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978-0-521-10537-8 - Miners, Peasants and Entrepreneurs: Regional Development
in the Central Highlands of Peru

Norman Long and Bryan Roberts

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[More information](#)

1

Regional development in an export economy

Introduction

This book explores a controversial issue in the analysis of development – whether integration into the international capitalist economy entails relative stagnation for underdeveloped economies or the possibility of sustained economic growth and diversification. We focus upon one provincial region of Peru – the central highlands – whose economic and social structure has been shaped by involvement in the international economy from the latter half of the sixteenth century and which, in recent years, has become peripheral to the more dynamic growth pole of Lima.

Our conclusion is that significant growth and diversification has taken place in the region and that this is directly attributable to capitalist expansion. Throughout our analysis we emphasize the social and political dimensions of this process since the local dynamic of capitalism has involved important changes in class relationships consequent upon the emergence of a wage labour force and new entrepreneurial groupings.

This conclusion is particularly significant since the economy of the central highlands has been closely linked in this century to the fortunes of large-scale, foreign-owned mining enterprise. At first sight, the mining complex had the characteristics of an economic enclave with few dynamic linkages with the area's economy. This is precisely the situation that is supposed to prevent economic growth at the periphery. However, we will seek to show that such an interpretation fails to take account of the significant but small-scale processes of accumulation resulting from the exchanges between the enclave and a peasant population which, for centuries, had been involved in labour and commodity markets.

The central highlands is the most densely populated and economically differentiated of highland zones. It includes large-scale capitalist mining

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[More information](#)

companies, Peru's largest livestock estates (now expropriated under the 1969 agrarian reform), peasant and commercial farms, small industry of various kinds, and trading and transport enterprise. The area is notable for its strong sense of regional identity, even evident among migrant groups in Lima who have formed clubs based on village and regional commitments. The region is also well known for its community co-operation and patterns of mutual aid, which have flourished in the face of increasing integration into the national economy. This integration has been accompanied by a high level of peasant protest and political activity.

In a previous volume (Long and Roberts, 1978), we concentrated on examining the types of peasant organization characteristic of the area; in particular we explored the significance of co-operative and collective forms of organization in both town and village. In a series of case studies, we and our contributors showed how apparently 'traditional' forms of community and interhousehold co-operation were shaped and at times created in response to changes in the regional and national economy. Our main focus was the impact of export-oriented, capitalist expansion from the late nineteenth century onwards. The absence of a strong centralized state in Peru encouraged a devolution process whereby local community institutions played a major role in capitalist expansion, facilitating the provision of labour and foodstuffs to the mining and urban sectors, as well as contributing to the processes of internal differentiation within communities.

From at least the end of the nineteenth century, there were clear signs of the emergence of a richer class of peasant farmers eager to seize the new economic opportunities. Frequently, they were able to gain control over community institutions and achieve positions of political influence at district and sub-district levels. Many of the peasant movements of the early part of the twentieth century were based on the strategies of this local entrepreneurial class who sought to resist hacienda control as well as that of rival district authorities. Our analysis also demonstrated how these village-based class struggles continued to influence local development and organization even during the recent period of agrarian reform. Thus, we explained the dilemmas facing state-sponsored co-operatives in terms of competition between different rural classes seeking to defend or advance their particular interests.

In the present volume, we take a more explicitly regional focus, exploring the linkages between the different economic sectors and social groups located in the area. We give special emphasis to the impact of the mining economy, arguing that this was the single most important factor underlying the evolution of distinctive patterns of social and economic organization in the area. Indeed, mining in its heyday helped create a regional identity and structure which left

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Norman Long and Bryan Roberts

Excerpt

[More information](#)*Regional development in an export economy*

3

its imprint on social life and which affected the actions of local groups when the area became more fully drawn into the metropolitan orbit of Lima-Callao.

A regional focus is a necessary complement to national and international levels of analysis which tend to dominate theoretical discussions on development. This focus enables us to 'disaggregate' the analysis of development by taking into account the more immediate life circumstances of the populations of underdeveloped countries. These life circumstances often vary significantly from one part of a country to another because underdeveloped countries are frequently made up of regions shaped by contrasting historical experiences of colonialism or by different types of incorporation into the international economy through, for example, mining, plantation agriculture, or smallholder cash-crop production. The concept of region can thus be used to refer to those geographical areas, such as the central highlands, where, over time, class interests and social relationships have developed in a particular way because of a spatially specific pattern of economic change. Hence, even apparently individual decisions, entailing, for example, migration or economic investment, are best analysed in terms of the socio-spatial pattern of interrelationships and opportunities that have emerged.

Looking at the development of a provincial region also enables one to better assess the planning strategies used to counteract the excessive concentration of population and resources in the metropolitan zones of underdeveloped countries. Most planners and governments seek to promote regional development through decentralization and growth pole policies. However, if it is not to be counterproductive, such government intervention needs to take serious account of well-established local relationships and interests. For example, as is shown later, the one major state intervention of the modern period in Peru – the agrarian reform law of 1969 – was, to a great extent, undermined by local interests and power structures, even though its main objective was to promote a more balanced and equitable pattern of regional development.

The next section of this chapter provides an account of the perspective we use in regional analysis. We then give a brief outline of the national economic and political developments that have shaped the recent history of the central highlands. This is followed by a description of the regional setting; and an outline of the organization of the volume concludes the chapter.

An approach to regional analysis

Throughout the volume we use a regional framework of analysis for organizing and interpreting the data. One of the main advantages of such a framework is

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Norman Long and Bryan Roberts

Excerpt

[More information](#)

that it enables the researcher to identify patterns of activity that result from the spatial distribution of economic resources, settlements and social classes. National-level analysis of class, for example, inadequately depicts the structural contradictions that arise from the varying contexts in which classes relate to each other. A region provides one such important context because both agricultural and industrial production is often organized in terms of regional concentrations.

Our definition of region is not based simply on the presence of similar or complementary forms of economic enterprise and occupation or, for that matter, on ecological criteria, the functional interrelationships of settlements, administrative boundaries or notions of cultural heritage.¹ These factors, as we shall see, play their part in shaping a region's identity, but our approach emphasizes the way in which this identity is forged through conflict and alliance as different classes seek to enhance their material and political interests in the face of existing patterns of resource distribution. Consequently, we use region as a heuristic concept in order to capture the shifting nature of socio-spatial relationships.

In the early part of this century, the attempts of mine owners and merchants to impose control over the economy of the central highlands resulted in a distinctive pattern of relationships between mine, town and village. Later, however, other classes, responding to the new opportunities generated by export-oriented production and by changes in the national economy, were able to create new economic and social relationships and thereby contribute to the evolving regional pattern. As Massey (1978: 116) suggests, 'the social and economic structure of any given local area will be a complex result of the combination of that area's succession of roles within the series of wider, national and international, spatial divisions of labour'. It is for this reason that we stress the necessity of adopting a historical approach for understanding the contemporary organization of the central highlands.

When we first drew up our research project, our aim was to explore the role of socio-spatial variables in regional development (Long and Roberts, 1969; 1974). We thought that by looking at the interrelationships of places and people we could avoid some of the shortcomings of the rural-urban dichotomy implicit in local-level community studies, whether urban or rural. But, during the course of the research and in the analysis of the data, we came to doubt the usefulness of the type of regional analysis that we had originally envisaged. These considerations form the basis for the present attempt to develop a different approach to the regional issue.

To state the issue briefly, we feel that our original research, like many other projects, concentrated excessively on systems of exchange and distribution as

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Norman Long and Bryan Roberts

Excerpt

[More information](#)*Regional development in an export economy*

5

the key factors in shaping relationships between social groups and in determining the development of local communities. In the course of the research, we became convinced that not only did our analysis require greater historical depth but also that it was more useful to focus on production and, in particular, on the regional system of production that had evolved in this area in order to understand both past and present developments (Long, 1980; Roberts 1980).

It is important, however, to appreciate the contribution made by studies focussing on exchange and distribution. Carol Smith (1976, II: 310), for example, in presenting her version of regional analysis argues that 'production variables are not ignored but are placed within a regional economic framework where the critical variable is the mode of exchange. Stratification is seen to result from differential access to or control over the means of exchange; and variation in stratification is related to types of exchange between producers and non-producers as they affect and are affected by the spatial distribution of the elite and the level of commercialization in the region and beyond'.

What she has in mind is basically the control of commerce exercised by small- and large-scale merchants, and the role of merchant capital in the early stages of capital accumulation. This control is partly a question of access to capital which enables traders to buy in bulk, offer ready cash and so on. But more interestingly, as Smith points out, this control is often achieved through non-market mechanisms as when administrative power is used to force producers to buy and sell on the market. From this perspective, then, a system of markets is also a system which provides differential opportunities for controlling exchange. Certain marketing systems are relatively competitive, giving small producers freedom of choice as to which market and buyer to sell to; while others are more restrictive so that the producer may have little or no choice as to where or to whom to sell his product and are therefore subject to merchant monopolies.

Different levels of market control are, as Smith argues, often reflected in ethnic or class differences: foreign-born traders of the capital city control the importing-exporting businesses; local elites, resident in the provincial centres, own some of the large-scale production units and do business with the foreign houses; *mestizo* or *ladino* traders run local stores and buy and sell at local markets, but also depend on the foreign houses; small-scale Indian producers living in the villages or farmsteads have little alternative but to sell to middlemen of higher ethnic status. Ethnic differences, then, may reinforce market inequalities as has been reported in the Chiapas area of Mexico where *ladino* townsmen use their social superiority and their control of local administration to force Indians to sell at low prices (Stavenhagen, 1965; see also Burgos, 1970). Such chains of exploitation run from the smallest producer to

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Norman Long and Bryan Roberts

Excerpt

[More information](#)

the large importing–exporting houses of the capital city and through them to the foreign metropolis beyond.

According to this view, then, social and economic inequalities within a region can be traced to institutionalized inequalities in the system of marketing and of credit for production. The region itself tends to be defined in terms of a major marketing centre and its sphere of influence. It follows from this that a more equitable income distribution entails improving access to markets and credit by breaking monopolies, improving transport, creating new market places and so on.

A central element in this approach to regional analysis is the focus on the pattern of hierarchical relationships that develops between places within a region. Some places (central places) provide specialized services for the whole region, thereby attracting clients such as traders from smaller centres (Berry, 1967:59–73; Bromley, 1974).² Other places may serve simply as basic retailing centres for a surrounding farming population and are dependent both administratively and commercially on the larger centres. Central places have a larger population, a greater range of facilities and institutions and are better connected to metropolitan centres both in terms of communication and through networks of influence. Moreover, the spatial location of elites reflects this system of hierarchical relationships with the dominant regional elites living in the most central place (as Preston (1975 and 1978) documents for pre-agrarian-reform Bolivia). Elite power and wealth is consolidated through the various chains of political and economic dependence that develop between peripheral locations and the major centres. Thus, the major markets, the most specialized and largest stores and the important administrative and judicial authorities are found in the most central places. The facilities associated with major centres create better life opportunities for their residents through education, through better information concerning outside opportunities and through improved health and social services. These advantages of central location are one factor leading to migration to these towns.

The patterns of spatial relationships within a particular region can be viewed therefore as an important element in shaping the nature of social and economic inequality. This we take to be a main contribution of the studies by, for example, Smith (1972, 1976) in the western highlands of Guatemala, and Poggie and Miller (1969) in the south of Hidalgo, Mexico, who base their work on an earlier project by Frank Young (1960, 1964). In Peru, too, there has been a relatively long history of research of this kind, expressed, for example, in the paper by Julio Cotler (1967–68) on the mechanics of internal domination and in the work of many of the Cornell and Instituto de Estudios Peruanos anthropologists and sociologists who carried out research in the

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Norman Long and Bryan Roberts

Excerpt

[More information](#)*Regional development in an export economy*

7

Chancay and Mantaro valley areas (Matos Mar et al., 1969; Alberti and Sanchez, 1974).

The chief limitation of this form of analysis, as Smith (1981) has recently underlined, is that it neglects the class dynamics of regional structures. Regionally powerful classes, such as merchants, plantation owners or industrialists, often have conflicting interests. Merchants or 'traditional' landowners may seek to tie down labour locally and to monopolize the marketing of peasant production; whereas industrialists or plantation owners, who are reliant on seasonal labour, may seek to create a competitive regional labour market and are unlikely to oppose independent petty commodity production among the peasantry. Also, interests change over time as shifts in the national or international economy create new regional opportunities for the different groups. In this way, Smith explains the growing complexity of the regional structure of western Guatemala where a mercantile elite changed its mode of operation to become truckers and labour traffickers, but used its administrative power to restrict the entry of peasant entrepreneurs into the urban economy, thus preserving a monopoly over trade and services. In contrast, competitive small-scale enterprise has flourished in the small towns servicing the plantation enclaves of the western lowlands.

The significance of focussing on the dynamics of regional structure is brought out in Appleby's (1976) analysis of the regional system of the Puno area of Peru. He shows, for example, how changes in the scale and organization of wool production for export led to changes in the regional pattern of marketing and urban settlement. The concentration of wool production in large haciendas, along with the development of the rail network, undermined traditional urban centres and concentrated commerce along the railway line and in the largest urban centres (Appleby, 1976, II: 298–300).

This emphasis on the significance for regional structure of change in the wool export economy is also the subject of Orlove's (1977) study in the Sicuani region of southern Peru. Here, relations between economic sectors and the classes within them are explained by the evolution of the wool economy and by its implications for class alliances and conflicts in both rural and urban areas. In contrast to Puno, the late incorporation of Sicuani into the export economy meant that the expansion of the local economy occurred in the context of a relatively strong national government which restricted the power of local large landowners. Consequently, small-scale enterprise had greater opportunity to flourish in the Sicuani area than in Puno.

The analysis of the class dynamics of regional structure needs then to be based on an understanding of the distinctive features and historical context of the development of agricultural and/or industrial production. The basic issue, it

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Norman Long and Bryan Roberts

Excerpt

[More information](#)

seems to us, is that, in areas affected by the rapid expansion of export production, the dominant force for change in local economies has been the requirement that this production has had for labour, land and essential infrastructure. An analysis of exchange and distribution is inadequate for understanding the impact of these demands because changes in production have entailed not only an expansion of commercial opportunities but changes less likely to be fully reflected in exchange and distribution practices, such as modifications in the household economy and in the rural division of labour. For example, villages have become organized around regular labour migration, often of a seasonal kind; local economies have diversified into new craft and trading activities; and women and children have come to play a different and central role in agricultural production.³ Moreover, such changes are likely to result in, or at times be produced by, new forms of administrative and political control. Indeed, it is often through the political reorganization of rural society that the expansion of the export sector is facilitated and surplus extracted from a peasantry that nevertheless retains control of its land.

As we argued elsewhere (1978: 322–3), the creation of new districts in the central highlands at the end of the nineteenth and the beginning of the twentieth centuries was in great part produced by the activities of commercially-oriented haciendas, plantations, mines and peasant farmers which were aimed at bypassing the existing urban hierarchy. The result, over time, was to increase the possibilities for direct negotiations between even the smallest village populations and the central government authorities. In this type of situation, the basis of the regional class system is unlikely to rest merely upon the control of the means of exchange. Instead it will depend upon the degree of access to the resources of the dominant sector of production and/or control of the labour process.

We emphasize production because it provides a holistic view of the forces making for change. Although, at the most basic level, production simply involves the bringing together of material resources, instruments and labour power, the maintenance of a given form of production, as well as its possibilities or limitations for expansion, depends upon a complex set of institutions. The latter include ideas and definitions of property relations and the means for their enforcement; even aspects of social organization, relating to religious or kinship affiliation, become integral elements in maintaining the labour processes necessary to a given form of production (Meillassoux, 1972; Godelier, 1977: 15–69).

Clearly, then, the development of new forms of production can entail far-reaching changes in local society, leading to the emergence of new interest

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Norman Long and Bryan Roberts

Excerpt

[More information](#)*Regional development in an export economy*

9

groups and often heightening contradictions between old and new organizational forms. This type of analysis is especially useful in the Latin American context since, from the sixteenth century onwards, indigenous patterns of social and economic organization have been confronted by the expansion of mercantile and later industrial capitalism. In the mercantile stage, the exchange and distribution system was one of the main mechanisms by which surplus was extracted by the metropolitan powers from indigenous populations. Yet, even in this period, the economy relied upon state power and institutions to create markets, as in the *reparto de efectos* (the forced sale of commodities to indigenous populations), and to enforce labour services in the mines through the *mita* (labour service). These practices radically restructured indigenous society. Thus, the dynamics of change in the different regions of the continent increasingly came to depend upon the degree and form (i.e. through markets or by supplying labour) of integration into the export economy. Fluctuations in the state of this economy became important sources of change at the local level.

At the same time, pre-existing forms of production, such as community- and household-based agriculture and craft activities, continued and evolved to provide a subsistence base for the mass of the population. The relationships that were established between these pre-existing forms of production and the expanding capitalist system formed part of a complex socio-economic system that varied from region to region and modified both new and old forms of production. We emphasize, however, that this issue is not one concerning the *articulation* of capitalist and non-capitalist modes of production (see Long and Richardson, 1978; Foster-Carter, 1978). Such a conceptualization tends to exaggerate the autonomy and internal coherence of the various forms of production found in Latin America, for example peasant types of communal and household production, the 'semi-feudal' hacienda system and the 'capitalist' plantation or mine. It is more useful, we find, to focus on the interrelations and interpenetration of different forms and units of production within the context of an increasingly commercialized economy. This will be the focus of the chapters that follow.

Peruvian economic development

Export production and regional development are essential elements in understanding the pattern of Peruvian national development. Peru has been closely integrated into the world economy through the export of primary materials since the beginnings of colonial rule. Furthermore, these forms of production

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Norman Long and Bryan Roberts

Excerpt

[More information](#)

have been organized on a regional basis. In the colonial period, the precious metals that fuelled the European economy were mainly located in upper Peru (present-day Bolivia) and in the central Peruvian highlands in the Cerro de Pasco area. The main deposits of mercury in the Americas, necessary for the amalgamation process for extracting silver, were found in Huancavelica, to the south of the central highlands. This export production gave rise to a regionalized system of production based upon servicing the mines with foodstuffs, primary materials like timber, various manufactured products (both locally and externally produced) and labour. The system was articulated through an elaborate network of trading links which encompassed an area spreading from present-day Ecuador to Santiago, Chile and Buenos Aires, Argentina (Assadourian, 1982: 109–221; Larson, 1972; Long, 1980). The dependence on the export economy made this system of economic activities highly susceptible to fluctuations in the international economy, resulting in periodic changes in the importance of wage as against non-wage labour relations and in the degree of market orientation among agricultural producers (Tandeter, 1980, 1981).

After the civil wars of the early Independence period Peru became, from the mid-nineteenth century, a major exporter to the world economy. The first major export product was guano but this was replaced from the end of the century by a range of products which made Peru an unusually diversified exporter of primary materials. These products were sugar, cotton, sheep and alpaca wool, coffee, silver, copper, rubber and, subsequently, oil, other non-precious metals such as zinc and lead, and later fish meal. The volume of exports rose steadily with some fluctuations from the mid-nineteenth century until the present. Thorp and Bertram (1978: 4–6) show that this long-term trend was divided into three major growth phases. From 1830–70 the volume of exports grew at an average annual rate of nearly 7 per cent. A similar rate was achieved between 1890 and 1929 in terms of both value and volume; and from 1942 to 1970 the growth in volume was also high with export earnings increasing at about 10 per cent each year. Indeed, Thorp and Bertram (1978: 321) remark: ‘No “engine of growth” other than export earnings emerged to provide the basis for self-sustaining capitalist development’.

Exports have come from all of Peru’s major regions (coast, highlands and tropical lowlands), with different areas specializing in different products. Thus sugar is mainly concentrated along the northern coast, cotton in the central coastal area of Cañete and Ica, rubber in the tropical lowlands of Iquitos, and coffee in the semi-tropical valleys of La Convención and Chanchamayo. Mineral production is mainly located in the central highlands and, recently, important deposits have been developed in the southern regions close to Arequipa. Wool