



# Empty Formulae for Spanish America

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“Models so divorced from reality can never produce the answer to anything”

RESEARCH now available or in progress is gradually reducing our ignorance of the causes of underdevelopment and the conditions under which most of mankind lives.” This is the bold assertion on the dust jacket of a new book\* on Spanish America by Keith Griffin of Oxford University, but when one considers the morass of conflicting views, policy recommendations and data pertaining to the Latin American economies, one is puzzled by the author’s optimism.

One of the book’s major contributions lies in its attempt to survey some of the current fashionable doctrines of economics, to show how they conflict with one other, and to add its own dissenting voice to the babel. The situation is extremely depressing, and the failure of economists, both within and without the underdeveloped countries, to arrive at some consensus is a serious obstacle to development.

There does seem to be one major area of agreement, however, namely, that a universal and essential feature of the development process is the gradual but substantial migration of the labour force from the agricultural to the non-agricultural sectors. It is unfortunate that Mr. Griffin nowhere explicitly acknowledges, far less emphasises this point.

The explanation is not hard to find. Among the many elaborate models of economic development that the academic economists enjoy playing with is the “dual economy” model. This model is concerned with the process of transferring low-wage rural labour to the growing urban sector. As the industry and service sectors expand, it is posited that there will be an unlimited flow of surplus labour from agriculture to “fuel” this expansion, without there being any decline in agricultural production. These labourers produced nothing in agriculture that could not have been produced by those remaining. Previously they had relied on the family to share equally with them the total product of the family. This share could be regarded as the subsistence wage in agriculture. At this wage rate the non-agricultural sectors would be willing to hire them, although a little extra would be paid to attract the labour to the strange new city environment.

The model can be developed to demonstrate how, as capital accumulates in the non-agricultural sector and more labour is bid out of agriculture, the price of

labour will rise, making it necessary for agriculture to mechanise until productivity in all sectors has increased and the label “underdeveloped” can be abandoned.

This is a vast over-simplification, but by and large we can see this type of process at work in the economic history of Europe, North America and Japan.

Mr. Griffin regards this analysis as irrelevant to the contemporary problems of Latin America. Why? Firstly, he only considers the model in its initial stages, where it is assumed that there is so much surplus labour in agriculture that the wage rate remains constant at the subsistence minimum. Of course he is right that from that point of view the model is a model of stagnation because no-one is getting any better off. Like many of his academic colleagues, he is only prepared to look at the situation as it is today, not in terms of its potential. Given existing techniques in agriculture, seasonal demand at least ensures that little or none of the rural labour force is totally redundant the year round. Although the author criticises the model for being too “static”, he himself fails to consider the potential for dynamic reorganisation of the agricultural sector if its work force were to be reduced. If these dynamic adjustments do not occur, how is it that Britain’s agricultural labour force is now only three per cent of the total work force, instead of the 30 per cent to 80 per cent that is found in Latin American countries today?

At no point does Mr. Griffin show himself to be aware of the potential implications of the technical revolution that is occurring in Latin American agriculture everywhere, or at least he discounts its significance, since he is more concerned to impress us with the fact that millions of *campesinos* are still poverty-stricken because of their inability to find credit and land with which to improve their production methods. The author is, of course, quite right to empha-



size that sufficient land and capital are essential if individual farmers are to raise their productivity, but he ignores the fact that there is already a sufficient

*Underdevelopment in Spanish America* by Keith Griffin. George Allen & Unwin, 60s.

number of relatively commercial farmers with tractors, fertilisers and irrigated land to produce all the additional food that is demanded each year in Latin America.

Mr. Griffin produces some figures for isolated years that seem to suggest that agricultural production in



Latin America is falling short of the population increase. Unfortunately the data available are very poor and contradictory. It is easier to find U.N. figures suggesting the opposite: that food output has grown faster than population in recent years. Production figures tend to be consistently underestimated because of the growing number of small farmers who have been squeezed out of the market economy by the larger commercialised farms and produce only for their own family subsistence requirements.

The continuing failure of economists to distinguish clearly between dietary deficiencies (or the *need* for food) and *effective demand* for food is leading to serious policy errors. The grim statistics on worsening *per capita* calory intake testify to the fact that there exists an enormous need for more food. In contrast, the constancy of the price relationship between food and non-food products in almost all Latin American countries demonstrates that the agricultural sector has not failed to supply whatever has actually been demanded of it. Any attempt to raise the productivity of the farmers must therefore be accompanied by measures that will draw marginal farmers off the land into more remunerative jobs outside farming. The possibilities for increasing productivity in agriculture with modern techniques are enormous, but in the absence of measures designed to raise the purchasing power of the people, supply will outstrip demand, prices will slump, and the agricultural sector *as a whole* will be worse off than before. This has been the pattern in Latin America. Mr. Griffin recognises the symptoms but not the cause.

However, the author does make a useful contribution by outlining the historical background to the present system of land tenure in Latin America. The Spanish conquest destroyed the indigenous civilisations of the Aztecs and Incas, among others, and superior military technology enabled the Spaniards to dispossess the natives of their lands and to enslave them to the new land owners. The natives did the work while the *conquistadores* and the Spanish royal family reaped almost all the benefits. To this day, this history is reflected in the existence of large land-holdings on the flatter, more fertile lands, side by side with the tiny

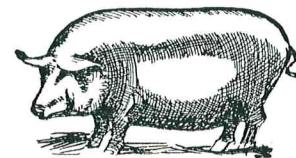
*minifundio* holdings on the hillsides, where extremely intensive cultivation erodes the soil and destroys natural forest resources, to the jeopardy of future generations. Many of the small farmers rent parcels of land on the larger, more fertile estates, providing the absentee landlord with a handsome income. Taxes, if imposed at all, are often easily evaded.

This historical point having been made and well taken, however, Mr. Griffin must be censured for failing to emphasise the more recent emergence of two less sinister but no less devastating phenomena. These are the impact of the population explosion, which is now doubling Latin America's population every twenty-five years, and the impact of the technical revolution in agriculture. Both relate intimately, but in opposite ways, to the problem of land monopolisation.

Population pressures are tending to break up the *latifundia* because of the system of patrimony which requires that the landlord's heirs receive equal portions of the estate upon his death. The smaller plots are also being broken up into tiny *minifundios*, and new lands are invaded despite their relative inaccessibility to the markets and infertility. Other peasants can find no more spare land worth cultivating, and these migrate to the cities. Mr. Griffin rightly points out that often there are no jobs waiting for them there. The modern manufacturing plants that are expanding in the cities tend to be relatively capital intensive and to absorb too little labour. Also, trade unions bid up wages for the industrial elite at the expense of the newcomers, who are not permitted to bid down the wage rate.

Instead of suggesting how a country might tackle these problems, by altering the highly-skewed distribution of income and the associated pattern of demand for capital intensive luxury goods, and by restraining the monopoly power of the trade unions, Mr. Griffin immediately turns back to the agricultural sector and asks how we might be able to keep labour on the land. He places his trust in technical assistance and credit to small farmers, in the redistribution of the *latifundios*, and in colonisation schemes.

All these proposals ignore a basic economic reality: that resources are scarce and need to be allocated where returns are likely to be greatest. A revolution has been taking place throughout Latin American agriculture in the last two decades. Yields have increased enormously



on the farms that have been applying fertilisers and pesticides, and that have enough land to make tractors and mechanical harvesters pay. But, because demand

has not risen correspondingly, the non-innovators—the small farmers—have been squeezed into subsistence or off the land altogether. Resources are not unlimited, so all of the burgeoning rural population cannot be given the same amounts of land and capital. Imagine the impact on prices and incomes if half the labour force were farming the land efficiently. In the United States five per cent of the labour force is accumulating embarrassing food surpluses because land, labour, and capital are being discouraged from moving into other occupations where their returns would be greater. The United States may be able to afford the price subsidies paid to five per cent of its population, but similar price supports for eighty per cent of the population in Latin America is quite unthinkable.

Far from asking what might be done to oil the mobility mechanism that is functioning so poorly in Latin America today, Mr. Griffin instead deplors the outflow of labour and capital from rural areas to the metropolis. He even laments the construction of a road network between the interior Peruvian Sierra and Lima on the coast because it encourages the outflow of the best labour and hence the decline of these isolated rural communities. If similar migratory patterns had not occurred in North America, that area would today be as poor as its southern neighbour. It is astonishing how many Western economists still regard the pattern of urban expansion and rural depopulation as a process of exploitation by the “metropolis” of the “periphery”.

These economists fail to note a more fundamental kind of exploitation as the development process begins and as the population increases. The South American cities from Bogota to Buenos Aires are doubling their populations *every ten years*, and vast fortunes are being reaped by the lucky few who happened to be there first with a piece of paper entitling them to the ownership of the land. If this wealth, produced by the community, could be appropriated for the benefit of the community, and used to expand housing and public services and mass consumption goods industries, providing remunerative work for the displaced rural labour, then there is hope that technical progress will prove a blessing rather than a curse for the two thirds of the world's population living in the underdeveloped areas. Only when the bulk of mankind is prosperous and well-educated can we hope to see the population explosion damped down.

A major indictment must be levelled at the economics profession as long as it refuses to address itself to some of these more fundamental issues and instead prefers to indulge in the empty formalism of elegant models of economic growth that almost invariably assume away land as a factor of production and concentrate entirely on labour and capital. Models so divorced from reality can never produce the answer to anything.