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"Today in Uruguay," as this author points out in her analysis of the "Switzerland of Latin America," "there is a great awareness of a need for political change as a requisite for economic recovery. The experience of the last 15 years under the national council system has dramatically demonstrated that only a most prosperous nation can afford the luxury of a weak administrative branch of government."

Uruguay Today

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URUGUAY, LONG FAMED as the Switzerland of Latin America, a model of social and political democracy, has been beset by serious economic, political and social problems. This small nation, bordered by the two giants of South America—Argentina and Brazil—has, since 1955, undergone a series of reverses which have caused many foreign and national observers to fear for the future viability of the country. Although the predominately urban population of Uruguay has been able to maintain its fairly high standard of living and literacy, a sign of the economic stagnation being experienced in the country is that for the last decade the annual per capita gross national product of approximately \$600 has not risen and has, in fact, declined slightly during the last several years.¹

To understand the nature of the political and economic problems plaguing Uruguay one must understand the extent to which the country's history has been molded by one man, José Batlle y Ordoñez. Batlle, a liberal crusading newspaperman and senator, assumed the presidency of Uruguay in 1903. One of his first acts was to crush a civil war similar to other conflicts that had disturbed

the country throughout the nineteenth century. He then embarked on a program of reconstruction of Uruguay's political and economic structure. At the end of his first four-year term of office, Batlle voluntarily stepped down from the presidency, thereby exhibiting most amazing political conduct for his time. He spent the next four years closely observing the Swiss system of government and returned to Uruguay, and his second presidential term, with immense prestige as a fighter against corruption and waste, and a champion of the growing working classes. He also returned with a far-reaching plan of social, economic and political reform based on the Helvetic democracy which he had studied in Europe.

Among the earlier reforms instituted under Batlle's regime were full freedom of press and speech, effective and free suffrage, compulsory free primary education, free secondary education and university education for women. In the field of labor legislation, Batlle fought for the right of workers to organize freely and to strike, for the eight-hour day, minimum wages, old-age pensions, compensation for industrial accidents, and the regulation of working conditions. He also won protective tariffs for the newly-developing national industry. Batlle's support of a quasi-socialistic state led to the establishment of a state insurance bank, government monopoly of light

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and power, a national bank, government control of sanitary works, water and railroads, state management of the port of Montevideo and state ownership of hotels. In all, there are now twenty autonomous public entities which have monopolies in fields as diverse as electricity, transportation, communication, refining of petroleum, cement and alcohol production, meat, dairy products, fishing, mortgage banking and social insurance.

In addition to establishing a welfare-oriented democratic state, Batlle worked to reduce the political influence of both the Church and the army. Complete separation of Church and State was enacted and, after its role in the abortive coup of 1904, the army was deprived of all political power. Batlle also worked for the complete abolition of the presidential office, for he saw this position of power as a stepping stone for the return of one-man dictatorship; after several experiments with the presidential system and a combined presidential-council system, a full council system was approved by national plebiscite and began to function in December, 1951. Under the council or *colegial* system of government, a nine-man national council has been Uruguay's sole executive body. This council, which is elected every four years, is composed of six members from the majority party and three from the minority party. The chairmanship of the council, a position which has no additional power over that of the other council members, is rotated annually among members of the majority segment.

POLITICAL PARTIES IN URUGUAY

Today in Uruguay, as during the last 100 years, the major political parties are the Blancos and the Colorados. At present there is no basic ideological difference between these two groups, but rather a difference of stress and appeal. The Blanco Party, which has been the majority party since the 1958 elections, has generally looked to the rural sectors of the population for its support, and therefore encourages a political stand which tends to be agrarian in its outlook. The Colorado Party, by contrast, appeals to urban interests and follows a more industrial-minded politi-

cal program. This Blanco-Colorado differentiation is not absolute and there are factions of the Blanco Party which are strongly identified with the city vote, as well as Colorado factions which tend toward the rural groups. The major difference between the "agrarian" and the "industrial" parties has been the strength of their support of state interference in the economy.

To speak of Uruguayan politics as divided into two major political parties is, although true, misleading, for both parties are notable for the large amount of factionalism within their ranks. Loosely joined under the wide banners of Blanco or Colorado are literally hundreds of small grass-root parties and candidates. According to the election law of 1924 the most-voted section of the most-voted party controls the accumulated votes of all sectors of that party, but in reality, in congress, on the executive council, and in local politics, party organization consists of multiple splinter groups which constantly drift in and out of coalition arrangements depending on how they can best satisfy the demands of their members. It is indeed in this political organization by local clubs that a major tie between the economic and political life of the country forms, for participation in local clubs serves as a major avenue for the electorate to influence government patronage in the granting of the numerous, lucrative jobs which departmental and national governments control. Political participation in local clubs is a guarantee against unemployment, which in Uruguay is an ever-present threat.

This grass-roots level political organization, as well as the national executive council itself, although ideal extensions of representative democracy, have failed to provide Uruguay with the political leadership so sorely needed in times of economic crisis. Indeed the political parties have usually exaggerated the economic difficulties by failing to take any constructive action and have instead added to the already swollen numbers of Uruguayans found on the government payrolls. More than 25 per cent of all workers in Uruguay are employed by some branch of

government or by one of the public entities.

The Uruguayan political system is one of incredible complexity. Annual rotation of the chairmanship of the national executive council tends to produce a complete change of government with each yearly change of the chairman, for the six members of the majority party, as well as the three members of the minority party, represent the strongest factions of their respective parties and are not united behind one definite party policy.

In addition, the lack of competent administrators at all levels of government, due in large part to the political nature of the majority of government appointments, serves to make the already unwieldy government machinery more unmanageable. Lack of discipline and cooperation is widespread throughout the government and its related public entities.

Socially, Uruguay is a middle-class nation. Its human resources are of an unusually high quality, and approximately 90 per cent of the population is literate. There is no unassimilated indigenous population and a majority of the 2.56 million Uruguayans trace their ancestry to European immigrants who have immigrated during the last one hundred years. The population is notable for its low birth rate and low population growth rate. Although the country is an agrarian one in terms of products which earn foreign exchange, 80 per cent of the population is found in the urban centers. The low birth rate and longer life expectancy have tended to produce an aged population, many of whose members are on some form of government welfare pension. It is estimated that the economically active population of Uruguay numbers only 1 million of its 2.56 million citizens. The strong predominance of the middle class has given a conservative tone to Uruguayan society; there is also a pessimistic tendency which has been exaggerated by recent economic difficulties.

THE ECONOMY

Basically Uruguay has a strong economy. Although the country has no relevant mineral or forest wealth, 80 per cent of the land is

suited for agriculture or grazing. Land, therefore, although a one-sided natural resource, is a substantial one. In addition there is a good ratio of land to man—7 hectares per person—and a large stock of sheep and cattle. The country is almost self-sufficient in food production and, because of the small position of Uruguay in the world market, the country could increase production of its two major exports—wool and meat—without greatly affecting the world market price.

Uruguay's economic history during this century falls into three distinct periods. The first period, encompassing the years from the turn of the century until 1930, was one of great economic growth with a major stress on land and production of agricultural exports for the English market. From 1930 until the mid-1950's, there was a reversal of the previous policy of "growth toward foreign countries," and a concentration on the building of national industry. This stress on national industry was to a large degree a reaction to the Great Depression. Although agriculture continued to be Uruguay's major source of earning foreign credits, funds earned from the exporting of raw materials, especially the large amounts of money earned during World War II, were invested in industry rather than in land improvements. The third period, which Uruguay entered in 1955 and which continues up to today, has been one of economic stagnation. This stagnation, caused by the widespread failure to invest in and improve raw material production, has limited Uruguay's growth potential in the international market. At approximately the same time the needs of the small national market were fully met by existing industry, thereby beginning a period of stagnation of industrial expansion, one of the major factors of economic stagnation.

Unable to expand in either of its two traditional directions—toward foreign markets for its agricultural products, or toward national markets for its industrial products—Uruguay entered into a period of general economic inactivity. The weak political system has proven itself unable to correct the national economic problems, and politicians,

aware of the strength of labor and the political suicide which would result if labor's demands for higher wages were not met, have been unable to stem the vicious cycle of inflation or to stop the devaluation of the Uruguayan peso and the exhaustion of foreign reserves. Consumption rather than savings has become the national way of life. Uruguay has faced economic problems since 1933 and only during wars has her trade balance been positive, but the nation has never before faced an economic crisis of the magnitude of that of the past ten years. An indication of this economic crisis has been the rate of devaluation of the national currency which has gone from 4 pesos to a dollar in 1955 to 64 pesos to a dollar in 1966.

POLITICAL COMPLICATIONS

Along with a change in the general economic policy of the country, the 1950's brought a change in the political sphere. Two strong segments of the Blanco Party emerged which, although dialectically opposed to each other, were able to win tremendous support for the Blanco Party and give this party a sweeping majority in the national elections of 1958. One of these groups was the Blanco Democratic Union (U.B.D.) or independent Blanco wing. The U.B.D., under the leadership of Daniel Fernandez Crespo, took a moderate stand and appealed in large part to conservative elements opposed to the more conservative leadership of Luis Alberto de Herrera. The second group, the *Ruralistas*, under the leadership of Benito Nardone, supported a more demagogic and rightist reaction; this group enjoyed the support of Herrera, long cited as the most outstanding Blanco Party leader.

While the Blanco Party was regrouping into two strong and popular groups, the ruling Colorado Party was demoralized by fighting between Luis Batlle, nephew of the reforming ex-president, and César and Lorenzo Batlle, the ex-president's sons who supported the entirety of their father's early doctrines. And, while the Colorado Party engaged in family infighting, the Uruguayan public became impatient with the party which they felt to be

self-frustrated and impotent. In addition, economic difficulties beginning in the mid-1950's had produced efforts by the Colorado Party to change the recurring adverse foreign payment balances. These efforts had served in part to increase inflation and had made evident the need for remedial taxation and social legislation, two platforms rejected by the Colorado Party but widely espoused by the Blancos. A third factor in the overwhelming Blanco victory in 1958 was the sizable migration to Montevideo from the rural districts of the country. The slum-dwelling migrants, gathered in poor districts surrounding the capital city, still maintained their rural patterns of behavior, including support for the more rurally-oriented Blanco Party.

Unfortunately, upon gaining power the Blanco Party was unable to supply cohesive dynamic leadership for the country. In addition party leaders were unable to present to the general urban public, in understandable terms, the great need for a total reconsideration of past economic and social policy. Instead, the Blanco Party allowed the more traditional conservative landowner factions to use the party to regain the position of national strength which the landowners had held at the end of the nineteenth century.

Uruguay's economy is one which is greatly dependent on earning foreign exchange for imports through the sale of agricultural exports. During the last 15 years, the country has suffered from an adverse movement in the net barter terms of trade for her principle exports, meat and wool. In addition, the nation's exports have remained low because of lack of investment in the agrarian sectors and resulting low productivity, added to the high domestic consumption of exportable goods.

In addition to this, the dependency on foreign trade has increased rather than decreased with the growth of national industry, for Uruguay, lacking fuels and industrial raw materials, must look to other nations for the materials which keep her industries going.

Most of Uruguay's attempts to market industrial products abroad have been seriously

damaged by the widespread inflation which has accompanied economic stagnation. This inflation has meant a great increase in the price of labor and has therefore caused an increase in the final sale price of manufactured goods. Rising labor costs have meant that Uruguayan industrial goods are unable to compete in the world market. Foreign exchange earning has therefore continued to rest on the smallest sector of the national economy, the agrarian sector.

The need for far-reaching and basic agrarian reform which would in turn increase agricultural production has been strongly suggested by the comprehensive plan for national development published by the Commission for Investment and Economic Development (CIDE) in 1965. The CIDE plan puts forth a long-range program of economic and social reform, including land reform—to end the existent inequalities in the size of landholdings (*latifundio* and *minifundio*)—administrative reform in government and public corporations, and financial reform including the establishment of a central bank which would regulate monetary expansion. In addition to these long-ranged plans, CIDE is actively supporting immediate action to stabilize the currency and end inflation—two much needed requisites for permanent economic growth. CIDE recommendations have already met with some success; inflation, which reached 90 per cent in 1965, is expected to be no greater than 45 per cent during 1966.

Although the Blanco Party was returned to office in the 1962 elections, its victory was by a slight margin and it failed to win a parliamentary majority in either of the two houses of the Uruguayan legislature. Once again, as after their 1958 victory, the major sectors of the Blanco Party quickly divided among themselves; party leadership was distributed among members of the *Ruralista* faction, the U.B.D. faction and the followers of the clerical extremist, Herrera, the *Herrerista* faction.

Although 1963 and 1964 were encouraging years for the Uruguayan economy, due in large part to extremely favorable weather conditions which produced an upswing in

agricultural and livestock production, this trend was cut short in 1965. Then, partly because of a severe drought which wrecked export production and caused a rationing of electric power for domestic industry, the economy was laid lower than it had been.

In the face of this national emergency, the legislature continued to approve budgets for the principle state enterprises including the education system, the public entities and the welfare system, without providing sufficient funds to cover these expenditures. As a result, a rash of strikes by unpaid government employees has followed, and it is not uncommon for government employees to receive their salaries three months after they are due. Fortunately the national government has been able successfully to refinance its foreign debt and, through savings, to reduce the total amount of that debt.

THE WELFARE DRAIN

The high cost of welfare continues to be a major internal economic problem, for there is no doubt that Uruguay is badly overextended in welfare obligations. Neither of the two requisites for a successful welfare system—an ever-increasing surplus of taxable income and the administrative machinery to collect this surplus and effectively distribute it—are strong. While the number of retired persons on government welfare pensions continues to grow, the various pension organizations find themselves without sufficient funds. Welfare organizations dealing with unemployed persons also find themselves without funds. Although 11 per cent of the Uruguayan population is currently receiving a government pension, the social benefits of the welfare program are seriously weakened by irresponsible management of the funds. Uruguay's welfare system was designed for an age in which the average life expectancy was much lower than it is today. In spite of this fact, any attempt to readjust the generous welfare laws to coincide with the country's economic and social reality seems impossible because of political considerations.

Organized labor continues to be a strong economic force in Uruguay but, ironically, the

unions have failed to exercise any strong political control. Ninety per cent of all workers are members of the Confederation of Uruguayan Workers (C.T.U.), by far the strongest labor organization in the country. The Confederation includes white collar and government employees as well as industrial workers. Although the union counts many socialists and communists among its more prominent leaders, the fact that the rank and file of the union members belong to either the Blanco or the Colorado Party counterbalances most attempts at strongly leftist union activity.

On a nationwide scale, 92 per cent of all voters belong to either the Blanco or the Colorado Party. The remaining 8 per cent is divided among the Christian Democratic Party, which grew out of a faction of an old Catholic party, and various leftist groups.

NEED FOR CHANGE

Today in Uruguay there is a great awareness of a need for political change as a requisite for economic recovery. The experience of the last 15 years under the national executive council system has dramatically demonstrated that only a most prosperous nation can afford the luxury of a weak administrative branch of government. Uruguay has been plagued by an inefficient system of government which it can ill afford. In addition it has been saddled with a plural executive which has repeatedly shown itself incapable of reaching a consensus for the solution of issues basic to the survival of the nation. Uruguay has also been haunted by a serious lack of real political leadership; during the last seven years all of the leaders of national scope of both major parties, including Herrera, Nardone, Fernandez Crespo, Luis Batlle and César Batlle have died. The Blanco suggestion of a return to the presidential system of government, which was so roundly defeated in the 1962 elections, has been seized upon during the last year by major factions of both parties as the only hope for national recovery.

After several weeks of debates before a joint session of both branches of the Uruguayan legislature, on August 24, 1966, the con-

gress approved a constitutional amendment proposing a return to presidential rule. In the November, 1966 elections the voters are to ballot for or against the reform, for candidates under the present council system and for candidates under the presidential system in case the reform is adopted.

In addition to a return to a one-man executive, the constitutional reform would provide the president with the power to dissolve the congress, and the power to institute urgent legislation which if not acted upon by congress within thirty days would automatically become law. Further, congress would receive the power to dismiss government ministers.

It is hoped that these reforms will serve to create a more cohesive government policy while at the same time increasing the responsibility of the administrative and legislative branches. And there is general optimism that the constitutional reform will be approved—through traditional democratic processes.

Among the strongest possible candidates for the presidential office, if the constitutional reform is approved, is Alberto Heber, a comparatively new figure in Uruguayan politics. He stresses an agrarian policy and is felt to be a man of great potential political force. Also mentioned as possible candidates are Dardo Ortiz and Rodriguez Camusso, both of the U.B.D. faction, and both champions of an industrial policy; General Oscar Gestido, representing the more conservative wing of the Colorado Party; and Celmar Michellini of the progressive wing of the same political party. Which system of government will be adopted in Uruguay, and which, if any, of the aforementioned men will be chosen to lead the nation, will be decided by the Uruguayan people acting through free election processes.

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