to a national mission to help less modern Latin American nations, to show them the true way, through the medium of institutions and organizations free from United States influence. Among others, see Jorge Castañeda, Mexico and the United Nations (New York: Manhattan Publishing Company, 1958); Octavio Paz, The Labyrinth of Solitude (New York: Grove Press, 1961); F. Cuevas Cancino, "The Foreign Policy of Mexico," José Julio Santa Pinter, "The Foreign Policy of Argentina," and Nelson de Sousa Sampaio, "The Foreign Policy of Brazil," in J. E. Black and K. W. Thompson (ed.), Foreign Policies in a World of Change (New York: Harper & Row, 1963). The interplay between modernizing ideology and foreign policy is treated by K. H. Silvert for Argentina and by Frank Bonilla for Brazil in K. H. Silvert (ed.), Expectant Peoples: Nationalism and Development (New York: Random House, 1963), Chapters 7 and 10.
always victimizing the weaker; the industrialized country is envisaged as always exploiting the underdeveloped. The form of exploitation involves, most importantly, the alleged trend toward increasingly unfavorable terms of trade and the subordination of the underdeveloped country's investment needs to the desires of the foreign capitalist. ECLA seems to speak for many Latin Americans when it urges that rapid industrialization is possible in the hemisphere only if and when the Latin American countries sever the ties of dependence between their "peripheral" economies and those of the "center."21 One way of achieving such a divorce is the preferential regional market.

But it then becomes of the essence of the politics of integration to prevent the creation of a sentiment of "periphery" versus "center" among the underdeveloped countries building such a market. In short, integration cannot take place merely on the basis of the most efficient allocation of resources because this would result in the rich getting richer and confirm the dependence of certain countries on the pattern of monoculture. In its analysis of other common markets based on a competitive principle, ECLA had in mind the examples of Uganda being "victimized" by Kenya, Nyasaland by Southern Rhodesia; some of its economists suspect that the same will happen within the EEC as Germany reaps disproportionate benefits. Hence the economically ambiguous formulas of reciprocity and complementarity were apparently built into LAFTA to create a political climate of trust. ECLA wanted to avoid the complaint of Venezuela (which has not yet joined LAFTA):

Any common market or free trade area will leave us producing nothing but petroleum and iron ore, and importing everything else. Our textiles cannot compete with Brazilian textiles, our coffee cannot compete with Colombian coffee and our meat cannot compete with Uruguayan meat. For us a free trade area is utopian at the present time.22

ECLA thus gave the impatient and distrustful Latin American elites a doctrine which subordinated competition, and long-range economic welfare gains based on it, to regional protection which would discriminate against the cheaper products of the "center" and thus give the higher priced manufactures of Latin America a local market. But in order to induce the potential regional customers to forego the cheaper European or American product, ECLA had to promise

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22 Banco de Venezuela, Boletín de Economía y Finanzas, September 1960, as quoted in Dell, op. cit., p. 274.
something in return: the reciprocity and complementarity formulas were to assure that everybody would be cut in on the deal, that nobody would gain disproportionately. But in so doing, it substituted a political ideology for pure economic analysis. Regionally balanced economic development was put ahead of maximal consumer welfare; political negotiation and accommodation were given priority over the unfolding of automatic economic forces. More emphasis was given to providing protected markets for Latin American industries already operating below capacity than to increasing their efficiency.  

Our argument, then, is that the shared fear of the industrialized world, and the special regional mechanisms for converting this fear into mutual accommodation, may act as a functional equivalent for the shared positive expectations among elites in other regional settings.

Even though these functional equivalents may explain the acceptance of the Treaty of Montevideo, they do not carry us very far in projecting its future. Functional equivalents monopolized by narrow elites, whose claims to longevity in power are not secure, do not guarantee the generation of a spillover process, of creative solutions to crises, of adaptive behavior. We still have to face the question whether a union based on convergences of the type we have isolated in Latin America is capable of politization, granted that a commitment to such a process could not be found in its origins. Are there unintended consequences flowing from previous decisions, from unfulfilled hopes, from inadequately resolved crises? Can such consequences hasten politization? We suggest that the very formula for regionally balanced growth implicit in the reciprocity formula must be upset and must give rise to a species of unbalanced development, before success in forming an economic union can be channeled into a political direction.  


24 Our use of the notions of "balanced" and "unbalanced" growth parallels that of some economists without being identical to it, though it should be noted that economists apparently do not agree among themselves on the meaning of the concepts. See Paul Streeten, Economic Integration (Leyden: A. W. Sythoff, 1964), pp. 106–112, where balanced growth is seen as a series of coordinated and simultaneous investment decisions so designed as to minimize waste and loss in resources. Economists advocating "unbalanced" growth do so for a variety of reasons, usually hinging on efficiency in resource allocation. One major exception is Albert Hirschman, who advocates unbalanced growth because he considers it the major realistic setting in which bureaucrats and businessmen in underdeveloped countries will learn how to make rational decisions. The results of unbalanced growth will create the kinds of administrative and economic crises in which better decision making will be learned. See his The Strategy of Economic Development (New Haven, Conn.: Yale University Press, 1958).

Our use is similar to Hirschman's. We envisage "balanced" growth as the situation in which the expectations of the participating elites with respect to their individual benefits from integration are roughly matched, and we argue that if they are successfully matched in a transitional society, the total bulk of innovation will be limited. "Unbalanced" growth occurs when expectations of matched benefits are not in fact realized, when some parties gain more than others, thus creating an institutional crisis which calls for adaptation in terms of new—and more extensive—expectations. On the other hand, it remains quite possible that these adaptive conclusions will not be drawn by actors experiencing unbalanced growth. Their kind of "adaptation" may well lead to a downgrading of the center and, therefore, disintegration.
When we turn to the process following the entry into force of the economic union, we must immediately point to a possible functional equivalent for the symmetrical interaction of pluralist groups observed in the West. This equivalent may be furnished by the social role and political power of Latin American economic bureaucrats, the técnicos.25 The asymmetrical group structure characterizing the members of LAFTA is unlikely to generate a marked, adaptive regional process of interest group formation, despite the rash of meetings and conferences. But the officials of economic planning and central banks, because of the crucial positions they occupy in many countries, may take their place in fashioning the future of the integration process. Still, these elites, far from corresponding to the Weberian civil service, are part and parcel of transitional societies and, as such, remain linked to other oligarchical groups in the diffuse manner suggested above. This means that they are most unlikely to emerge soon as autonomous decision makers, arranging the future of economic development and regional industrialization according to universalistic technical norms. It means, instead, that the process of making decisions regionally will remain largely submerged within a complex network of particularistic relationships.

The técnicos, because they are not a homogeneous class whose influence is roughly the same in all LAFTA countries, constitute an undependable crutch for the progress of integration. The extent to which they manage national economies depends in great measure on how far the country has traveled along the path of modernization, and on the degree of central management which has been accepted. Their influence is great in Mexico but small in Peru; it could be great in Brazil, Argentina, and Chile if their lines of rapport with major political groups were stable. The degree of heterogeneity of influence, then, supports the tendency toward diffuse decision making which exists because of features inherent in the general social structure. If this is true nationally, it is all the more true in a regional organization which lacks a strong secretariat. Hence we cannot expect a symmetrical learning process with respect to regionally adaptive behavior to evolve smoothly as a result of joint decision making by técnicos in LAFTA organs. The temptation will be, rather, for each national group of bureaucrats to make its own deals with important and influential groups in the national oligarchical structure. There may be a cumulative learning pattern, then, but hardly a homogeneous one.

But, paradoxically, we suggest that a diffuse and particularistic style of decision making can enhance the prospects for successful integration and the advancement of politization. If an assembly of Weberian planners were to impose a “rational” pattern of relationships on nine unevenly modernized economies, the result would be chaos, not integration. It may well be that a culturally accepted admixture of family contacts, corruption, and special exemptions from theoretically general rules will furnish the lubricant for creating the new transnational ties which are essential for economic and political integration. The more transitional societies permit officials who combine some aspects of a modern bureaucratic style with remnants of the traditional to shape events and fashion innovation, the greater the possibility that the change will command popular acceptance. Rapid development, of course, will not take place on the basis of this type of interaction; but the style of accommodation here suggested may be the only procedure which can successfully legitimate the innovations implied in economic and political integration. It may establish the channels of communication through which new common interests can be articulated, even though these interests will contain only a small dose of politics. But without such channels, eventual politization on the basis of disappointments cannot be envisaged at all. Accommodation, following the reciprocity formula incorporated into LAFTA, may well be the procedural prerequisite for eventual expansion of scope. How, then, can we project any kind of integration, let alone politization?

Projections on the Future of Latin American Integration

Our projection of the future of LAFTA in the integration of Latin America is informed by two convictions. First, since it is unlikely that the hemisphere will be united by force or under the “leadership” of some single nation, voluntary integration is the only realistic possibility. Since frontal attack to promote political unity by way of the Organization of American States (OAS) has shown few positive results, we assume that any enthusiasm or converging of interests toward unity will come about as a result of political objectives triggered and channeled by common economic interests. In support of this assumption we may cite the relative degree of success encountered by the young Central American Common Market (again in the presence of the failure of direct efforts at political unity) and by the Inter-American Development Bank.

26 Our treatment here rests on the suggestive argument of Fred Riggs, in LaPalombara, op. cit.
Second, we feel that the progress of regional integration is very likely to conform to the lessons culled by Albert Hirschman from his study of domestic economic reform and modernization in Latin America, a lesson which stresses the role of indirection, unbalance, guile, and the social style typical of transitional societies. The similarity between nonrevolutionary economic reform and possible regional integration requires a word.

Latin American nations, in their domestic social structures as well as in terms of overall regional comparisons, display the gamut of strata found in transitional societies: wholly traditional rural groups, tribal clusters, fully modern urban groups, as well as large layers of urban middle and lower class people no longer traditional but not yet "modern" in terms of their behavior and expectations. Within each "class," modernizing and traditional elements can be isolated, each with a different effect on the polity. Because of the domestic and regional unevenness of the social structure, it is idle to expect clean, direct or frontal "breakthroughs" to economic modernity. Contending groups will not be persuaded to agree to specific ends and means with respect to the future. Neither will they be induced to subject themselves to equality in sacrifices in order to achieve a given piece of reform, whether in taxation, land reform, or financial stabilization. Imperfect and uneven participation in politics and marked inequalities in access to the decision makers create a situation in which no government can count on a stable body of supporters, a permanent majority, domestically or regionally. Policy initiatives, therefore, must rest on a different group of supporters for each issue. Alternatively, such initiatives may and do originate in the bureaucracy without any public pressure at all, as indeed LAFTA itself did. Eventual acceptance, therefore, creates special problems of attracting supporters or, at least, not attracting enemies.

In addition to this social setting in which domestic and regional steps toward major economic change must be taken, the ideological setting shows certain similarities. Hirschman distinguishes between reform in which a knowledge of technical feasibility precedes the desire to innovate, and reform in which the desire exists but the knowledge of feasibility is limited. In the second case, of course, mistakes will be made and disappointments engendered; nevertheless, this is the setting in Latin America. Naturally, social learning will then be inconsistent and indirect. It takes place not on the basis of the ready and symmetrical assimilation of lessons by politicians, bureaucrats, and interest group representatives but rather by means of a continuous confrontation among them and among policy issues. Problems are identified, argued about, thrown into heated political debate, and eventually resolved—at least in part—on the basis of a dialectic of conflict in which occurs little predictable mutual persuasion.
but much passionate posturing. In short, pure interest politics in the form of
the resolution of a parallelogram of group forces does not consistently prevail.

"Reformmongering," as Hirschman calls it, thus takes place on the basis
of indirection. It results from consequences unintended by the original deci-
dion makers, from a magnifying of original problems which were only partly
resolved. In domestic reform movements this approach has sometimes worked
well (most spectacularly in the development of a comprehensive plan for the
Brazilian northeast); it is equally manifest in the origins of LAFTA. The
domestic reformer who would utilize indirection and guile must always seek
to "widen the spectrum" of items to be included in his list of innovations, thus
pulling larger numbers of supporting groups into his net and maximizing the
spillover potential of any one item. It appears that ECLA used some such
calculus in advocating a regional market. There was general agreement that
industrialization was desirable but little hope of achieving an accord on the
conditions and sacrifices industries and nations would have to make in order
to attain it. The regional market was to be the new economic inducement to
courage sluggish Latin American investors to expand and modernize their
plants and their sales techniques, to adapt to industrial society. 28 By "widening
the spectrum" of items in its general program to include a regional market,
ECLA sought to spur its original and preferred project, industrialization and
economic independence of Europe and the United States. A series of major
economic steps were planned in order to make up for the failure of earlier
measures proposed for rapid economic progress. The lack of wholly successful
and satisfactory earlier solutions was used by ECLA to suggest a more com-
prehensive plan which also involved more clients in its integrative net and was,
potentially, capable of spilling over into neighboring economic, social, and
political contexts. 29

What does this way of viewing change in a transitional regional setting imply
for the future of the integration process? A very convincing case can be
made that the continuation of the integration process is the prisoner and victim
of the functional equivalents which permitted the establishment of the union.
In that case our projected future for LAFTA is one of stagnation. The other
possible projection uses the successful domestic reformmongering technique

28 For interesting material on the continuation of premodern attitudes among Latin American business-
men, see Albert Lauterbach, "Objetivos de la Administración de Empresas, y Requerimientos del Desarrollo
119-174.

29 In Hirschman's terms, ECLA managed to insert a series of "neglected problems" into a general
concern for the "privileged problem" (industrialization) in the formula for a regional market. For the
distinction between the two kinds of problems and possibilities for manipulating them, see Hirschman,
Journeys Toward Progress, pp. 231-235. The likelihood that some of the "neglected problems"—pay-
ments, planning, customs procedure, tax harmonization—would have to be faced by LAFTA in order to
make development succeed was foreseen by Balassa (op. cit., pp. 204-205, 215-230, 260-263).
as a prescription for preventing stagnation. Here, our alternate projection is one of indirect expansion, profiting from unbalanced development. Both hypothetical projections now call for more detailed explanation.

If the member governments and the major associations of industrialists are left to themselves, the chances are good that stagnation will set in. LAFTA, in order to achieve legitimacy under the still dominant style, will recognize and use the reciprocity and complementarity formulas only in negotiating tariff reductions of less than universal scope. This practice will satisfy those who, in effect, succeed in building cartels into the regional market and will alienate the ones victimized by them. The strict bilateral matching of concessions has the inevitable result that the least cooperative government will impose the limits on the speed and scope of tariff dismantling. No expansion of LAFTA's competence into new fields impregnated with political significance will take place because, in a setting in which the minimum common denominator rules, the most nationalistic government will set the pace of institutional integration. In other words, governments most satisfied with the current intergovernmental regime (at the moment, Mexico) will have no reason to support those who demand an expanded scope because they are dissatisfied with benefits so far obtained (currently, Brazil and Chile). Since there are no stable majorities or minorities and no strong central bureaucratic forces, the diffuse pattern of making short-range decisions on the basis of special deals will continue.

But this alternative is not inevitable. Indirect functional expansion is also conceivable even though, in contrast to the regionalism of the industrialized and pluralistic setting, there is nothing automatic about it. In order for this to happen, the actors must widen the spectrum of LAFTA action in line with the disappointment and even disaffection engendered by the failure to achieve a faster rate of regional trade and industrialization. This, the "privileged" problem, can then be widened to include the "neglected" problem of regional payments mechanisms or coordinated development planning. The neglected problem can be made to appear as the means for solving the privileged one, and in fact it may even be the proper means. Further, the lesson of domestic reform must be heeded in the adoption of a popular ideology. In many domestic settings the emotional appeal of "general economic planning" has been used as a means whereby the initiating bureaucrats and politicians sought to assure themselves a large body of supporters of diverse persuasions and varying interests. There is good reason for thinking that the same prescription would work at the regional level when it is presented as a means for assuring faster growth and more general sharing in its benefits.

To substitute a popular ideology (with all its indeterminate consequences) for the rigid formula of bilateral satisfaction now prevalent is to rely on the
unintended consequences of unbalanced development. Bilateralism and reciprocity have not, in fact, assured an equality of satisfactions. If they had, the resulting growth of regional interchange would even be more modest than it has actually been. We are suggesting that the fact of unsatisfactory bilateralism and reciprocity can be used as the ideological justification for the inauguration of a different procedure for aiming at general satisfaction, that of overall regional development planning. It may well be that the Latin American style demands that this substitution take the form of total condemnation of the old formula and the unqualified embracing of a “New, Final, Total, and Integral Solution.” Indeed, the record of successful domestic reform suggests that such exaggerated posturing and unreasonable claims are a necessity in order to effect innovation in the diffuse setting in which we are making our projections. When the New and Total Solution, in turn, is shown to create as many problems as it solves, the scene will be set for the next crisis in which a broadening of scope can take place.

Who is to do all this planning, posturing, and manipulating which is so very different from the muted and pragmatic style we associate with a Walter Hallstein, a Dirk Stikker, or a Frank Figgures? Integration in the industrial West thrives on a kind of technocratic detachment from which extravagant expectations have been banished. Motivation no longer runs ahead of the understanding of feasibility; and when it does (as, for instance, in the history of the European Atomic Energy Community [ Euratom]) understanding soon catches up. Clearly, a stronger and more flamboyant kind of leadership is necessary at the Latin American regional level than in the Western industrial cases. The leader must himself be a self-conscious reformmonger in order to seek and grasp the opportunities for enlarging the scope of LAFTA operations. A Raúl Prebisch and a Felipe Herrera may possess these qualities.

If such a leader could be chosen, how could he independently contribute to politicization and accelerate the spillover process? Bargaining theory and political experience suggest two models. Both are based on the likelihood that regional decisions always involve several choices in a set of closely connected issues. Trade liberalization can be discussed simultaneously with reference to several products; arrangements for lower tariffs can be consolidated with new credit arrangements; the location of new plants can be considered together with special tax exemptions. Were the leader to wait for agreement among the governments on identical terms, he would have to wait a long time.

He can, however, intervene actively if he has means of his own to punish and reward; and if he does so, he uses the familiar logrolling technique. Were he to have access to investment funds, or to negotiating bodies with responsibility for allocating credit and preparing regional development plans, he could
construct a majority by “buying” votes for proposals of value to one side, in exchange for which that side would “sell” its vote to another set of members on a different issue. This, of course, presumes that the partner in the trade is indifferent to the benefits which accrue to the “buyer.” This mode of bargaining, very familiar to administrators and legislators of industrial nations in the West, requires functionally specific perceptions on the part of the bargainers; they must be able to establish clear priorities in their minds, and calculate the effect on their supporters, as to which logs can be rolled and which cannot. This pattern is unrealistic in our setting because the LAFTA Secretariat has no independent means of action and because the Latin American social setting does not favor pure bargaining behavior.

The second mode of bargaining is the more likely one to prevail in LAFTA. It involves decision making on the basis of shifting coalitions of supporters, with each issue demanding a new combination of client governments. Once politization and functional differentiation have engulfed national and regional associations of industrialists, workers, and wholesalers, the basis for such coalitions becomes larger and more permissive of new formulas. But we are a long way from that in Latin America. In the meantime a bargaining mode is likely to prevail in which governments represent unevenly modernized societies. This implies continued subordination of the organizational leadership, and agreement based on a minimal common denominator.

What, then, can provide the initial push for accelerated integration? How can there develop a viable—if shifting—coalition of governments whose attitudes run from full satisfaction to great dissatisfaction with LAFTA’s achievements? And how can these governments come to choose a dynamic leader who will behave so as to maximize integrative tendencies? Only a severe crisis in the relations among the members can serve this purpose. And in addition the crisis must be perceived in converging, if not identical, terms by the chief trading nations of the zone, i.e., by its southern members. If parallel deprivations are not perceived, no net gain for political integration is implied. Finally, it must be the kind of crisis in which the likelihood of making a better “deal” outside LAFTA is remote. If chances for external credit, commodity price stability, and lower tariffs on the part of the EEC are reasonably good, the conditions defining the “creative crisis” we have in mind are unlikely to arise. Only a crisis which compels the members to fall back on their own collective resources can be expected to trigger the behavior patterns which will make the expansive hypothesis prevail. Otherwise LAFTA will probably fall victim to the very conditions of the transitional society, conditions which facilitate the establishment of economic unions among underdeveloped countries, but not their development into political entities.