THE THEORY OF SECTORAL CLASHES AND COALITIONS REVISITED

Markos J. Mamalakis, University of Wisconsin-Milwaukee

ACCORDING TO THE THEORY OF SECTORAL CLASHES AND COALITIONS, THE SECTORAL element plays a unique role in affecting, on the one hand, the interrelationships between the economic processes of income creation, distribution, and allocation and, on the other hand, the interrelationships between economic, social, political, and institutional processes that make for change and progress. The objective of this essay is to extend the previous formulation of the theory of sectoral clashes[1] and coalitions along two lines: first, by presenting statistical information from all of Latin America which *prima facie* supports the theory's basic premises; second, by defining and expanding these premises and the basic framework in an effort to obtain a clearer vision of the theory and its links to economic, political, and social reality. Although most criticisms[2] of the theory find a specific answer and most of the suggestions for improvement are followed, this article is more than a rebuttal. In response to the urgent need for its further development, cited by all commentators and those who have applied and tested the theory in Argentina, Bolivia, Chile, Cuba, Mexico, and Peru,[3] this essay seeks to open new ground and explore new dimensions.

The theory of sectoral coalitions and clashes has two components. The first consists of a sectoral-class framework developed to define and analyze the absolute and relative contribution of macro- and micro-economic, -political, and -social entities to progress and change.[4] The second component consists of a set of hypotheses concerning the growth-, change-, and progress-related behavior, and interrelationships between the framework's sectors, classes, and their agents.

We proceed now to make explicit some of the theory's major but hitherto often implicit premises. These are:

Hypothesis 1. The sectoral cleavage is fundamental in the processes of income creation, distribution, and allocation.

Hypothesis 2. The role of sectors with respect to these processes and their relationship to government and political parties is, during long phases of development, more important than the role of classes.

Hypothesis 3. Sectors create, support, and depend upon agents to represent them in negotiations and contracts needed to promote the collective and individual interests of those participating in their production processes. An agent is either partially or totally supported by a sector, with the concentration or dispersion of support-making agents sectoral or transectoral.

Hypothesis 4. Government is an agent that derives its resources from sectors, has economic foundations based upon and linked to sectors, and can function on a transectoral basis.

Hypothesis 5. Sectors elicit and receive government treatment that is sector- rather than class-oriented. Governmental sector-oriented policies are not necessarily elicited by them.
Hypothesis 6. Inter-sectoral and sector-government coalitions and clashes are probable, predictable, and depend on the sectoral constellation of the country, some key sectoral characteristics, and the sectoral preference system of government.
Hypothesis 7. The degree of conflict and cooperation between agents of different sectors, on the one side, and between sectoral and transectoral agents, on the other side, determines the rate of institutional progress and change. The number and power of transectoral agents rises with development, with the shift from oligo- to multi-sectoral societies, the dispersion of political power, the rise in and desire for economic equality, and the strengthening of all functions of government.
Hypothesis 8. Sectoral cleavages provide the economic foundations upon which social, cultural, and religious cleavages are based.
Hypothesis 9. National, religious, and cultural cleavages are functioning within a range determined and shaped by sectoral cleavages.
Hypothesis 10. Political and economic power is not disposed of by physical and monetary capital, as Marxist theory postulates, but by the sectors of the economy according to their capacity to generate income and resource surpluses.
Hypothesis 11. Since capital is not the major source of power, its coalitions and conflicts with government, labor, the church, and so forth are not of singular importance to the theory of development and change. Coalitions and conflicts are with and between government and resource-surplus generating sectors who depend upon and use physical, human, institutional, and social capital to generate surpluses.
Hypothesis 12. Intra-class conflict between sectoral segments of labor, capitalists, and management is far more likely and more important in causing social crises and in shaping the destiny of society than Marxist class struggle. A dictatorial communist or non-communist society becomes inevitable whenever a democratic government fails to develop and enforce rules mediating, mitigating, and controlling sectoral and intra-class sector-based conflict.

Power stems from the sectoral income and resource-surplus generating capacities. Competition between nations centers over the control of each other's resource-surplus generating sectors. The power of a nation is a function of its control over its own and other nations' resource-rich sectors.[5]

The foundations upon which economic and non-economic behavior are based are formed and created within sectors. Sectors generate the resources required for the evolution of these processes. However, neither all decisions nor all behavior are sector-conscious or sector-oriented, even though they may be so occasionally either explicitly or implicitly. Furthermore, religious, national, social, and political events do not have to be sector-oriented even if they are sector-based. The importance of the sectoral base emerges when violation of the sectoral role of resource-generation endangers normal growth, progress, and interactions between processes of human life. Since such violations appear primarily when there exists strong conflict, I have chosen the title of sectoral clashes and coalitions to underline the importance of this element.

We claim, therefore, that in order to gain a correct perspective of the process and forces of economic, social, political, and institutional development we must note, first, the sector-based nature of economic and non-economic events and, second, the nature, frequency, and implications of sector-oriented events.

PART I. SOURCES OF SECTORAL POWER AND CONFLICT. THE SECTOR AS A SOURCE OF POWER AND CONFLICT

Clashes and coalitions between sectors emerge because of the initial existence and the desire to perpetuate or increase sectoral inequalities in the creation, distribution, and allocation of income and resource surpluses.[6] The path followed by these processes, which are the ultimate foundations, sources, and determinants of sectoral power, are determined by the size and quality of the labor force, stock of physical, technological, and institutional capital, and links with technologically advanced nations. The main source of conflict is the inequaliy in sectoral resource surpluses.

Sectoral power and capacity to grow, transform, and modernize is determined, first, by the capacity to generate a resource surplus and, second, by the capacity to appropriate and control this surplus.[7] As a consequence, sectors creating surpluses clash with the poorer ones who are tempted and actively seek to control these surpluses. Once the have-not and have-less sectors have battled with the "have" sectors, the final control over surpluses determines the welfare of each sector and its component classes.

Because it is impossible to analyze all sources of sectoral power, conflict, and coalitions over time and for different nations, I have chosen for special analysis the sectoral resource surplus and the nature of sectoral ownership. While the resource surplus aspect reflects the creation of economic power, the ownership aspect reflects control over power sources. Each phenomenon illustrates how economic power conditions behavior, and how differences in sectoral power feed and shape social and political events. Because political and social behavior requires sectoral resources, it specifically aims to control the mechanisms of their distribution and allocation. Most of the analysis centers around the resource surplus. The ownership aspect is discussed, not separately, but jointly with the surplus aspect.

THE SECTORAL RESOURCE SURPLUS

Sectoral clashes and coalitions arise because of unequal sectoral capacities to generate government revenues, because government has the capacity to allocate its revenues without matching actual sectoral contributions, because of the desire and strategies by sectors to receive resources from government in excess of their contributions to it, and because it is so difficult to determine the set of transectoral and transclass government decisions and resource allocations that are optimum for the production, distribution, and allocation processes either in the short- or long-run. All these phenomena occur because inequalities in sectoral income and resource surpluses create a special sector-government relationship. Government is involved *de facto*, if not *de jure*, in coalitions and conflicts between sectors because it possesses and exercises its taxation, expenditure, price-, wage-, borrowing, and foreign-exchange determination powers to appropriate resources from and redistribute between sectors.

An indicator of a sector's capacity to generate a resource surplus is its relative productivity. Differences in sectoral productivity, which can be a source as well as a consequence of sectoral conflict, are considered as indicators, of sectoral inequalities in income- and surplus-generating capacities. Since sectoral conflict is considered to be latent or overt in countries with sectoral productivity differentials, we proceed to present the relevant statistical evidence available.

The evidence describes sectoral relative productivity differentials within and between Latin American countries, and provides not only the most general and most comparative measure of sources and effects of sectoral clashes and coalitions, but also the most concrete one.

A. First are presented the intra-country, inter-sectoral relative productivity differentials. These differentials are measured by the ratio between maximum and minimum relative sectoral productivity.

The balance ratio or relative productivity is defined as the ratio between relative income generated by a sector and relative labor force employed by a sector. Henceforth, we will use only the terms productivity, or productivity differentials, even though we will have in mind relative ones. Since total income in an economy is 100 per cent, and the labor force is also 100 per cent, average productivity or the average balance ratio in an economy is equal to 1.0. Then, if agriculture generates 25 per cent of the economy's income but employs 50 per cent of its labor force, the agricultural productivity is equal to 0.5, or half the economy-wide average. Once sectoral productivities are known, the max-min productivity differential or ratio of balance ratios is calculated. If banking is the economy's most productive sector, with a productivity of 2.0, and agriculture has a productivity of 0.5 and is the least productive sector, then the ratio of $2.0/0.5 = 4.0$, is the productivity differential that provides a measure of the degree of inequality in sectoral productivity within an economy.

If this max-min sectoral productivity ratio is equal to one, we can presume that both causes and effects of sectoral clashes are absent or at least minimal. However, if it exceeds one, sectoral clashes can, but *do not* have to, be present. The max-min ratio provides a measure of the range and degree of sectoral pluralism, even though, since it compares only the most and least productive sectors, it seems to indicate only dualism.

The following questions must be answered in relating productivity differentials within a Latin American country to sectoral clashes. What is the magnitude of this differential in each country? What is the frequency distribution of the values of the differentials within Latin America? Which sectors are the most and least productive in each country, and with what frequency do they belong to either category? The first two questions can be answered with the information presented in Table 1. The third question we intend to answer only partially with the information of Table 2, which gives the frequency of sectors in the highest or lowest productivity category. Country-specific information will be presented only if it provides additional insights.

The answers to the above questions are as follows:

1. The differentials are substantial, i.e., in excess of 2.0, in almost all countries, and are large enough to be a source of conflict. The high values of the differentials suggest that a sectoral resource surplus exists in almost all countries.

2. Differentials vary greatly between countries. As column 1 of Table 1, which gives the average differential for a country, demonstrates, the differentials range from

TABLE 1

Values of Differentials (Ratios) Between Maximum and Minimum Sectoral Productivity in Latin America and the Caribbean, 1950, 1960, 1965

		Average for 1950, 1960 and 1965 (1)		1950 (2)	1960 (3)	1965 (4)
	GROUP I. Countries with Average Values of Productivity Differentials larger than 10.1					
1.	Venezuela	68.2	a.	53.5	81.5	62.0
			b.	57.5	78.0	76.5
2.	Puerto Rico	25.9		32.6	19.2	
3.	Brazil	17.6	a.	41.0	16.5	
			b.	10.5	8.5	11.3
4.	Dominican Republic	14.2	a.	13.2	13.3	
			b.	9.3	20.0	15.0
5.	Mexico	11.7	a.	12.3	11.3	10.7
			b.	13.0	12.0	11.0
6.	Peru	10.9	a.	7.5		8.2
			b.	15.7	11.0	11.5
			c.	9.7		12.5
7.	Guatemala	10.7		11.0	10.2	10.7
	GROUP II. Countries with Average Values of Productivity Differentials between 10.0 and 5.1					
8.	Ecuador	9.2	a.	8.3	9.7	
			b.	8.3	13.3	
			c.	5.4	10.4	
9.	Honduras	8.1		6.7	5.6	12.0
10.	Nicaragua	8.1	a.	6.4	8.3	11.7
			b.	6.8	7.2	
11.	El Salvador	7.9		7.0	8.6	8.2
12.	Haiti	7.9		6.4	9.0	8.2
13.	Bolivia	7.7	a.	11.7	7.0	7.2
			b.	7.4	6.6	6.4

TABLE 1 (Continued)

	Average for 1950, 1960 and 1965 (1)		1950 (2)	1960 (3)	1965 (4)
14. Panama	6.7	a.	8.0	14.6	4.2
		b.	4.8	4.6	4.2
15. Chile	6.0	a.	5.0	7.7	6.5
		b.	5.3	5.3	5.8
		c.	6.2	6.0	6.2
16. Guyana	6.0			4.1	7.9
17. Costa Rica	5.7		4.5	6.0	6.6
18. Paraguay	5.3		5.0		7.0
			4.7	5.2	4.4
GROUP III. Countries with Average Values of Productivity Differentials between 5.0 and 1.0					
19. Argentina	4.8	a.	6.9	6.2	
		b.	2.5	4.4	5.0
		c.	5.2	3.7	
20. Trinidad and Tobago	4.3			3.5	5.0
21. Colombia	3.9		4.0	3.7	4.1
22. Uruguay	1.9		2.0	2.0	1.6

Source: Calculated from information found in Markos Mamalakis, "Trends in Employment and Value Added in Services in Selected Latin American Countries During 1950–65." Milwaukee, Latin American Center of the University of Wisconsin-Milwaukee. 1970. Mimeo.

a spectacular value of 68.2 for Venezuela, to a value of 1.9, indicating almost complete productivity equality and balance, for Uruguay. Countries can have extremely large, large, or medium differentials. Productivity differentials are considered excessively large if their values are in excess of 10.1, large if their values fall between 10.0 and 5.1, and medium if their values fall between 5.0 and 1.0. Seven countries had excessively large, eleven large, and four medium differentials. In Venezuela, which headed the first group, mining was the most productive and agriculture the least productive sector.

3. Differentials for a given country vary substantially depending on the years and the data considered. The evidence is presented in columns 2, 3, and 4 of Table 1,[8] and includes the values of productivity differentials in 1950, 1960, and 1965 for different estimates of gross domestic product and labor force. Within certain ranges, the differentials have been highly volatile. In the Dominican Republic the differential rose by more than 100 per cent between 1950 and 1960, and in Venezuela by more than 50 per cent. There have been, however, no secular trends and no massive changes in the ranges within which these differentials fluctuated, either over time or depending on the statistics, for Latin American overall. The observed volatility and instability created antagonisms, pressures, and conflict because it drastically transformed the con-

stellation of sectoral incomes, resource surpluses and government income. It matters little whether the productivity changes reflected variations in market conditions, in capital inputs, or changes in the degree of dominance, neglect, or neutrality of a sector.

The third question raised earlier is answered next. As Table 2 indicates, some sectors stand out as having either the highest or the lowest productivity. Agriculture completely dominates the low productivity category. It is the only sector which in no year or country is the most productive, and in the vast majority is the least productive sector. Construction and personal services are the two other sectors with productivity frequently in the lowest category.

Concentration in the maximum productivity category is substantially lower because no sector dominates this category as decisively as agriculture does the least productive group. The combined banking and trade sector ranks first, mining second, and electricity and transport also appear a sprinkling of times in the most productive group. Only industry does not once appear either in the maximum or minimum productivity category.

B. Second, and very important for international comparisons, are the inter-country, intra-sectoral, relative productivity differentials. While the index of intra-country differentials can be used as a measure of the degree of sectoral clashes and the foundation thereof within each Latin American economy, the second set of indices presented in this section and in Table 3 provides a measure of the actual importance

TABLE 2

Frequency of Productivity Ratios in the Maximum or Minimum Category by Sectors in Latin America and the Caribbean, 1950, 1960, 1965

Sectors	Maximum	Minimum
1. Agriculture	0	117
2. Mining	42	4
3. Industry	0	0
4. Construction	3	17
5. Electricity	13	2
6. Banking and trade	62	0
7. Transport	12	0
8. Government	7	0
9. Personal services	1	14
10. (= 8+9) Government and personal services	3	7

Notes: A total of 139 country-years were analyzed leading to a total of 305 observations. These observations refer to 22 countries. The total number of observations is so large because the maximum or minimum values were occasionally shared by more than one sector.

Source: Calculated from information found in Markos Mamalakis, "Trends in Employment and Value Added in Services in Selected Latin American Countries during 1950–65." Milwaukee, Latin American Center of the University of Wisconsin-Milwaukee, 1970. Mimeo.

of the same sector in contributing to sectoral clashes in different countries. Once more, the comparison involves relative productivity values. The max-min productivity ratio of a sector is calculated by dividing the sector's maximum by its minimum productivity value in Latin America. Thus, if mining has a productivity value of 9.0 in Venezuela and 1.0 in Panama, then the index of inequality of mining productivity in Latin America is equal to 9. A value in excess of 1.0 means that sectoral productivity, sectoral resource surplus generating capacity and, therefore, sectoral coalition or conflict generating capacities are highly uneven within the Southern Hemisphere.

The evidence for Latin America, presented in Table 3, leads to the following major findings. First, productivity differentials were highest, with values in the 10–20 range, in mining and transport. Furthermore, for both sectors, inter-country productivity differentials increased between 1950 and 1965. Second, values of differentials in construction, electricity, trade and banking, and government were in the 5–10 range. Third, sectors with productivity differentials in the 2–5 range included personal services and all major sectors, i.e., agriculture, manufacturing, and total services, adjusted and unadjusted.

Mining productivity ranged widely, suggesting that its role as a resource-generating sector varied greatly between countries. Productivity differentials tended to decline in construction, electricity, the combined transport and electricity sector, trade and banking, personal services, and total services, both adjusted and unadjusted. In manufacturing and government, inter-country productivity differentials remained relatively stable. Differentials in agriculture increased but not sufficiently to place it in the same group with mining and transport.

To the extent that sectoral coalitions have existed in Latin America, agriculture was not a beneficiary, at least not in terms of measured productivity. And, because agriculture had such a low productivity, its resource-releasing role could only be limited.[9] Furthermore, industry never gained a prominent place as the most productive sector even though manufacturing subsectors were highly productive. Mining, with its high productivity, could enter coalitions and also have its surplus under contention.

Average productivity values for each major sector in Latin America are shown in column 3 of Table 3. The findings are consistent with those presented in Table 2. The least productive and only sector with a productivity consistently below 1.0 is agriculture. The only sector with an average productivity in excess of 3.0 is mining. A second group, with high average productivity values between 2.0 and 3.0, included three service sectors, namely electricity, trade and banking, and government. Finally, a group with average productivities close to 1.0, included personal services as the least productive sector (a balance ratio of 0.9), construction (a ratio of 1.0), and industry (a ratio of 1.37).

The trends during 1950–65 show productivity declining in personal services, construction, trade and banking, and government, i.e., primarily in the neutral sectors, rising in mining and industry, and constant in agriculture, transport, and electricity.

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TABLE 3

Maximum-Minimum Productivity Differentials (Ratios) and Average Productivity of Sectors in Latin America and the Caribbean, 1950, 1960, 1965

Sector	Year (1)	Max-Min Productivity Ratio (2)	Average Productivity (3)	Number of Countries (4)
Agriculture	1950	3.5	0.56	22
	1960	4.0	0.53	22
	1965	4.5	0.53	21
Average			0.54	
Mining	1950	10.7	3.21	15
	1960	15.6	3.57	15
	1965	19.1	4.08	15
Average			3.62	
Manufacturing	1950	3.0	1.29	18
	1960	3.5	1.34	18
	1965	3.1	1.49	17
Average			1.37	
Construction	1950	8.6	1.27	18
	1960	6.0	1.04	18
	1965	4.0	0.91	18
Average			1.07	
Electricity	1950	6.3	2.35	13
	1960	8.1	3.35	13
	1965	5.8	3.25	11
Average			2.97	
Transport	1950	6.1	2.09	16
	1960	5.1	1.71	16
	1965	10.0	1.78	12
Average			1.87	
Transport and Electricity	1950	7.6	2.26	20
	1960	5.4	2.02	20
	1965	4.9	1.99	18
Average			2.09	
Trade and Banking	1950	6.4	3.24	19
	1960	3.6	2.56	19
	1965	3.6	2.49	17
Average			2.77	

TABLE 3 (Continued)

Sector	Year (1)	Max-Min Productivity Ratio (2)	Average Productivity (3)	Number of Countries (4)
Government	1950	7.0	2.35	14
	1960	6.3	2.29	14
	1965	7.7	2.17	11
Average			2.28	
Personal Services	1950	4.8	1.02	14
	1960	3.2	0.84	14
	1965	3.8	0.83	12
Average			0.90	
Government and Personal Services	1950	3.7	1.22	20
	1960	3.0	1.07	20
	1965	3.8	1.03	17
Average			1.13	
Total Services Unadjusted	1950	3.4	2.04	19
	1960	2.5	1.68	19
	1965	2.4	1.62	18
Average			1.78	
Total Services Adjusted	1950	4.2	1.98	20
	1960	3.0	1.64	21
	1965	3.1	1.61	20
Average			1.74	
Total Commodities Unadjusted	1950	1.6	0.72	19
	1960	1.6	0.75	19
	1965	1.8	0.79	18
Average			0.75	
Total Commodities Adjusted	1950	1.6	0.76	20
	1960	1.8	0.80	21
	1965	1.6	0.81	20
Average			0.79	

Notes: Two types of adjustments were made in the original income and employment statistics. First, employment in unspecified, inadequately specified or miscellaneous activities was distributed to all other sectors on a proportional basis. This automatic adjustment affected all employment estimates. Second, income in the ownership of dwellings sector was treated in a dual way. On the one hand, unadjusted income estimates of the total services and commodities sectors

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As Tables 2 and 3 show, the concept of economic dualism is of limited usefulness in Latin America. There exist no high productivity sectors, on the one side, and low productivity sectors, on the other side. Rather, there exists a range of sectoral productivities, on the one side, and a range of productivities within a sector, which is not shown here, on the other side.[10] The distinction between modern and traditional can make sense only if defined strictly in terms of productivity levels. The two main dimensions assigned to the "traditional" concept have been, on the one hand, "longevity," and, on the other hand, "secular and cyclical stability" of a sector's demand. Thus, traditional is a long-existing sector with unfavorable demand prospects. In contrast, "modern" has been considered a sector that is "technologically advanced." Rather than being substitute notions, they are complementary. For example, mining can be modern, i.e., technologically advanced, and traditional, i.e., long-existing, and facing unfavorable and unstable demand; or, segments of industry can be non-traditional, that is, new and non-modern, that is, technologically backward.

An attempt will be made next to describe and analyze the relationship between the various sectoral clash and coalition patterns and the processes of production, distribution, and allocation, and to link this relattionship to the limited evidence on sectoral productivities and differentials presented above.

We describe the hypothesized relationships between the various sectoral coalition patterns and the trends in sectoral income and employment shares with the help of Figure 1. The coalition patterns are: first, the government-agriculture; second, the government-export sector; third, the government-industry; and fourth, the balanced-coalition pattern. Each pattern coincides with a stage of economic development. A government-services coalition is also considered, not as an autonomous one, but as coexisting with one or more other clash and coalition patterns.

During the first, primitive agriculture-government coalition, which coincides with Stage I in Figure 1, a stable surplus of consumer goods is generated jointly in a semi-closed economy by land and a mass of illiterate peasants. This surplus supports an aristocratic urban-rural elite and government, which constitute an embryonic service sector. The era of *de facto* codominance of agriculture and services coincided with the colonial period, starting with the conquest of Mexico by Cortés and of Peru by Pizarro.[11]

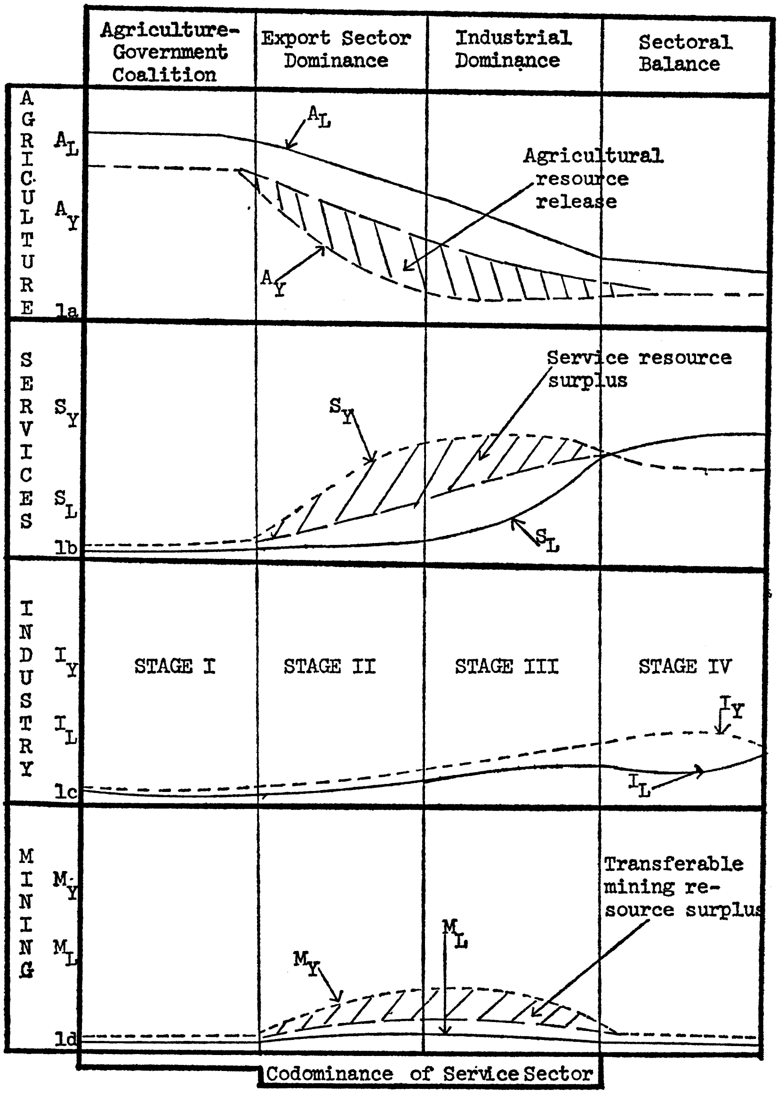
In Figure 1, the time-span of Stage I extends over 300 years. Sectoral resource surpluses are created by "land and natural resource capital" and labor by means of non-capitalistic modes of production. The agricultural resource surplus is expandable

were obtained by ignoring the ownership of dwellings income share. On the other hand, the income share of the ownership of dwellings sector was divided between and added to the total services and total commodities income shares on a proportional basis, thus obtaining adjusted income and productivity estimates.

Source: Calculated from information found in Markos Mamalakis, "Trends in Employment and Value Added in Services in Selected Latin American Countries During 1950–65." Milwaukee, Latin American Center of the University of Wisconsin-Milwaukee, 1970. Mimeo.

Figure 1

Relative Sectoral Income and Employment Under Four Coalition Patterns



A_Y, S_Y, I_Y, M_Y = income in agriculture (A_Y), services (S_Y), industry (I_Y), and mining (M_Y), respectively, as a percentage of gross domestic product

A_L, S_L, I_L, M_L = employment in agriculture (A_L), services (S_L), industry (I_L), and mining (M_L), respectively, as a percentage of the total labor force.

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and reproducible, but not rapidly; it is transferable to government, and abroad, i.e., the crown; and is convertible into some forms of human capital, but not into modern physical capital and education. Within such a primitive environment the notion of dependence cannot be properly defined. The government-agriculture-service sector coalition can be considered inimical to growth because it constrains industrial and modern service sector expansion.

In the second, traditional, export sector-government coalition pattern, the dominant sector is also the one with a massive resource surplus, as shown in part 1d, Stages II and III of Figure 1. The new export-related resource surplus, created by the European and North American industrial revolution, is volatile and unstable because of its links to a volatile international demand; it is perishable, replaceable, and substitutable as a consequence of rising modern technical obsolescence; it is tangible and transferable to any country and sector; and is convertible into modern physical and human capital through investment in machinery, equipment, and education. Imported institutional, technological, and physical capital becomes the primary source of the surplus. In terms of demand, ownership, capital inputs, and technology, both the export sector and its surpluses are part of a developed international market system, even though their geographic location makes them a component of developing Latin America. The unequal intrusion of the international market system into the sectoral production structure of Latin America, which even today is evident in Venezuela, Chile, Peru, and other countries, leads to the lopsided creation of the continent's investible funds by the export sector, which is mining and agriculture, and a sectoral fragmentation whereby most other sectors are surplus-recipients. Beginning with this pattern the notion of "dependence" gains particular significance as it implies (a) external creation of a national resource surplus through foreign demand, capital, and technology; (b) distribution of domestic income and surpluses between Latin America and the developed nations at the expense of the former; and (c) allocation of sectoral revenues, including surpluses, on foreign intermediate products and capital goods. Instability and the special dependence of this resource surplus upon the industrially developed nations become sources of conflict within and between sectors. Because surplus creation under this pattern relies heavily on the exploitation of nonrenewable natural resources, learning-by-doing is limited. As the government coalition shifted with the rise of the export sector, the crown-linked service infrastructure was in part abandoned, in part transformed. A new era of prosperity was ushered in for services, as urban and rural elites, with a mastery and skills reminiscent of the conquistadores, coalesced with foreign capitalists to exploit the natural resources. During the last fifty years, however, the export-sector dominance has been gradually eclipsed as national governments have turned selectively against their former foreign partners and have engaged in progressively harsh treatment.

The government-industry coalition partially coincides with the 1950–65 period covered by the earlier statistical evidence. While relative sectoral productivities were high and rising during the government-export coalition, they now declined as the mining sector was increasingly discriminated against. During this coalition, the existence of a resource surplus in a sector provides no guarantee that the sector will become dominant. To the contrary, as government inefficiently aims to promote industry, which has a limited or no capacity to generate surpluses, the existence of a surplus in mining and agriculture precipitates their downfall. Dependence of governments, which are overzealous to promote industry and services, on excessive taxation of the surplus-rich sector, occasionally causes both the export sector and industry to falter. The clash between government-industry, on the one side, and the export and agricultural sectors, on the other side, has frequently led to the demise of the surplus and the sectors producing it. As the statistical evidence has shown, the dominant industry did not become either the most productive or the most rapidly growing sector. Dominance reflects preferential government treatment but never becomes synonymous with either rich or dynamic. A partially expandable and reproducible industrial resource surplus arises, especially at the end of Stage III, but it is not always convertible into physical or human capital. It is not convertible into capital goods because, with the exception of Mexico, Brazil, and Argentina, industry has not yet become a capital goods producer, and also has been unable to sell its products abroad so that they can be exchanged for capital goods. Industry cannot assist other sectors in creating surpluses or in modernizing, as its own surplus is only partially transferable and partially convertible into scarce forms of capital. However, with the expansion of the industrial sector, reproducing human and physical capital becomes a major resource surplus source. Agriculture releases resources during Stages II and III, in spite of its low productivity. This resource release is shown in part 1a of Figure 1.

During the government-industry coalition, "dependence" not only changes but also rises. It implies (a) a need for more foreign resource surpluses-aid, as those generated internally by export sectors, foreign-owned or not, decline; (b) a rising need for sales of primary and manufactured goods abroad; and (c) a rising dependence on food, raw material, and capital goods imports because of neglect, penalty, or absence of the corresponding domestic sectors. "Productivity" in industry and services is raised through protection, subsidies, and changes in relative prices, but there is no guarantee that "output" created by artificially high wages, salaries, and profits is exportable, transferable, and convertible into other goods and services. Under this third pattern, a successful growth strategy would require the presence and growth of physical, human, social, and political capital, and the equitable treatment of all capital forms.

Although reference has already been made to a government-service sector coalition, it appears that the service sector enjoyed codominance under the government-export sector as well as the government industry coalitions.[12] This happened because the social milieu was marked by and favored a service-oriented way of life. Unlike the agricultural, mining, and industrial surpluses, the service surplus is intangible, largely untransferable, and in part unexportable and inconvertible into scarce forms of capital and goods. The size of the service resource surplus is determined by the convertibility of low-cost labor into low-cost services, and the ability of low-cost services to reach buyers in developed nations. Unfortunately, the high service sector productivities shown in Table 3 and Stages II and III of Figure 1 suggest that low-cost labor has been unable to transform itself into low-cost services. Instead, services have been expensive, with an artificially high productivity which reduced their international marketability. With its massive reservoir of low-cost labor, Latin America could offer inexpensive services to the United States and Europe, obtaining in return scarce consumer and capital goods.

The service sector surplus depends on capital embodied in people, and could be augmented rapidly. Unfortunately, the "highly productive" government, banking, and trade sectors shown in Tables 1, 2, and 3, reflect primarily the use of the transferable commodity sector surpluses to support excessive remuneration of labor inputs. They do not reflect natural service sector surpluses and investment in human capital which could be used to assist other sectors in achieving development. Dependence under the government-service sector coalition implies (a) an irreversible, largely one-way integration into the international service sector, (b) distribution of the commodity resource surplus to the benefit of consumption and services, and (c) rising dependence on new political systems—centrally planned or competitive—capable of correcting the service sector monopolistic rents.[13]

Since economic development requires multiple forms of capital, and each type of capital can generate its own resource surplus, the total surplus potential of Latin America is bound to be underestimated if only one type of capital, normally the one in short supply, is considered. Any development strategy should aim to increase the degree of convertibility of one resource surplus type, the abundant one, into the scarce forms of capital and resource surpluses. Foreign aid can easily augment a specific resource surplus and capital form, but its permanent benefits will be minimal unless it raises the degree of convertibility of one capital form into another.

Before entering the discussion of the relationship between clashes and coalitions and the distribution and allocation processes, we deliberate about and examine more carefully the sectoral production characteristics that lend support to the view that the theory of sectoral clashes and coalitions provides the best explanation of the growth-promoting and growth-impeding phenomena in Latin America. First, the unique role assigned to the sector is valid in all Latin American countries. The sector, which is unambiguously defined in economic terms, is shown to develop into a multi-faceted entity as it creates and supports political, financial, legal, and social agents and institutions. Although there is only one concept of a sector, sectors can be differentiated and subdivided on the basis of various criteria, and by introducing such qualifying aspects as ownership and location. Reference can then be made to privately-, foreign-, and government-owned, or between domestically- and externally-located sectors. Explaining the behavior or treatment received by a sector or the transition from one stage to another by introducing additional dimensions reflects the framework's flexibility, but does not lead to new concepts or definitions of the sector.[14] Second, as the large productivity differentials indicate, in all of Latin America, not just Chile and Mexico, the production structure is such that one or two sectors act *de facto* as servants, generating resource surpluses and receiving as a frequent payoff neglect and mistreatment. Though Chile may have been a leader in developing undisguised sectoral clashes, all of Latin America has the preconditions leading to actual or potential clashes.[15] Third, because transferable and convertible resource surpluses have been generated primarily in mining and agriculture through production of gold, silver, nitrate, tin, copper, oil, livestock, and other primary products, the erroneous attitude has developed that riches are created by accident, or simply by nature's help, and that consequently the rich sector is an exploitable entity, rather than a partner and contributor in the development process. This attitude has led to neglect of the fundamental needs for physical, human, social, and intellectual capital required to achieve accelerated and permanent growth. It matters little that productivity differentials can be potentially explained away, within a production function framework, by differences in capital, quality of labor, and a series of other factors. What should be of major concern to development theory is how unequal sectoral productivities inhibit growth by distorting the production, distribution, and allocation processes with governmental cooperation.[16] Fourth, and related to the previous two points, is the idea that income and surpluses in selected sectors are windfalls and therefore are "free" goods, i.e., anyone can claim them. Windfall creation of resource surpluses traces back to the vast, rapid, and often ignominious fortunes conquered by Cortés, Pizarro, and the conquistadores, and to periods when change was frequently propelled by "Man the Destroyer," not Man the Creator.[17] The conquistador, not the producer, impregnated the Latin American dream, image, and heritage.[18] Fifth, government has developed and emphasized its extractive-distributive capability and functions throughout Latin America,[19] neglecting its production, promotion, and resource allocation functions. As government handed out favors and divided spoils, rather than incentives, its critical function of acting as a transectoral supreme arbiter suffered.

The social, political, and economic repercussions of these sectoral production inequalities and the government-sector coalitions and clashes provide the causes and framework for the rise and explanation of social and economic unrest.[20] Juan Perón, Fidel Castro, Salvador Allende and the other Latin American revolutionaries of right or left are offspring of the social and political crises generated by sectoral clashes and coalitions and the underlying sectoral inequalities. Castro's success[21] consisted in creating equal poverty by eliminating extremely rich and extremely poor sectors, a situation far less explosive than that associated with inequalities in sectoral income, productivities, and resource distribution. In all instances, government is omnipresent, although by no means omnipotent.

Government has a dual personality: first, as a sector generating income by paying wages and salaries and therefore having an interest in augmenting it; second, as a conglomerate of agents created to represent, defend, and promote the social interests and needs of all classes and sectors in an optimum manner.[22] Government services are an input in the production process of all sectors. In return for these services, government is earning and receiving through a variety of means a share of each sector's gross revenue. In addition to the sectoral revenue shares received for its services, government extracts additional amounts for redistribution between sectors. Net government benefits received by a sector are measured by the difference between the resources reflecting gross benefits received and resources extracted from the sector by government. Income of the government sector is normally a fraction of total governmental revenues or expenditures, which remain the key devices for resource redistribution. In the diagrams on clashes and coalitions in the first *LARR* essay,[23] government was presented in the dual personality described above: first, as an explicit or implicit input claiming a share of resources and as a central agency claiming sectoral resources for redistribution; second, as the conglomerate of agents[24] which transforms itself from an abstract, neutral, transectoral entity into one identifying with one or more sectors. The segment of government that exists and functions as a sectoral agent can lose or gain, depending on whether the overall government apparatus moves for or against a particular sector. For sectoral clashes to emerge, a division must exist within government, and the balance must move in favor of or against, a particular segment of it. Coalitions and clashes between sectors involve, therefore, not only agents specifically created by sectors but also the governmental machinery segment assigned to them or particularly interested in them.

Furthermore, rising urbanization has forced the state to strengthen its function of providing a minimum of water, heat, light, order, transport, communication, and recreation services to the urban population. In order to fulfill this function, the state had to appropriate rising shares of the available resource surpluses. A variety of patterns involving donors-creators and recipients of resource surpluses developed. These included, first, a pattern with a state-agriculture production base as the creator and an urban-service community as the recipient entity; second, a pattern with a state-mineral production base as the generating and the urban-service and, in part, the rural-agricultural community as the recipient entities; third, a pattern composed of a multi-sectoral production base as the surplus generating and the urban community as the recipient entity; and fourth, a pattern with a multi-sectoral production base as the surplus generator and with the urban-rural community sharing equi-proportionately the government-appropriated investible resources.

Next we analyze the relationship between sectoral coalitions and the distribution process. In Latin America, the resource, income, and surplus distribution process has been sector-based and sector-oriented. The distribution process was molded by the high inequality in sectoral incomes, the unique role of sectoral quasi-rents, the extensive presence of foreigners in the rich export sector, and instability.

During the traditional government-agriculture coalition of the colonial period, the agricultural-mineral surplus was divided between the crown and the rudimentary urban services. It was not until the export sector dominance, however, that the sectoral surplus distribution problem gained eminence. In the nineteenth century, and especially during 1850–1900, export sectors entered an era of unparalleled prosperity. National governments, afraid they might kill the goose that laid the golden eggs, bestowed upon the export sector such privileges as free movement of income and entry of capital and low taxes. The dominant export sector reciprocated by contributing a major share of its resource surplus to government. The immediate beneficiaries of this coalition included the export sector, which prospered, the foreign capitalists, who repatriated massive riches, the capitalists of the export sector, who enjoyed above-normal profits, and government, which was frequently inundated with easily collected taxes. Furthermore, as Robert Dix has pointed out, ". . . if government policy favored the export sector, it was at least in part because such policies benefited Chileans (or other Latin Americans) who were not associated with the export sector."[25] Thus, the major indirect beneficiaries included the sectors controlling government or those who had had their tax burden reduced, such as agriculture, services, and industry.

The government's roles expanded with the rise in sectoral productivity differentials caused by the export sector dominance. Revenue and expenditure policies created, first, significant disparities between the pre- and post-tax inter-sectoral distribution of income, and, second, made these disparities exceed those involving classes. Fiscal policies shaped the *ex post* size of these inequalities and enabled government to enter *de facto* coalitions with sectors. Such *de facto* coalitions appeared when government, for incentive purposes, stopped short of expropriating all quasi-rents of the export sector, and again when government administered massive unilateral transfers to urban services and agriculture.

The sectoral resource distribution issue emerged in a transformed, refined, and more complicated form during the government-industry coalition. For the first time, pre-tax sectoral income shares were manipulated by changing relative prices, and high-productivity, government-owned industries distributed their resources, favoring their employees' income share. Rising discrimination of the export sector reduced its resource surplus and the government's capacity to redistribute sectoral income. Industry, services, and even agriculture realized that their welfare could improve as much, if not more, by receiving income transfers from high productivity sectors as by increasing their own sectoral output. During this coalition, continued demand for resource transfers from low-productivity sectors, and the drying up of surpluses from the export sector, created an imbalance between a country's total demands and its government's capacity to redistribute sectoral resources. This imbalance forced government to resort to Central Bank credit and inflation to provide a modicum, often an illusion, of an intra-class and inter-sectoral redistribution of income. Government also had to pursue a sectoral income redistribution policy whenever it wanted to establish an *ex post* high productivity in selected service subsectors.

Differences in ownership assume particular importance in the distribution process. Clashes and coalitions between sectors and subsectors emerge because of differences in foreign versus national, private versus state, or corporate versus unincorporated ownership. Intricate and detailed patterns of clashes and coalitions can be envisaged. For example, within mining, the nationally-owned segment can clash with the foreign-owned; within industry, the state-owned segment can clash with the privately-owned; within agriculture there can be a clash between the corporate and unincorporated segments; or, state-owned industry can enter a coalition with privately-owned industry in order to extract more resources from foreign-owned mining. The disaggregative clash and coalitions patterns can explain more thoroughly than the aggregate patterns the variables and forces that mark the transition and pave the way from the government-export sector coalition to the government industry-one, or, for that matter, from any one pattern to another.

Ownership is a direct determinant of economic power; first, because it leads to access and control over income and surpluses and, second, because different types of ownership can bring about differences in the rules of the game concerning production, distribution, and allocation.[26] Foreign ownership frequently implies freedom from political intervention, easy repatriation of profits, easy access to international capital markets and technology, and unlimited control over production and employment decisions. In contrast, by law or custom, national ownership brings access to only a few of these privileges and then only to a limited degree, thus raising costs and reducing technical progress and efficiency. Although elimination of foreign ownership is the often-recommended strategy whenever inequalities arise, the most equitable and efficient strategy would be to equalize as much as possible the rules of the game.

Possibly most critical in understanding the overall growth process is the relationship between sectoral clashes and the allocation process. The development objective of rapidly transferring labor from low-productivity sectors, e.g., agriculture, to high productivity ones, e.g., industry, can be achieved as long as investible resources can be allocated among highly unequal sectors in a manner that minimizes misuse of resources and sectoral conflict and leads towards optimum production, distribution, and allocation processes. It is a development antinomy and paradox, however, that government is forced to allocate surpluses under its ocntrol and to permit allocation of uncontrolled surpluses in a manner reflecting its own structure, the structure and sectoral affiliation of the parties controlling it, and the country's degree of development, all of which give rise to specific sectoral coalition and conflict patterns.

As a consequence, the allocation process has developed some major defects under all coalitions. Under the traditional government-export sector coalition these defects included: (a) a flight of resources to developed nations; (b) subsidies to government and services; and (c) subsidies to the city. Although there was an obvious coalition with the export sector, another parallel but equally real coalition linked government, foreign capitalists of the export sector, the landed oligarchy, and an urban plutocracy. This coalition led to increased consumption by government, the urban masses, and the landlords, and an exodus of resources through higher repatriated profits by foreign capitalists. On the positive side, the export generated resources fostered immigration of people and capital and transformed the productive capacity of selected coastal areas of the hemisphere enough to make them modern, but not enough to modernize the whole continent and reduce its income gap with the developed nations. There is an important lesson to be learned from this experience. Low productivity and inefficient sectors always desire larger shares of the surpluses generated by the more productive and efficient ones. But unless resource transfers, including foreign aid, from resource-surplus-rich to resource-surplus-poor sectors are accompanied by a transformation in the poor sectors' efficiency and surplus-generating capacity, the transfer's growth-promoting and conflict-reducing effects will be minimal. Resource "misuses," including those reflected in excessive consumption, become as much a source of conflict as productivity and efficiency inequalities.

Under the modern industry-government coalition, capital formation was penalized as government discriminated against the quasi-capital goods sector, i.e., the export sector. Whenever the capital goods constraint was binding, growth suffered. The major defects and advantages of the allocation process under this coalition were: (a) a resource flight into consumer goods demand and production; (b) a flight into and support of high-cost services; and (c) a flight into construction, which stimulated investment.

Absorption of surpluses by the privileged, semi-permanently, codominant services counterbalance some growth-promoting effects during all clashes and coalitions. This brings us to the significance of the sectoral productivity ratios in the allocation process. It is true that balance ratios do measure actual private sectoral rates of return. However, unless we discount or adjust the productivity ratios to offset the distortions of resource transfers to services, they will not provide an accurate index of the economy's investment priorities as measured by the relative social rates of return on alternative investment opportunities.

The biggest obstacle to Latin American development has been the continuity of its defective allocation process, which persistently directed resource surpluses to the support of cities, services, and consumption, and considered such surpluses as divine gifts. During the conquest, Pizarro ". . . destroyed a fruitful empire, bringing nothing but disaster, contributing nothing."[27] Today, massive riches are donated or expropriated in the name of the people. The common dilemma remains. Shall the riches be consumed as during the conquest not by a few, perhaps, as at that time but by many—or shall they be invested in the country's future? Changes in sources, magnitude, and stability of resource surpluses can be of little impact without an allocation transformation. The lack of agricultural, transportation, industrial, and efficiency revolutions is related to and can be largely explained by the continuity, or the lack of, transformation, of the allocation process. Allocation of investment resources followed the priorities set by the apparent rather than real relative rates of return on investment. The apparent ones were those shaped by coalitions and clashes. The real ones reflected the true long-term social rates of return. Policy makers had little choice but to follow the apparent ones, which were dominant.[28]

It is a paramount government's responsibility to seek and introduce an optimum change in the relationship of sectors and their productivity differentials, with respect to the production, distribution, and allocation processes. According to Barrington Moore, not only the forces leading to change must be explained, but also the forces of the status quo must be changed.[29] We have gone beyond this, arguing that it is even more important to determine an optimum process of change, since change is both inevitable and continuous.

We conclude this section with the following remarks. Sectoral clashes impede economic development by constraining growth and the efficient use of sectoral production capacities. If sectoral incomes are unequal and grow at rates that accentuate these inequalities, growth suffers to the extent that the interest of all or some society participants shifts from the issue of sectoral production and investment allocation of resources to the issue of inter- and intra-sectoral distribution for the ultimate purpose and gain of consumption. Sectoral differences in income, resource surpluses, and power, feed further tension-creating and growth-retarding imbalances. A main objective of development policy must be the determination of production, distribution, and allocation of resource surpluses that minimizes conflicts, tension, and production disincentives. As long as there is an unequal distribution and allocation of surpluses within and between nations, unequal progress will create unequal power, and unequal power will lead to unequal progress.[30]

PART II. POLITICAL AND SOCIOLOGICAL DIMENSIONS OF THE THEORY

The world of politics encompasses government, political parties, the military, and other entities. The relationship and linkages between the political structure and political agents and sectoral clashes and coalitions are so manifold, complicated, and continuously changing, that they cannot be fully and justly explored in the short span of an article. After some short introductory remarks of general nature, the theory and framework of sectoral clashes are used to explore selected topics, such as political parties, the military, guerrillas, inter-American relations, and the church. The general analysis and specific examples explored will hopefully demonstrate the generality, flexibility, adaptibility, and the unique contributions of the theory to politics and sociology, and dispel some misconceptions and misinterpretations.[31]

According to the theory of sectoral clashes, the sectoral *base* and *orientation* of political institutions, agents, and events are uniquely important. Political institutions and agents are distinguished, primarily, on the basis of their sectoral foundations. Thus, there can exist uni-, oligo-, or transector-based institutions. The "sectoral base" dimension implies that sectoral and transectoral agents exist because they receive resource transfers from sectors. Anomic, nonassociational, and institutional interest groups have uni- or multi-sectoral bases and foundations.[32] The political structure and culture[33] are shaped, supported, and determined by the ever-changing sectoral constellations.[34] "Lawful" and "unlawful" forms of political rule can be distinguished along the premises of Plato and Aristotle, according to whether kings, aristocracies, dictatorships, or majorities use political power to arrange production, distribution, and allocation of income and resource surpluses for the good of a selected, small group or for the good of all classes and sectors.[35]

The nature of sectoral resource transfers as unilateral, bilateral, or multilateral introduces the additional dimension of "sectoral orientation." On the basis of this criterion, institutions and agents can be classified into uni-, oligo-, or transectorally oriented.[36] For example, agricultural, industrial, mining, or commercial banks can be uni-sectorally oriented institutions, while a state bank can be either oligo- or transectorally oriented. Government can be mining-based, i.e., uni-sectorally based, if it extracts most of its resources from mining, and agriculture-oriented, if it transfers most of the resources under its control to agriculture.

Whenever an institution or agent has one sector or a given constellation of sectors both as its base and orientation, the sector becomes an interest group in the social, political, or economic arena. However, sectors remain important for political and social institutions irrespective of their occasional and secondary role and performance as interest groups. Each and all institutions and interest groups are conceivable only with a uni- or multisectoral base. The theory of sectoral clashes heightens the social scientists' sensitivity to sectors: first, as interest groups; second, as providing the foundations of "non-sector-oriented" interest groups; third, as being the entity that generates the income and surpluses that provide the stakes over which other interest groups battle; and, fourth, as defining the framework within which political, social, religious, and other groups can operate.[37] As the sectoral composition of a society is transformed, so is the composition of its political apparatus and of interest groups.

In uni-sectoral societies, mono-, or oligo-political systems arise, and interest groups have a uni-sectoral base. As societies experience a sectoral transformation and expand to an oligo- and multi-sectoral base, their political system, agents, and interest groups are bound to expand and include many with multi-sectoral bases and multi- or transectoral orientation. The sectoral-base dimension is helpful and always necessary but is not, does not have to be, and should not be sufficient in explaining all aspects of political, social, and religious behavior. It should be pointed out here, however, that the distinction between necessary and sufficient conditions and theories, which has been so useful in natural sciences, may be misleading when applied to social sciences. The term "sufficient" has been interpreted in social sciences as omnipotent, as perfect, and as without error, and as much assumes an unacceptable degree of superhuman knowledge of behavior patterns. There is no theory, including the theory of sectoral clashes, that is "sufficient," and which can explain all phenomena in a society. In social sciences, a more "relevant" distinction is between specific and general theories. The theory of sectoral clashes claims to be more general and to provide a better understanding and explanation of social, economic, and political phenomena than the Marxist theory of class struggle, or of incrementalism, or such subordinate theories of paternalism, extended family system, middle classes, and elites, but does not claim to be perfect.[38]

Furthermore, economic rules concerning production, distribution, and allocation, and rules concerning political participation and social behavior are not only created by, but must also be defined within each country's sectoral constellation. Rules of the game are, therefore, not only unique in terms of time and country but are also subject to constant adaptation and transformation.[39]

POLITICAL PARTIES AND SECTORAL CLASHES

It is in light of these distinctions that a political party, an inherently multidimensional entity, can be analyzed. A party cannot exist and function without unilateral or bilateral resource transfers by individuals. Each contributing individual belongs to at least one class and sector. In more complex and advanced economic systems, as individuals are associated with more than one sector and class, the sources of political resource transfers become more dispersed.

Most transfers of resources involve bilateral arrangements. Even apparently unilateral sectoral resource transfers to a political party are implicitly bilateral arrangements whereby present transfers are made in anticipation of a future service to be delivered if and when the recipient political party assumes the appropriate decision-making power. The party system involves receiving and allocating sectoral resources. As the absolute and relative capacity of sectors to contribute resources to parties changes, the nature of the sector-party relationship is also bound to change. Because sectoral change and transformation is gradual and incremental, the political changes accompanying it are also likely to be gradual and incremental.

The sectoral resource surpluses and transfers, which involve the major stakes in the economy, bear a two-fold relationship to the party system. First, the party uses resources received, to employ members, finance campaigns, and so forth. Second, once the party is in charge of the government apparatus, it determines and changes the sectoral and class contributions to government and subsequently the distribution of these resources among sectors and classes. A party, once in control of the government apparatus, yields significant power in determining the magnitude and speed of transformation in the pattern of redistribution of sectoral income and surpluses.

Sectoral clashes and coalitions enter a special relationship with parties because persons belonging to the same sector but different classes can contribute, are willing to contribute, and share fundamental economic reasons that induce or force them to contribute jointly to a party or another political institution. As long as a coalition of distinct classes belonging to the same sector, i.e., a sector-based coalition, and their joint actions, provide higher benefits than inter-sectoral intra-class coalitions, it will be preferred. Class-based coalitions are particularly unlikely in Latin America because they can lead, due to the large inter-sectoral income differentials, to losses or insignificant gains for the classes of the best-paid sector. As, however, sectoral income differentials decline, class-based coalitions are likely to increase, and, if they occur, they can lead to further decreases in income differentials. Economic equality can then lead to political equality.

Politics can correct the injustices inherent in economic and sectoral inequalities. A political "democracy" cannot, literally, exist unless government uses the power of the people to convert the political equality principle into an economic principle involving equitable—not necessarily equal—distribution of income.[49]

Not only political parties but also dictators and military juntas are forced to become sector oriented. Elaborate agricultural, industrial, transportation, electricity, and housing policies are part of their platforms and programs. Once in control of government, political parties can introduce price, wage, tax, and foreign exchange policies that can be either country-wide or sector-oriented. To achieve success, political parties

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appeal to all sectors and classes and rely heavily on such non-economic factors as personal appeal, political ideology, and religion.[41]

Although "joint" sectoral action is frequently confined to "joint" voting and campaign contributions, it does not necessarily stop at such benign limits. Whenever sectoral unrest mounts and expression of sentiment through elections is impossible or confined to periodic intervals, a sector can resort to strikes, dumping of products, marches to the capital, and ultimately even civil disobedience and revolt. No political system is immune to this.[42]

The relationship between sectoral clashes and political development can not be confined to parties. The long-term sectoral transformations have been associated with and brought about sweeping political transformations. The industrial revolution, with its massive capacity to generate industrial resource surpluses, ushered in a host of new political patterns as it led to the demise and obsolescence of the monarchies and other political systems with a narrow sectoral base. Furthermore, industrial growth in and out of Russia created the conditions that triggered the October Revolution. Within a democratic party system, there have been extreme cases where sectors, e.g., agriculture, developed their own party. Agrarian parties prospered and co-governed in Sweden and Finland.[43] In Latin America, agriculture-linked parties lost power between 1900–1960, while those parties linked with mining, industrial, and service sectors gained power. In Chile, Arturo Alessandri became president in 1920, when the mining sector's unprecedented prosperity turned him into the "Lion of Tarapacá," a lion deriving his strength from the mining riches, and a lion capable of wrestling with the conservative agricultural interests and accelerating the transformation of the economy.[44]

Sectoral analysis can also help predict the time when, in party politics, sectoral consciousness or even class consciousness is not important. For example, although miners in Chile have a well-known left-wing voting pattern, because the women's labor force participation rates have been extremely low and their independence from their husbands very high, a separate sex-based, female voting block has been created that out-balances the class and/or sector-based male voting block. It is important here to note that women have a certain voting pattern because they lack sectoral affiliation. Once their labor force participation rates or their obedience to their husbands rise, however, it can be predicted that their voting pattern will change. Such a change seems to have been important in Allende's recent election.

THE MILITARY: THE DILEMMA OF ENFORCING INEQUITABLE VERSUS PROMULGATING EQUITABLE RULES

We go even further. It is argued here that political instability in Latin America, and widespread reliance on military dictatorships, is related to the high degree of concentration of surplus generating capacity in one sector, the instability of these resource surpluses—especially the export-related ones—the rapid succession of sectors generating surpluses, and the occasional disappearance of sectoral surpluses, as in the case of nitrate. The speed and stability of political change is influenced by the dissatisfaction of the sectoral-income groups with the capacity and speed sectors create income, the inter-sectoral and inter-class distribution and allocation of resources by the existing political agents, and with the agents' plans to harmonically solve the problems created by the changing relationships between sectors and classes, and between them and the political system. In defining and aiming for participatory democracy or even participatory dictatorship, political scientists must determine the political decisions required to establish an equitable participation of all society members in the total resource surplus and consumption. It has already been pointed out that the large sectoral productivity differentials in Latin America suggest highly unequal resource surplus-generating capacities among countries, and that they contain the promise of progress and sources of conflict. We add now a third, political dimension. The higher the inequalities in sectoral productivities and incomes, the higher the required dependence of a society upon the political structure, process, and institutions in establishing a participatory democracy on the distributive, allocational, and consumption side. The unique physiognomy and "instability" of Latin American political systems are a result of the vastly greater demands placed upon their political structures to mediate distributive, allocational, and consumption conflicts, rather than because of a lower capacity of Latin American political structures, cultures, and people, as compared to those of democratic Europe and North America, to mediate such conflict.

This argument provides a new explanation of the role of the military in Latin America. The military are, par excellence, a subsector of government. The military subsector is created as a neutral agent that insures the enforcement of laws enacted by government. The military subsector creates income by employing military personnel, with sectoral resources appropriated by government. While government promulgates the rules, the military sector, including the police, enforces them. Successful enforcement of rules, however, by no means implies that the rules are, or have been, equitable. The military have gained eminence in Latin America as the supposed neutral and objective enforcers of the rules of law. Because of successful pursuit of their primary mission, they have been called, or have called upon themselves, to assume the role of government and establish equitable rules of production, distribution, and allocation of the country's sectoral resources. This has been the case whenever other forms of government failed to become neutral, equitable, transectoral, and transclass agents. However, being a neutral enforcer of rules does not guarantee an equal capacity to create neutral and equitable rules. Although the primary challenge of the military in government has been to create such rules, and in spite of their success in eliminating corrupt practices, corrupt personnel, and rules favoring foreign enterprises, they have generally failed to establish equitable distribution and allocation rules. They succeeded, however, in establishing stable rules. Had they been successful as neutral agents and as equitable arbiters of clashes by developing appropriate rules, they could have retreated to their enforcement function and ushered in democracy. Although enacting equitable rules may be easier for the military than for a multi-party system, in Latin America such rules have not yet been developed. The military have occasionally used the government machinery to augment their own income. Their ensuing dominance has led to the self-defeating state of affairs whereby government exists for the military, rather than the people. Haiti's Duvalier and the Dominican Republic's Trujillo are extreme cases in this wide-ranging category.

The major reason for military intervention remains the failure of the non-military transectoral and transclass agents to use power for the good of all classes and sectors. But to the extent that the military perform no better than other agents, the same forces that made them rulers will resurface, and push them out of office. Promulgation of equitable, transectoral laws and rules is made so difficult in the Latin American countries by the existing massive inequities and inequalities, that a democratic government may be unable to introduce them, and even a military dictatorship may be unable to survive their introduction.

SECTORAL DIMENSIONS OF GUERRILLA MOVEMENTS

Even such events as guerrilla warfare can be analyzed more thoroughly within the sectoral framework.[45] A useful distinction in this context is the one between the origins of a political phenomenon, which can be economic, and the actual political arena events, which may not be easily linked to economics .*Prima facie,* suppression of a guerrilla movement is not, indeed, an event directly attributable to sectoral clashes. However, a guerrilla movement can be born, supported, and succeed or fail depending on its relationship to sectoral inequities, inequalities, and sectoral policies. Sectoral clashes define the system's economic conditions that determine its degree of maturity and susceptibility to a guerrilla movement. Guerrillas are, or want to become, agents of sectors, classes, and individuals. They need resources for survival; the amount they receive depends in part on the probability of delivery attached by classes and sectors to their promises.

As a sectoral and class agent, the guerrilla must compete with the existing agents. New contenders in the political arena are almost always opposed.[46] The guerrilla's ultimate success will be determined by the expected ability of existing agents to represent efficiently the class and sectoral interests of people, which ability, in turn, is affected by the sectoral and class complexity of the system, the past performance of the agents, the ability of existing agents to incorporate into their goals and objectives the guerrillas' stated sectoral and class objectives that have been ignored in the past, and so forth. The recent rise in urban guerrillas is a by-product of a drastic sectoral transformation and probably also of a substantial rise in urban sectoral inequalities and therefore social conflict. Once more, the theory's argument is that the political picture of an event or process is incomplete if its links to sectoral clashes and coalitions are not properly specified.

Even so, sector-based or sector-oriented violence can be of a variety of types, with a guerrilla uprising being only one dimension. Thus, violence can be caused by a class struggle within sectors, with income shares and surplus control providing the stakes. Violence can also arise whenever government unites with sectors and forcefully extracts a larger share from the resource-surplus generating sectors. Violence can also erupt because of a popular uprising of all sectors against government, caused by excessive appropriation and inequitable distribution and use of resource surpluses. Finally, international violence,[47] with declared or undeclared war, can emerge when two or more nations clash over control of a surplus-generating sector or the region where it is located. Typical in this respect was the War of the Pacific between Peru, Bolivia, and Chile, with control of the natural nitrate sector providing the stakes. By victorious war, Chile successfully incorporated both a surplus-generating sector and a region.

SECTORAL CLASHES AND COALITIONS IN INTER-AMERICAN GOOD NEIGHBOR AND GOOD PARTNER RELATIONS

The theory of sectoral clashes can be also applied to an analysis of the relations between the United States and the Southern Hemisphere. The link provided between the two entities is, once more, the sector. Both the Consensus of Viña del Mar and the Consejo Inter-americano Económico y Social (CIES) have complained that United States treatment of export sectors critical to Latin American economic development has been detrimental to the continent's growth. Venezuelan petroleum, Peruvian sugar, Brazilian and Colombian coffee, Argentine and Uruguayan meat and wheat, and more recently Argentine, Brazilian, and Mexican industrial exports have either been discriminated against or not sufficiently favored. These sectors are crucial to development because they earn scarce foreign exchange, are the major, if not exclusive, source of resource surpluses, and have a major expansion potential.

A United States response and strategy to the Latin American Consensus would have to consider the following sectoral aspects:

(1) each Latin American nation has a different constellation of sectors and thus a "unique" demand upon the United States for sectoral treatment;

(2) a "product"-based and product-oriented policy of the United States can benefit different countries to highly uneven degrees, and thus be a source of hemispheric international conflict;

(3) "favorable" sectoral treatment of Latin America by the United States means a transfer of resources to Latin America. Whatever the name or description of this "transfer of resources," it involves giving by the United States. It is of little importance at this moment that this "event" could or should have occurred in the past, and thus possibly reflects a correction of past injustices and exploitation;

(4) it is of critical importance that specific treatment requested from the United States is both sector-oriented and sector-based. It is intended to benefit a sector *first*, a nation *second*. Thus, Latin America, although apparently demanding better treatment on a continental or national basis is, in reality, when it comes to concrete requests, both advancing and exposing its sectoral interests;

(5) United States strategy would face no major problems if sectoral and

national interests were identical, or at least not in major conflict. However, the Latin American experience indicates that such identity has not been traditionally the case. A rich export sector is willing to share its resource surplus with the rest of the economy, but not always to the degree that satisfies the rest of the economy. More important, however, is the fact that the resource surplus generated in "United States-dependent Latin American exports" is appropriated by government and used to promote the interests either of particular income groups or particular sectors. Thus, "favorable" treatment by the United States of an export sector may not benefit the recipient nation as a whole because of the sector's unwillingness to share on an equitable basis the augmented riches, and also because, even if these riches are transferred to government, they are not used in a way consistent with the national interests, but primarily in a way benefitting government or some preferred class or sector;

(6) as soon as the United States is asked to provide sectoral treatment on a preferential basis, two events occur. On one hand, the Latin American countries intervene in the internal affairs of the United States economy by asking for a resource transfer under the guise of preferential treatment. On the other hand, the Latin American countries demand that the United States intervene in their internal affairs by favoring a particular sector or product. There is neither proof nor guarantee provided by the Latin American nations, however, that this type of intervention is either optimum for inter-American affairs or best for each country's nation-wide interest;

(7) the United States can request rules of the game that will make the distribution and allocation of resources transferred from the United States to Latin America equitable and efficient. These rules should not refer to products or sectors, but to distribution and allocation of resources and surpluses. Furthermore, resource transfers could be maintained or increased as long as investment on a transectoral basis is favored and as long as a maximum share of this "windfall" gain is transferred to central government for investment purposes. Furthermore, premium transfers could be offered to countries that transform and modernize their production structure by augmenting the investment allocation of already existing but consumption-oriented resource transfers. Only in that manner can a true "partnership" principle be developed;

(8) in the cases of Argentina and Uruguay, where export problems are related to product quality improvements in the consuming countries, preferential treatment to rigid traditional exports may choke off progress everywhere. Preferential treatment should be given *only* to a modernizing sector, and rules of game should be established to increase the allocation of resources towards modernization of intermediate industries (refrigerator plants), quality improvement of primary inputs (higher quality meat), and improvement in the transport industries.

Both the Good Neighbor policy[48] and the Partnership policy of the United States can be interpreted and amplified within the sectoral clash and coalition framework.[49] Diplomatic relations between the United States and Latin America have revolved around the issue of control and distribution of sectoral resource surpluses. Although the United States realized this fact only after 1936,[50] Latin American countries wanted a freedom that implied and gave them absolute control over their sectoral surpluses, not just a pledge to abstain from intervention. The issues have always been predominantly economic, but because the international juridical system has not yet been sufficiently developed to include rules that would solve them, political procedures of settlement have been employed. Concern for the social welfare of the people of the hemisphere shown by the Latin American governments, exemplified by Lázaro Cárdenas, Medina, and the United States, permitted rising control and appropriation of surpluses by national governments through taxation, international price agreements, and ownership transformation policies. It was not that the national interests of the United States far outweighed those of its companies in Latin America, but that the United States' conscience, national policy and international *realpolitik* made imperative an increasing resource surplus transfer to Latin American nations at the expense of American consumers, producers, and government, and the specific petroleum, tin, and copper companies involved.

The traditional way of viewing the relations—or "clashes"—between the United States and Latin American governments within political as opposed to judicial frameworks, underestimates the economic and sectoral underpinnings of the two areas, and can lead to ambivalent, non-optimum solutions. The new solutions provided by sectoral analysis are illustrated by the following cases. The Mexican oil settlement induced American companies throughout the hemisphere to improve wages, working conditions, and fringe benefits of their local employees. This policy backfired when the increased sectoral income differentials which the policy caused fomented internal unrest and conflict. Since the object of contention was the resource surplus of the petroleum sector, the alternative policy suggested here would have been to establish resource surplus distribution and allocation rules whereby an increasing share accrued, not only to the privileged few employed in the foreign-owned sector, but to *all* people, and was invested. Such a policy would stimulate production, reduce sectoral inequalities, accelerate growth, and ultimately reduce social conflict and even antagonism against the "assimilated" foreign-owned sectors.

Other instances of sector-based and sector-oriented components of inter-American relations that can be examined within the theory's framework are those of coffee and sugar. In the recent dispute over Brazilian soluble coffee, United States interests urged Brazil to impose a tax of 30 cents per pound. "Brazil compromised by imposing an exports tax of 13 cents per pound on May 1, 1969."[51] The alternative suggested here would have been a tax on soluble coffee imposed and collected by the Organization of American States and used for investment in social and economic capital throughout Latin America. As a phoenix, a strong international cooperation organization would then have risen from past inter-hemispheric conflict.

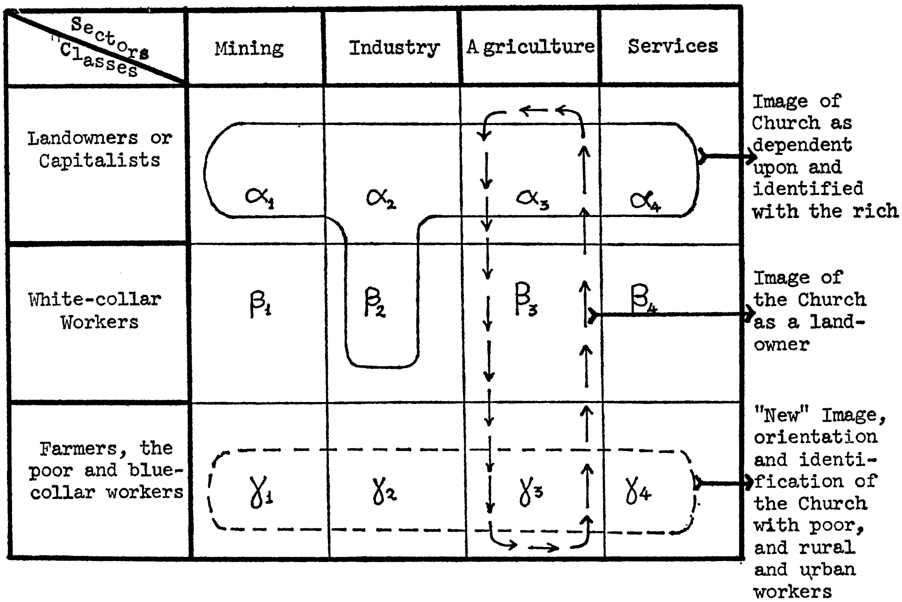
As already pointed out, sectoral inequalities and clashes can lead to totalitarian Marxist or right wing regimes. However, political freedoms are so important and the price of losing them so incalculable that they should not be given up for the sake of higher and better distributed income. Freedom, equality, and development can be achieved, although the structure of the Latin American economies suggests that this goal can be attained only with more decisive government policies containing the excesses of present and mitigating future sectoral clashes.

THE CATHOLIC CHURCH: "THE NEW NAME FOR PEACE IS DEVELOPMENT."[52]

The Catholic Church in Latin America has undergone a drastic transformation in recent years. The Greek letters represent classes, with α, standing for capitalists, β, for white-collar, and γ, for blue collar workers, and subscripts 1, 2, 3, and 4, standing for mining, industry, agriculture, and services, respectively. As Figure 2 indicates, the image of the church has changed from the older, and by no means necessarily correct one, of being dependent upon and identifiable with the rich, or even as a landowner, to one expressing orientation and identification with the needy, the poor, and the workers. The image has also changed from passivity to action. The changes in the base, orientation, and activism of the church have been quite radical, if compared to previous long periods of relative inertia. This transformation, though not uniform in all nations, shifted and widened the church's base, bringing it to closer association with the needy working classes and reflecting less identification with landlords, political parties,[53] and intellectuals. The resource base of the church was radically transformed in those instances where it abandoned its role and function as a landlord and spearheaded the agrarian reform movement by dividing diocesan and other church land among small farmers.[54] The church actions, though largely reflecting a repetition and return to Peter's "I have neither gold nor silver, but what I have I give you,"[55] have assumed new dimensions. Incited by the widespread dissatisfaction with both the rules of production, distribution, allocation, and their enforcement, and disappointed with the performance of the traditional agents, the Catholic Church has decided "to bear the burden of a long twilight struggle . . . against the common enemies of man: tyranny, poverty, disease, and war itself."[56] This implies that the church is or will become an active agent in pursuing equitable rules of the game and, at least indirectly, represent classes in all sectors. If the church is to "commit itself to the overcoming of the enmities and the injustices of the modern world,"[57] it would have to follow and recommend, first, a redistribution of income and wealth in favor of the poor—and this it has done—and second, an allocation of resources favoring present consumption sacrifices for the sake of investment leading to eradication of poverty in the near future. It can be expected that the church will endorse acts that are believed to favor the poor, such as nationalizations, and also condemn strongly tyrannies that deny human rights and freedoms. The church has traditionally been viewed as an entity catering and appealing to the mind and soul of all people. It remains to be seen whether it will be more successful in achieving this goal through a humanization and modernization that casts it in the middle of economic conflict and coalition games. The danger of distortion through transformation into a materialistically oriented, ever-changing agent of sectors and classes is as ever-present as the danger of irrelevance and distance through inaction. In a way, the church reaches for the optimum solution which has escaped development economists and which, if

Figure 2

Class and Sectoral Identification of the Church



found, would have to be implemented in a manner consistent with the functions pertaining to non-material human inputs.

CONCLUSIONS

The theory of sectoral clashes stresses the unique importance of the sector and of the government-sector relationship in shaping production, distribution, and allocation. The theory suggests that excessive inequalities and conflicts between sectors can be the primary cause for the decline and fall of societies, even though a minimum degree of inequality is indispensable for growth. Among the implications and recommendations of the theory, the following stand out:

1. economic, in particular sectoral, conflicts, battles, crimes, and sacrifices, are equal in intensity and impact to political, military, and even religious conflicts, battles, crimes, and sacrifices. In a way, there is little difference between genocide in the traditional sense of mass extermination of ethnic groups through military methods and the ever-present genocide of ethnic groups through hunger, disease, and other economic deprivation.

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2. because government has productive, distributive, and allocative capabilities and responsibilities, means beyond elections must be developed to ensure rewards and penalties for good and bad performance, and especially against misuse of governmental power. The principle of sectoral malpractice, sectoral-union-, sectoral-management malpractice should be specified and implemented. There is a need for radical economics, not in the sense of reviving antiquated Marxist economics, but of economics going beyond the class-based, classical, Marxist, Keynesian, and neoclassical analysis. In particular, there is a need to supplement traditional laws with new Legal Economics and National and International Laws of Limits of Sectoral and Class Power and Conflicts. It must be realized, for example, that the "modern highway robbery," explicit in excessive wage increases in the United States by construction workers,[58] teamsters, and a few other sectoral groups, is largely responsible for the more than $100 billion gap between actual and potential GDP caused by otherwise unnecessary general anti-inflationary monetary and fiscal policies.[59] Inability of the market system and the president of a country, whether in Latin America or the United States, to control such developments is a sign of crisis of the political and legal structure, and of the inflexibility of traditional rules that leave excessive and injurious sectoral behavior uncontrollable, and sectoral power unharnessed.

3. if it is accurate that productivity differentials inhibit investment, a deliberate policy of reducing them would be advisable. The more equitable and efficient alternative, however, seems to be transformation of allocation in favor of investment. The needed correction in sectoral productivity inequalities and income distribution through medium-term investment policies would ultimately improve both the sectoral employment and income distribution pattern.

4. United States policies and actions creating resource surpluses in Latin America should aim towards an equitable distribution of surpluses between Latin America and the United States, an equitable distribution of the Latin American share among the hemisphere's countries, and an equitable distribution of each country's surplus among its sectors and classes.

5. an inter-American agency or bank could be created to stimulate and monitor the creation and collection of continental resource surpluses, supervise and control their distribution, and direct their allocation in a manner reducing sectoral conflicts both within and between Latin American countries.

6. a global strategy is required, to involve parallel national and international production, distribution, and allocation substrategies of optimum nature.

7. although massive government intervention in all aspects of economic life is both inefficient and undesirable, an increased governmental role in stimulating the creation of resource surpluses, in diminishing inequities in the distribution of income and surpluses, and in maximizing the conversion of surpluses into human and physical capital is desirable, if not indispensable, if social crises are to be reduced or prevented.

NOTES

The basic statistical research of the present essay was made possible by an SSRC grant, and by general support from the Graduate School of the University of Wisconsin-Milwaukee. The writing of this paper was greatly stimulated by the published and unpublished comments, questions and criticisms and the various articles that have applied or tested the theory in Latin America.

1. See Markos J. Mamalakis, "The Theory of Sectoral Clashes," *Latin American Research Review*, 4: 3: 9–46 (1969). This essay will be referred to in the future as "Sectoral Clashes," and the journal as LARR.
2. See the comments which accompany the Mamalakis article, in the issue of LARR cited above, by Bo Anderson, Charles W. Anderson, Jorge I. Domínguez, Manuel Gottlieb, Gilbert W. Merkx, Miguel S. Wionczek, and Luciano Barraza.
3. The authors and essays applying the sectoral clashes theory to a Latin American country are the following. On Argentina, Gilbert Merkx, "Sectoral Clashes and Political Change: The Argentine Experience," LARR, 4: 3: 89–114 (1969), and Luciano Barraza, LARR, 4: 3: 73–87 (1969), and the following unpublished papers, which were delivered at the AAAS Boston Meeting, December 1969: On Bolivia, James Malloy, "Patterns of Sectoral Clashes in Bolivia Between 1900–1964"; on Chile, Markos Mamalakis, "Sectoral Coalitions and Clashes in Chile: 1880–1930"; on Cuba, Jorge I. Domínguez, "Sectoral Clashes in Cuban Politics and Development" (published in a revised form in the present issue of LARR); on Mexico, Luciano Barraza, "The Effects of Sectoral Clashes on Growth and Distribution of Income. The Mexican Case." (Barraza points out the need and strongly recommends further refinement and development of testable hypotheses of the theory of sectoral clashes). On Peru, Myron Frankman, "Sectoral Preferences of the Peruvian Government, 1946–1965."
4. The key ingredients of the framework are presented in M. Mamalakis, "Sectoral Clashes," LARR, 4: 3: 17–24.
5. A nation exists when, first, it possesses resource-surplus generating sectors and, second, when it has full control of the distribution and allocation of its domestic resource surpluses. In this framework, imperialism is defined as the manipulation by a nation or a group of nations of the sectoral resource-surpluses of another nation or group of nations in a manner that leads to a distribution and allocation of this resource surplus that is optimum to the former nation or group of nations.
6. A resource surplus is defined as the amount of resources a sector produces in excess of the subsistence requirements of its labor force. A resource surplus exists in those sectors of a low income country that have an above-average productivity. This definition of a resource surplus is similar to the notion of an agricultural surplus used by Dale W. Jorgenson, in "Development of a Dual Economy," *Economic Journal*, 71: 309–334 (1961). It differs from the related agricultural surplus concept based on disguised unemployment which is used by Gustav Ranis and J. C. H. Fei, "A Theory of Economic Development," *The American Economic Review*, 51: 4: 533–565 (1961).
7. A lengthy explanation of the concept of power and an unequivocal emphasis on the income distribution problem is found in Richard N. Adams, *Crucifixion by Power; Essays on Guatemalan National Social Structure, 1944–1966* (Austin, 1970), in particular, pp. 117–123, 380–437. Even this excellent pioneering work suffers because it occasionally relies on such ambiguous concepts and ideas as the "lower sector" and the "upper sector," which cannot always be properly identified, and on power, sources of power, consequences of power, con-

flict due to use of power, which are presented as synonyms and used interchangeably (pp. 117–123). According to my theory, the sectoral resource surplus is the source leading to power at the macro-nation-level, and this power is determined by its distribution between nations, classes, and regions. It is also the source of power at the micro-level, shaping the relationships between the entities that create, own, control, dispense, receive, or aspire to a share of the resource surplus. See also Richard N. Adams, *The Second Sowing, Power and Secondary Development in Latin America* (San Francisco, 1967), pp. 1–72, and 225–266.

8. Three types of productivity estimates are presented. Type (a) uses gross domestic product (GDP) statistics in current prices and labor force statistics prepared by the individual countries. Type (b) uses GDP figures in current prices and labor force statistics corrected by the Economic Commission for Latin America. Type (c) is based on deflated GDP or national income statistics and the ECLA labor force figures. These alternative productivity estimates are presented because the concept of income is measured in a variety of ways leading to different productivity estimates, not necessarily because one estimate is better or worse than another. Insofar as the sectoral labor force statistics are concerned, the corrected ECLA figures should be considered as the best available.

9. Bruce F. Johnston, "Agriculture and Structural Transformation in Developing Countries: A Survey of Research," *American Economic Review*, June 1970, p. 378, presents some related arguments.

10. An interesting analysis of the manpower structure in Latin America is found in Zygmunt Slawinski, "The Structure of Manpower in Latin America: Evolution during the Last Few Decades and Long-Term Prospects," in *Human Resources Planning in Latin America* (Paris: Organization for Economic Co-operation and Development, 1967), pp. 123–174.

11. A small mining surplus was also occasionally generated.

12. The service sector and the role of services in political, economic, and social development and transformation have received scant attention. As an example, see Barrington Moore, Jr., *Social Origins of Dictatorship and Democracy, Lord and Peasant in the Making of the Modern World* (Boston, 1966).

13. See Osvaldo Sunkel, "Política nacional de desarrollo y dependencia externa," *Estudios Internacionales,* 1: 1: 1–43.

    We may conclude at this point that because the relative capacity of a sector to generate a resource surplus is measurable, predictable and, within limited time horizons, known, and because this capacity plays a major role in shaping the nature and strength of government-sectoral coalitions and clashes, the coalition and clash patterns are non-random and predictable.

14. This should clarify the point raised by Richard P. Schaedel, LARR, 4: 3: 4 (1969), Miguel S. Wionczek, LARR, 4: 3: 70 (1969).

15. The statistical evidence of this essay was specifically developed to dispel the notion that sectoral clashes are a unique Chilean experience. See M. S. Wionczek, LARR, 4: 3: 71 (1969). As Merkx has shown, Argentina has also been afflicted by prolonged sectoral clashes: Merkx, LARR, 4: 3: 89–114.

16. The theory of sectoral clashes claims that internal sources of conflict prevent a country from acquiring the ability to eliminate bottlenecks constraining growth. The tests of the sectoral clashes theory by Luziano Barraza, LARR, 4: 3: 73–87, (1969), are highly informative but can neither reject nor validate the theory. Tests of the theory would have to consider all sectors

of the economy and test, first, the hypothesis that some sectoral income shares are "artificially" high and, second, that productivity inequalities can inhibit growth by distorting all three economic processes.

17. See Hammond Innes, *The Conquistadores* (New York, 1969), p. 309.
18. An excellent and classic understanding of the conquest is offered by William H. Prescott, *History of the Conquest of Mexico*, and *History of the Conquest of Peru* (New York). Prescott's quotations on the title of his book on Peru described the mood and heritage of the conquest: "Congestae cumulantur opes, orbisque rapinas accipit" (Claudian, *In Ruf., lib.* i., v. 194); "So color de religion/Van a buscar plata y oro/Del encubierto tesoro" (Lope de Vega, *El Nuevo Mundo*, Jorn. I.)
19. For an analysis of governmental capabilities, see the very informative work by G. A. Almond and G. B. Powell, *Comparative Politics: A Developmental Approach* (Boston, 1966), pp. 190–212.
20. The values of productivity differentials presented earlier underestimate the real size and social impact of the true productivity and income inequalities since they lump together multi-million dollar mining colossi with primitive copper, tin, silver, and other excavations.
21. Both the Castro revolution and, to a lesser degree, Perón's, succeeded in achieving a rapid transformation in the distribution process. This is consistent with the advantages seen in revolution by Moore, *Social Origins,* p. 505. It would be incorrect to conclude from this, that rapid change and transformation, especially in income distribution, is impossible in a democracy. It is possible, as long as the problem is recognized and its solution is given due priority; furthermore, democratic change can be achieved without the human and social costs inevitable in revolutionary change.
22. This section attempts to answer the interesting questions raised by M. S. Wionczek, LARR, 4: 3: 69–70 (1969).
23. "Sectoral Clashes," LARR, 4: 3: 19–23 (1969).
24. This is an extension of Hypothesis 4, according to which government is an agent. Because of the nature of government as a conglomerate of "sub-agents," internal conflict, conciliation, changes in orientation, and use of instruments in pursuing objectives, and so forth, are part of a normal pursuit of business.
25. Robert Dix, unpublished "Comments on 'Sectoral Coalitions and Clashes in Chile: 1880–1930' by Markos Mamalakis," AAAS meeting, Boston, Dec. 1969, p. 1. The material in parentheses has been added.
26. The ownership element has provided the foundations for rebellion of the colonies against the crown, of nationals against foreigners, of the Spanish and assimilated ethnic groups against unassimilated middle classes, of the Indians against the whites, and of the poor against the rich. The conflicts, revolts, and rebellions have always existed. The groups involved are constantly changing.
27. Innes, *The Conquistadores*, p. 309.
28. See Harry G. Johnson, "Toward a Generalized Capital Accumulation Approach to Economic Development," in *Economic Development, Readings in Theory and Practice*, Theodore Morgan and George W. Betz, eds. (Belmont, 1970), p. 84.
29. Moore, *Social Origins*, pp. 485–487.
30. In the present section, I have attempted to link more rigorously the various patterns and stages of sectoral clashes and coalitions with each other and with the three processes of income creation, distribution, and allocation. This expanded framework can be used in as-

sessing and expanding the work by Barrington Moore and others and in rethinking the traditional explanations of development in both Latin America and elsewhere.

31. The most serious misconception and misinterpretation comes from Jorge Domínguez, who claims that the theory of sectoral clashes and coalitions is part, and a subset of, interest group theory. See Domínguez, "Sectoral Clashes in Cuban Politics and Development," in this issue of LARR.
32. Almond and Powell, *Comparative Politics*, pp. 73–97; 190–212.
33. Almond and Powell, *Comparative Politics*, pp. 42–72, provides a detailed description of these concepts.
34. The sectoral base of interest groups is partially recognized by David B. Truman, *The Governmental Process* (New York, 1965), pp. 63–93. However, the treatment is too superficial and institutional to permit one to grapple with the multiple, changing interactions between sectoral bases and transformation, on the one hand, and, on the other, with political development and transformation.
35. For a definition of "lawful" and "unlawful", according to Plato and Aristotle, see Almond and Powell, *Comparative Politics,* p. 190. The notion of "good" in defining a political rule should be interpreted as establishing an optimum relationship between sectoral and political transformation.
36. It is worth noting that Almond and Powell, *Comparative Politics*, p. 308ff., have not recognized (or even mentioned) the unique importance of the "sector" as the foundation, tool and, even in part, objective of development. They therefore create numerous "formal" systems (p. 308ff.,) which seem to lack substance.
37. This should clarify the misunderstanding and partial misinterpretation of the theory by Jorge Domínguez in his adjoining essay. Although the main part of Domínguez's essay is well prepared, some of the conclusions do not follow his main analysis. Domínguez's statements that "existing theories of economic development are also adequate to explain Cuba's choice," and that "growth occurs for other reasons which are explained by existing economic theory," remain unproven and, furthermore, suggest a state of knowledge of development economics far above the generally accepted one. As Fei and Ranis point out: "the really essential issue of any viable growth promotion policy . . . is how to facilitate the various learning processes . . . with the help of foreign aid, rather than how to calculate foreign aid requirements. . . . In other words, we must pay increasing attention to the rules governing changing behavior patterns in the course of economic growth." J. C. H. Fei and G. Ranis, "Foreign Assistance and Economic Development: Comment," *American Economic Review,* (Sept., 1968), p. 910. The theory of sectoral clashes is concerned with the impact of government—sectoral coalitions on the learning processes that shape production, distribution, and allocation, and social, political, and economic development.
38. Interest group analysis is at such a primitive stage of development that a claim of the existence of sets and subsets cannot be made. The foundations, tools, objectives, and interactions of interest groups have not yet been properly explored. This is an additional reason why it is misleading to argue that the theory of sectoral clashes is a subset of interest group theory.
39. For example, democracy of a predominantly agricultural, rural, open-land economy is a different democracy, in terms of the aforementioned rules, than the one based upon an industrial-service, predominantly urban economy.
40. This idea has a long history, as shown by B. Moore: "Like Winstanley before him, Babeuf

regarded political equality a sheer deception if unsupported by economic rights." See Moore, *Social Origins*, p. 501.

41. Although economists favor economy-wide, transectoral policies, such as a one-wage policy, extensive sectoral income inequalities make such class-oriented policies impossible to implement. In Chile, Argentina, and elsewhere, inflation has remained uncontrolled because a "one-wage" policy could never please all sectors and a "multiple-wage'" policy that could accommodate sectoral differences has not yet been devised. Even in the United States, social and political behavior stems from sector-related wage and salary differentials giving rise to almost as many "classes" of workers and capitalists as there are sectors.
42. Joint action by all sectoral income groups can be desired by one or more classes in a sector. The mere desire provides no guarantee for action, however. Unions frequently press management to raise output prices, suggesting that capitalists as well as workers are bound to gain. Management may or may not accept, depending on whether it feels that the price increase will stick and the expected benefits will materialize. Management and capitalists occasionally provide extremely high wages and fringe benefits to their workers, hoping to turn them into a political force lobbying in their favor with government. There is no guarantee that workers will reciprocate. In some instances they do, in others they do not. In Latin America, such policies by foreign mining, agricultural, and industrial concerns have frequently backfired. Social unrest and sectoral conflict was intensified as such policies increased the sectoral income differentials to socially and politically intolerable levels. The end result has frequently been nationalization or discrimination against the foreign-owned enterprises and sectors.
43. See Anderson, *LARR*, 4: 3: 48 (1969).
44. In the more common pattern, parties control sectoral voting blocks, or particular sectoral income groups control a party. For example, landowners control one party while industrial and mining workers overwhelmingly vote for another party. Since funds donated to party campaigns by landowners emanate predominantly from agriculture, its level and distribution of income and wealth can be used as a yardstick to predict the economic strength, but not necessarily the political appeal, of a party.
45. See C. W. Anderson, LARR, 4: 3: 51–52 (1969), for a political scientist's way of looking at suppression of guerrilla movements.
46. See C. W. Anderson, LARR, 4: 3: 51–52 (1969).
47. The sectoral element in international conflict was highlighted at the beginning of 1971, as the negotiations between American and European petroleum companies and the Organization of Petroleum Exporting Countries (which includes Iran, Kuwait, Iraq, Saudi Arabia, Abu Dhabi, Qatar, Libya, Algeria, Indonesia, and Venezuela) broke down repeatedly. The less-developed nations refuse to remain as "milk cows." They are demanding a rising share of the resource surplus generated in the petroleum sector, a rise in the surplus generated through price increases, and complete sovereignty and independence. Foreign companies do not object to a change in the rules of sharing resource surpluses, but correctly claim that a minimum stability of any set of rules is a required investment incentive.
48. For an extensive analysis of the Good Neighbor policy and its close relationship to sectoral strategies of the United States towards Latin America, see Bryce Wood, *The Making of the Good Neighbor Policy* (New York, 1961).
49. President Nixon's Partnership policy has been interpreted almost totally in economic and heavily in sectoral terms by Galo Plaza, secretary general of the Organization of American

States. Plaza sees the partnership evolving around "trade and development assistance" policies of the United States that will support "Latin America's impressive self-help efforts to accelerate economic and social development and effect reform." See address by Galo Plaza, secretary general of the Organization of American States, at the convocation for awarding the Maria Moors Cabot Prize at Columbia University, New York City, Oct. 29, 1970. The title of the address was "Partnership in the Americas," *Information Service News Release* of the Organization of American States, Oct. 28, 1970, E-177/70, p. 10.

50. Wood, *The Making of the Good Neighbor Policy*, p. 330.
51. Galo Plaza's address; cited:n.49.
52. See Manuel Larraín Ezzázuriz, "We Must Know the Signs of the Times," *The Religious Dimension in the New Latin America,* John J. Considine, M. M., ed. (Notre Dame, Ind., 1966, pp. 215–224. It was Bishop Larraín's plea of August 1965, for international justice, entitled, "Victory or Ruin in Latin America," which enunciated the theme that Pope Paul VI embodied in his letter to U Thant: "The New Name for Peace is Development," Considine, *The Religious Dimension.*
53. Extremely informative in this respect are the following documents and books: "Second General Conference of Latin American Bishops; The Church in the Present-Day Transformation of Latin America in the Light of the Council; I: Position Papers," pp. 1–280, II; "Conclusions," pp. 1–290 (Bogotá, Colombia: General Secretariat of CELAM, 1970); *Social Revolution in the New Latin America, A Catholic Appraisal*, J. J. Considine, M. M., ed. (Notre Dame, Ind., 1965).
54. Bishop Larraín became a forerunner of this movement through his actions in 1962. *Ibid.*, p. 215.
55. *Ibid.*, p. 219.
56. *Ibid.*, p. 218.
57. It has actually made this commitment, according to Leon Josef Cardinal Suenens, "Latin America and the Universal Church," in *Integration of Man and Society in Latin America,* Samuel Shapiro, ed. (Notre Dame, Ind., 1967), pp. 337–352.
58. The need for rules curbing the power of specific sectors or sectoral-income groups is being recognized in 1971 at the highest levels of the Republican administration. Thus, President Nixon has labeled the construction situation a "crisis," and both Paul McCracken, chairman of the Council of Economic Advisers, and Leonard Woodcock, president of the United Auto Workers (*Time*, Feb. 15, 1971), have singled out the construction wage increases as excessive. The social crisis in the United States is likely to increase along the Latin American pattern, if sectoral income differences continue to rise at the alarming rate of recent years. President Nixon's August 1971 economic policies are a direct consequence as well as recognition of the past lax rules of the game concerning intersectoral and interclass distribution of income.
59. Such a sectoral clash leads to a negative sum game even though the dominant sectors gain by extracting resources from the rest of the economy through relative price changes.