

I.S.S.

OCCASIONAL PAPERS

**Agricultural and industrial development in Peru;
some observations on their interrelationship.**

Frits C.M. Wils

Working paper, not for quotation. Views expressed herein are the author's and not necessarily those of the Institute of Social Studies

Number 19

September 1972



Institute of Social Studies
THE HAGUE - THE NETHERLANDS

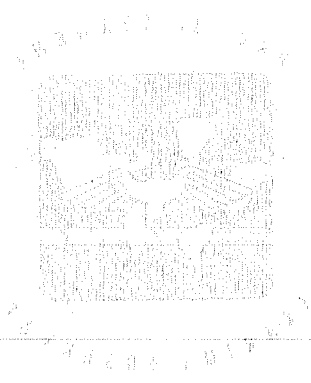
251

OCCASIONAL PAPERS

... ..

...

... ..



...

What follows below represents, essentially, little else but an exploratory reconnaissance of the relationship between agricultural and industrial development in Peru. Primarily intended as a preliminary case-study, written around some more general materials as well as partly based on sample-survey data¹ on industrialists in Peru (1969), this paper breaks down into three major parts: first, it takes up the relationship in the period up to World War II, in the context of a society and economy dominated by latifundios and export-plantations; then I examine the same subject as it developed during the last two decades when Peru's industrial development accelerated, and conclude with a short discussion of some implications of the present military Junta's strategy for industry and agriculture. Exploratory in nature, few systematic hypotheses underlie it; the main focus is given by the overriding interest in the relationship and mutual interdependence between these two strategic sectors. The discussion moves at different levels, ranging from an interest in the formation of markets and in the exchange, or lack of it, of inputs, skills and capital on the one hand, to wider issues like class-formation, attitudes and the political relationship between the groups connected with the sectors we are studying, on the other hand.

The paper is written from an "industrial bias". Both my lack of knowledge of rural development problems and the opportunity to utilize some important data from the survey on the industrial side, made it recommendable to steer a course closer to home. The risk that neither my rural nor my industrial colleagues will find the result satisfactory, ironically probably in view of the same reason of considerable schematization and simplification, I cannot avoid. Their critique is, moreover, well taken. That I still wrote this paper at all, despite the additional constraint of lack of time required for rewriting and shortening it, is largely because I hope to contribute to a highly needed discussion between those working in the two fields; if this paper has any use beyond putting together some incomplete ideas and information, it might be to promote the combined study of what in reality constitutes a highly interdependent pair of sectors. The still fairly recent change in outlook, which stresses this very same interdependence, offers a favourable climate for increased collaboration.

1. This survey was undertaken with the help of the research-institute of the Catholic University at Lima, C.I.S.E.P.A., and financial support from the Ford Foundation, Dutch Vastenactie, IPAE and the Industrial Bank in Peru.

2. Industrial development in the context of latifundios and enclaves.

Within a Latin American setting, Peru is often referred to as a case of "recent" industrial development.¹ Most of its industry, the intermediate and capital goods industries in particular, dates from the post-war period. The world-crisis of 1929/30 which elsewhere, say, in Argentina, Brazil and Chile, had led to an accelerated industrial process, did not have a similar impact in Peru. In those countries, as the current "stage-theory" of Latin American development goes,² import-substitution was more systematically induced once the crisis had forcibly demonstrated the vulnerability of export-economies, based on monocultures. The Peruvian case fits less well into this "stage-theory" which - evolving around the world-crisis as the strategic benchmark - tries to distinguish the earlier pattern of "outward-oriented" growth, from a new one that was more "inward-oriented". An examination of some of the principal reasons why in Peru the "19th century outward" pattern continued for such a long time, will not only bring out some salient features of Peruvian social structure and development, but also a number of important aspects of the relationship between industrial and agricultural development - the subject of this paper.

Most economists would direct attention immediately to the following. For one thing, Peru's external sector was from a comparative point of view, rather unique in its degree of diversification and strength: fluctuations in external terms of trade were mitigated by the very same diversity of export-products.³ For another, import-substitution was less feasible in Peru, in

-
1. Cfr. for instance, E.C.L.A., "The process of industrial development in Latin America"; U.N., NY, 1966, pages 83-92; for an historical account, see pages 5-21. Also F. Cardoso, "Cuestiones de sociología del desarrollo de America Latina", Ed. Universitaria, Santiago, 1968, pages 72-76.
 2. See especially the E.C.L.A. - study already cited; cfr. also F. Cardoso and E. Faletto, "Dependencia y desarrollo en America Latina", ILPES, Santiago 1967 *passim*, and G. Germani, "Stages of modernization in Latin America", Studies in Comparative International Development, Vol. V, 1969-70, no. 8 pages 155-174 for an elaborate and "interdisciplinary" exposition of this theory. Recently, C. Furtado, "Economic development of Latin America", Cambridge Univ. Press, London 1970, gave the structural-economics point of view.
 3. Peru's exports included, for instance, sugar, cotton, wool, rubber, petroleum-products, gold, silver, copper and a series of non-ferrous metal. It is of interest to note that in Peru the previous free-trade policies were rapidly re-instituted and steps taken to promote the external sector further; cfr. E. Romero, "Historia económica del Perú", Vol. II, Edt. Universo, Lima, n.d., pages 176-211.

view of the limited size of its domestic market and comparatively low degree of urbanization.⁴ A third factor was the limited supply of entrepreneurial skills, especially in view of the lack of foreign immigrants which elsewhere had been, and still were, responsible for a considerable part of the industrial activities that were undertaken.⁵ Without denying these arguments, a sociologist or institutional economist would go further. To them, the restricted internal market for instance would be a "dependent" variable, calling for explanation. Apart from the limited size of Peru's total population, they would point out that at least half of this population consisted of a large Indian peasantry, which - living in the context of a stagnant latifundio complex - was but weakly incorporated into the market-economy.⁶ From a comparative perspective, this peasantry was less mobile, scarce, composed of wage-labour and also less a part of national frameworks than those found in the other countries in which "plantations" were predominant. In Peru, moreover, the latifundio-complex was more solidly entrenched, particularly because it was grounded in the domination and exploitation of a distinct ethnic minority.

Despite this control over tenant-labour and the disposition of large areas of land, some form of "primitive accumulation" did not materialize in Republican Peru, at least not in those regions where the Indians were most concentrated. Only on the Coast, in the northern parts of it especially, did commercial agriculture develop, producing for exports. Here, a combination of favourable conditions facilitated the formation of large-scale, modern enclaves cultivating sugar and cotton for external markets. The Peruvian

-
4. Lima cannot have had a population far exceeding 300,000 inhabitants at the eve of the depression, total population lying in between 3 to 4 million people. Lima reached the half-million mark only around 1940, while the next two largest cities on the Coast, Trujillo and Arequipa, had a size of 116,682 and 128,809 inhabitants in 1940 respectively. Cfr. Also E.C.L.A. op. cit. page 6 to 8.
 5. On the role of foreign immigrants in Argentinian industry, see O. Cornblitt "European immigrants in Argentine industry and politics", in C. Veliz (ed.), "The politics of conformity", Oxf. Univ. Press, NY 1967, pages 221-249; for Brazil, see W. Glade, "The Latin American economies", v. Nostrand Reinhold NY 1968, pages 293-306, and for Chile, see the same author, op. cit. pages 322-327 and Dale Johnson, "Industry and industrialists in Chile", Ph. D. diss., Mimeo, Stanford, 1967, pages 91-94.
 6. W.F. Whyte and L. Williams, in their very interesting study "Factores económicos y no-económicos en el desarrollo rural", Instituto de Estudio Peruanos (I.E.P.), Lima, 1968, pages 23-28, point out that the Indian peasant was more closely integrated in the market-economy than many would believe. But they will admit, probably, that this integration could still be called "weak" from various points of view.

"oligarchy" and foreign interests who were instrumental in this process, not only profited from foreign demand, the fertility of the soil, and from relatively easy access to foreign markets. They also operated in a region which had known traditions of commercial agriculture already from colonial times. Based originally on imported slave-labour, later-on (in the period from the 1860's to the 1930's) Indian labour was substituted and recruited through the "enganche" system; gradually, it turned into regular rural wage-labour and became part of modern rural capitalist enterprises. ⁷

From a schematic point of view, one could say, therefore, that Peruvian society was dominated by two basic units, the export-enclaves and the latifundios. Both fitted well into the semi-feudal and nearly-exclusive control which landowners could exert in Peru, without being checked by a powerful nation-state or central authority. And despite their important differences in internal organization and external relations to foreign markets, capital and reference-societies, both inhibited the development of a more autonomous urban basis in Peru. The latifundio because of well known reasons, ⁸ the rural enclaves (those engaged in agriculture as well as those dedicated to mining) in view of (a) their strong reliance upon foreign staff, imports and exports and (b) the considerable self-sufficiency of the plantations and their closure with respect to adjacent regions: the spread of enclave-capitalism had a noticeably undermining effect upon the traditional regional economies and groups in northern coastal Peru. Whatever catalyzing effect latifundios and enclaves had, these tended to gravitate towards Lima. As a result this city was not only the center of administration and politics, but also the strategic place where absentee landowners, foreign interests and various types of businessmen tended to concentrate.

Under these conditions, only some modicum of industrial development could, and was, achieved. Mostly composed of lighter industries, that were often established by foreign immigrants, and produced for the privileged strata,

7. On Peru's export-plantations, see especially the studies of C. Collin Delavaud, "Consecuencia de la modernización de la agricultura en las haciendas de la Costa norte del Perú", in H. Favre, C. Collin Delavaud and J. Matos Mar (eds.), "La hacienda en el Perú", I.E.P., Lima, 1967, pages 259-283. Cfr. also H. Favre, "El desarrollo y las formas del poder oligárquico en el Perú", in I.E.P. (ed.), "La oligarquía en el Perú", Inst. de Estudios Peruanos, Lima, 1969, pages 90-147.

8. Of particular interest would seem the analysis by W. Glade, op. cit. pages 127-134; those of people like Furtado refer more directly to plantations which are, or have been, dedicated to export-production; cfr. Furtado, op. cit. pages 51ff.

these industries and industrialists were directly dependent upon the fortunes and power of the export-groups. Especially upon the oligarchy which up to quite recently functioned, as the main spokesman for national as well as foreign export-interests. It will be clear, incidentally, that this pattern was at considerable variance with that often found in Western Europe. There, the cities were the basis of emerging bourgeoisies, centers of gradually expanding industrial capitalism which fairly rapidly came to prevail over rural interests.⁹ In Peru, on the other hand, rural groups and those related to export-agriculture in particular, were ascendant and could exert a dominating role in urban-centered, national life. The modernizing foreign and national landed interests were not, like the English landlords and the Prussian Junkers in earlier times, faced with a budding urban business-class, nor with a viable urban-based economy. From the beginning, Peru's urban society was directly dependent upon and dominated by groups with a primarily rural economic and political basis especially by those who had been able to capitalize on external rather than on internal demand.

Let me return, however, to the examination of the reasons why Peru did not accelerate its industrial development after the world-crisis. It should now be clear that, apart from the other conditions referred to earlier, Peru's urban-industrial basis as developed prior to the crisis, was weak. So was Peru's urban "bourgeoisie". Besides, whatever, "bourgeoisie" or middle sectors had emerged, independent from the export-groups special political reasons, induced it and the military to side with the export-groups and latifundistas. Even before the world-crisis, a radical populist movement made its appearance on the Coast. This movement, closely connected with the spread of foreign and national rural enclaves, represented the often violent protest of displaced provincial strata against the oligarchy and foreign imperialism. These "victims" of "early capitalist penetration into traditional rural societies",¹⁰ joined forces with the "products" of both urban and rural capitalism, i.e. with workers in Lima - Callao, and called for a revolution to erect a ^(semi-)socialist Peru. Although it singled out the Indian peasantry as the main revolution-

9. But not, of course, without a frequent osmosis of powerful landed and industrial interests; see W. Barrington Moore, "The social origins of dictatorship and democracy", Beacon Press, Boston 1966, for various variants upon this theme. Still, one can say that urban-industrial interests came to prevail.

10. Torcuatto di Tella, "La teoría del primer impacto del crecimiento económico", Cuadernos del Inst. de Sociología, Univ. Nacional del Litoral,

ary force, the movement never spread to the Sierra. Although its leader called for "middle-class" leadership, he made an appeal in a context in which no economic "middle-class" or "bourgeoisie" existed. Frightened by Haya's attack on capitalism, the dependent urban businessmen closed ranks with the export-groups and latifundistas on the 1920's and 30's rather than accept the leadership of the nationalist-socialist revolution that was offered to them. Bismarckian tactics, consisting of repression on the one hand, and autocratic pre-emptive measures of cooptation and paternalist distribution of benefits on the other, formed the main instrument with which this "early protest from below" was neutralized and with the help of which the free trade and free enterprise strategies were maintained, under which Peru continued to grow.

In terms of the connections between industrial and agricultural development, I have now set out some of the main parameters of the Peruvian case. Especially before the post-war period, industrial development could hardly make much progress in a society in which latifundios and enclaves still predominated. Not only because they imposed serious limitations on the growth of the domestic market, but also because the open-economy and free enterprise strategies, while favourable to the export-groups and providing urban and privileged rural consumers with cheap imports of manufactured goods, were hardly conducive to an acceleration of import-substitution. Moreover, the role of the oligarchy especially was such as to pre-empt the formation of an independent bourgeoisie. Indirectly through their over-all predominance over urban and national life. But they intervened in two specific and more direct ways as well. First, of all, over time they widened their economic basis to such an extent that the previously mentioned difference between the Peruvian case and various countries of Western Europe, was considerably attenuated: although their initial point of departure rested in export-agriculture and this sector remained their primordial basis of power, they gradually worked their way inwards and built up an interrelated set of diversified interests in the urban-domestic sectors of the economy, ¹¹ in real estate, banking,

11. C. Malpica, "Los dueños del Perú, Ed. Ensayos Sociales, Lima, 1968; cfr. also H. Favre, op. cit. and F. Bourricaud, "The structure and Function of the Peruvian oligarchy", Studies in Comparative International Development, Vol. II, 1966, no. 2, pages 17-37.

oil, insurance and in some manufacturing industries. In connection with the latter, I should not forget to mention the attachment of agro-industries to the sugar-plantations, in which sugar-cane was processed in semi-industrial fashion, before being exported; but these investments were more a part of their export-oriented activity than an index of a primordial interest in industrialization per se. I might also add, however, that the oligarchy was not the only grouping weakening the formation of a native urban business-class: the foreign (in) migrants and companies which from the beginning performed strategic roles in Peru's external sector, were quite important too in more-domestic sectors of the economy. ¹²

A second but related way in which the oligarchy managed to weaken urban groups to maintain control, has to do with their strategic role in various sectorial interest-groups. In fact, they formed the most important nexus between those sectors we are now interested in: between export-agriculture, domestic agriculture and industry. This in view of the often leading positions, which their multi-sectorial interests and activities allowed them to play in powerful associations like the Sociedad Nacional Agraria (combining latifundistas and plantation-owners) and the Sociedad Nacional de Industrias. ¹³

This network of cross-cutting relationships and interests obviated a clear-cut distinction between these various sectors, harmonized their positions and facilitated to the oligarchy the task of maintaining, if not extending their politico-economic basis of control.

12. See for industry my preliminary report "Industry and industrialists in the metropolitan area of Lima-Callao, Peru", Inst. of Social Studies and CISEPA, Peru, 1970, pages 43-65.

13. The weight of these associations derived mostly from their role as semi-public bodies, intervening in policy-making at the national level.

3. Import-substitution and agricultural development in the post-war period.

As we have seen earlier, Peru's industrial development dates, by and large, from the post-war period. Under the impact of explosive urban growth,¹⁴ a favorable evolution of the external sector and a stream of new - including many foreign-investments, industry's contribution to G.N.P. rose from less than 15 to 21.7 percent in 1967. It became the economy's single most important sector, even though it employed only 14% of the total active population. While the number of establishments doubled as compared to 1955, new and more complex intermediate and capital goods industries were added to the lighter types of production. "Factory" (as distinct from "artisan") employment rose faster than the growth of population,¹⁵ and the total number of people employed in industry was in 1967 more than twice as large as in 1940. Peru was catching up with the countries which had preceded it.

This spurt in industrial growth was not the result of enforced or vigorously planned and/or instituted import-substitution policies. The policies' and institutional context remained, by and large, the same as they had been since the 1850's, affording great freedom to private enterprise; at the same time, the Bismarckian formula and rather conservative fiscal and budgetary policies, brought Peru a comparatively high degree of monetary and "political stability". During Belaúnde's regime (1963-1968), middle sector reformism came to power, promising to tackle the pre-eminence of the oligarchy and latifundistas through a programme of land reform that would affect both modern plantations and traditional latifundios. Belaúnde failed, however, to fulfill his electoral promises. He was faced with a conservative alliance composed of export groups, a coopted Apra-party and -partly through the Apra- of organized coastal labour; many reforms were stopped by parliamentary opposition. Moreover, the rural issue was even more salient than the effort

14) The percentage of the population living in cities with more than 2000 inhabitants increased from 25.4% in 1940 (when total population was 6.6 million) to 42.4% in 1965 (on a total population of 11.6 million). Lima's population quadrupled in this period, from half a million to about two million people; other coastal cities also grew although less spectacularly, under the impact of massive internal migration; in the Sierra urban expansion was much less.

15) From 1958 to 1963 factory-employment increased at a rate of 6.1%, total economic active population at 2.9%; for the period of 1963 to 1965 the respective rates were 5.2 and 3.0 percent respectively. See Dirección General de Industria, "Evaluación general del proceso de industrialización, estrato fabril", Min. de Fomento y Obras Públicas, Lima, 1968, page 34.

to promote industrial development¹⁶; yet, a wave of Indian peasant mobilization in the early sixties brought the landreform-programme to a premature end.¹⁷ It is of interest that the interdependence between rural and industrial development was not very clearly nor widely perceived; this occurred only when the present Military Junta stepped over in 1968. It would seem that the principal motives to tackle the oligarchy and the latifundistas were not just economic but also of a political and moral kind: the democratization of power and the pre-emption of left-wing movements à la Cuba on the one hand, social justice and the incorporation of the Indian peasantry into Peruvian society, on the other.

Turning now to the relationship between industrial and agricultural development in the post-war period more directly, I have essentially little to add to the picture drawn earlier. The interconnections between export-agriculture and industry remained close, directly as well as indirectly. It should be noted however, that the oligarchy and foreign plantation-owners intensified their industrial activities in various and interesting ways. As a "logical extension" of their semi-industrial agro-industries we mentioned before, they followed two different paths: the one consisted of new industries which used and processed sugar-cane for the production of goods like carton, paper, alcohol and rum- for the domestic market; the other was the establishment of a fertilizer-industry the output of which was mostly intended for modern commercialized agriculture. In the case of mining too, such a fairly "logical" and close extension occurred,¹⁸ with the result that now the oligarchy came to control - alone or with others- an industrial complex that did not consist solely of lighter industries, but that also included various large enterprises in the

16) Of all political parties represented in Parliament in the sixties, only the Christian Democrats emphasized, besides landreform, a planned process of industrialization, dedicating to it a more elaborate statement. Still, we should add that as Belaúnde's regime was confronted with increasing deficits and inflation, calls for protectionism increased and had some effect; also a campaign of "buy Peruvian" was initiated.

17) On these peasant-invasions, see particularly H. Neira, "Cuzco, Tierra y Muerte", Populibros Peruanos, Lima, 1964. For an interesting discussion of the landreform proposals and results in the 1960's, see Favre, op. cit. pages 122-147.

18) Mostly together with an established U.S. mining company and other foreign interests, the oligarchy entered "joint ventures" which established various industries in important types of production; these included crushing-machinery, electric wires and dynamite.

in the more complex intermediate and capital goods industry.¹⁹ When seen in conjunction with their continued position of power both in other sectors (especially in strategic banking²⁰) as well as in semi-public and interest-organizations, all of this would add up to a picture of considerable ingenuity, flexibility and adaptability on their part: capitalizing on their initial advantages, they used various important opportunities for local manufacturing to retain their power in the context of a more complex economy.

When considering domestic agriculture, things were considerably different, Or, rather they were not. Although there are some indications that part of the peasantry, especially small and median farmers along the Coast, responded favorably to the increased urban demand for agricultural produce,²¹ expenditures for imports of foodstuffs rose steeply²² Small wonder that insofar as industrial production was concerned, most foodstuff-industries

19) Our limited survey-data showed that the oligarchy's (directly) controlled firms in industry were located mostly at the size of Peru's largest and large firms (18% of the largest, 11% of Lima-Callao's large and only 2% of this area's median firms). Moreover, its industrial firms were more located among the dynamic industries (intermediate and capital goods, roughly speaking) than in the slow-growth sector (62 and 38 percent respectively, versus an average of 54 and 46). See my report, op. cit. pages 15 to 21.

20) Their position in banking provided them with a powerful instrument to control the activity of others; sometimes this control was converted into direct possession, as in the case of the fishmeal-industry which, largely developed by others, fell partly into the oligarchy's hands when the fishermen could not repay their mortgages. For an account, see Favre, op.cit. page 112.

21) This would appear from C.I.D.A.'s excellent study on Peruvian agriculture, "Tenencia de la tierra y desarrollo socio-económico del sector agrícola", Wash. D.C., 1966, pages 138-247; the production on mini-holdings especially implies considerable over-utilization, however. For the same pattern on a wider Latin American level, see Furtado, op. cit. pages 54-57.

22) Expenditures for the imports of foodstuffs grew from 40 million dollars in 1960 to 134 million in 1965; in 1967 alone, imports increased by 27 percent (National Planning Institute, "Plan de desarrollo económico y social 1967-1970", Vol. I, Lima, pg 128. That this type of imports was, incidentally, a structural rather than a more recent phenomenon, appears from the data supplied by E. Romero, op. cit. pages 163 to 165, referring to the period of 1915-1935. With respect to growth-rates of agriculture: it came no higher than 2.6% per annum, the lowest rate of all sectors of the economy (the average was 5.3) in the period 1950-1965; in the period 1950-1962, production for consumption only grew at 1.8% per year, while agricultural production for exports increased at 8.3% annually; C.I.D.A., op. cit., pg 292.

too had to utilize imported raw materials and that they were little diversified.²³ Moreover, the low mechanization and limited use of other manufactured goods for agricultural production²⁴, rendered the establishment of industries fabricating such goods, less feasible. So that, from a general point of view, fairly little had changed with respect to domestic agriculture, still mostly organized under the latifundio-system. Industrial growth seemed, with a few notable exceptions,²⁵ to slide past the large and stagnating rural areas, receiving little from it and giving it little in return. Largely concentrated in Lima-Callao²⁶ and mostly catering to urban-coastal strata, industry in Peru seemed to fit rather well into the familiar moulds of a dualist economy. It might best be summed up, perhaps in the following way. Industry found a niche in stratified society and in patterns of quite unbalanced growth, drawing a rather neat profile of existing inequalities in the disposition of capital, income and employment on the hand, and in related regional-sectorial levels of activity and development on the other.

Yet it is obvious that this general assessment is by far too simple to be correct and to be left as it stands. Let me try to probe somewhat further into the relationship between industry and domestic agriculture than I have done so far. It is, as indicated, particularly the inter-dependence between these two sectors that is of major interest, even though I can deal with only some of its aspects. For instance if I take the argument that the stagnation of agriculture for is a structural impediment to industrial progress, then this statement is not, by itself, necessarily incorrect and I myself too, used it earlier. It is at this stage of greater relevance, however, to raise the question what factors can account for this stagnation, including those connected with industry. Leaving it to the rural sociologists and agricultural economists to grapple with conditions more strictly on the rural side, I might search for some answers on the part of industry and industrialists. This is what is attempted below, albeit again in a rather

23) ILPES/UNI, "Desarrollo económico e integración de América Latina, el caso del Perú", Santiago, 1968, page 140.

24) See especially the information, contained in the CIDA-report, op. cit., on the use and distribution of tractors, machinery and fertilizer in Peru, which showed that most of these, like Government-funds, were quite limited in the field of domestic agriculture, but largely concentrated in and used for export-agriculture (pages 325-335)

25) Especially the milk-processing industries at Arequipa and Cajamarca.

26) This area accounted, in 1967, for 65.3% of gross industrial production, and for 72.3% of total industrial employment.

schematic and exploratory manner. What I hope to examine is whether industrial growth has, or has not contributed to the stagnation of agriculture, directly through a drainage of capital and skills from agriculture to industry, and more indirectly, through a lack of interest in, or support for, agricultural development and landreform.

[The following text is extremely faint and largely illegible due to bleed-through from the reverse side of the page. It appears to be a continuation of the author's discussion on the relationship between industry and agriculture.]

[This section of the page also contains faint, illegible text, likely bleed-through from the reverse side, continuing the author's analysis.]

(a) Internal brain and capital drain

One of the first elements to look for, would be the drainage of rural areas in terms of capital and brains. The data of the sample-survey are hardly adequate to bring the former aspect out in any sufficient way, yet they may help to generate hypotheses for further testing. The industrialists were asked what the primary sector(s) had been of their initial capital, and the pre-coded answers included agriculture (excluding sugar and cotton). It appeared that only 3 out of 39 of the country's largest industrial firms,²⁷ agriculture had been the first source of capital; at this level, by the way, export agriculture had been more important (5 cases). In the case of Lima-Callao's large firms,²⁸ only 4% and in that of its median firms²⁹ only 1% had been primarily financed primarily by funds coming from agriculture. If it is not surprising that the highest frequency was found in the firms of the oligarchy^{when} export-agriculture was included (12% vs an average of 2%), I still had not expected such a low rate of capital transfers from agriculture to industry. In Peru, after all, some of the earnings of the latifundios might well have been channelled into manufacturing.³⁰

Looking at the data of Table (1), we get a somewhat different impression. Limiting myself to a few pertinent observations: it will be noted that Peru's percentage of industrialists from an agricultural background was comparatively higher than in all the other Latin American countries. Especially so in the country's largest firms, which are more comparable anyway than our sample-firms.³¹ These data would appear to be more in accordance with our expectations than those of capital-transfer, were it not that the percentages are still rather low. In fact, when examining

27. These "largest" firms were selected - in accordance with the procedure followed by earlier ILPES-sponsored studies in Latin America on industrial elites - according to their G.V.P.; from a list on which Peru's 50 largest companies were ranked by this criterion, 39 could ultimately be used in the study. These firms, it should be clear, thus form a category distinct from those covered by our sample-survey in Lima-Callao.

28. "Large" refers to firms with 100 or more employees.

29. "Median" refers to firms with 20 to 100 employees.

30. The CIDA-report indicates that while an annual income of about 1 million soles per year (1962) was usual on large coastal estates, Sierra latifundios still delivered a yearly average net result of 460.000 soles. The latter earned, besides, income from other sources (CIDA, op.cit. pp. 267-268), so that it would not have been impossible for them to invest part of these earnings into manufacturing industry (1 dollar was in 1962 26.8 soles).

31. See our earlier footnote (no.27) on the selection-procedure we used for Peru's largest firms.

Table (1)^{x)}
Industrialists of several countries^{x)} according to their father's
occupation (1969) - percentages

Father's occupation	Chile	Colombia	Argentina	P E R U Peru's sample largest firms		North America ^{xx)} (1891-1920)
Industrialists	38	45	24	9	15	69
Tradesmen	17	20	36	45	36	—
Employees	12	7	20	27	30	3
Professionals	28	15	12	5	7	11
Farmers/Peasants	5	—	4	14	7	9
Workers	—	10	4	—	3	9
Total (N)	100 (46)	100 (61)	100 (27)	100 (22)	100 ^{xxx)} (179)	100 (106)

x) Source, F. Cardoso, "The Industrial elite" in S.M. Lipset and A. Solari (eds.) "Elites in Latin America", N.Y. University Press, N.Y. 1967, p. 107.

xx) Source, Cardoso op.cit.; he got them from R. Bendix and S.M. Lipset's study "Social mobility in industrial society", Univ. of California Press.

xxx) 2% of cases without data are not mentioned in the Table.

the Peruvian industrialists of Lima-Callao's large and median firms, according to the father's occupation, I found that the percentages of those whose father was engaged in agriculture (or husbandry) were no higher than 4 and 7 percent respectively. It is of interest to add, moreover, that practically all of those from such a background who were working in the country's largest industrial firms, were managers working for economically powerful groups.

This pattern can be extended further in two ways. First, by checking the data for the interference of foreignness (will presently be explained) and then examining the possibility of occupational mobility in earlier generations.

Table (2)

Percentage of industrialists from an agricultural background,
among more and less peruvian Peruvians

Types of Peruvians	(%)
sons of foreign immigrants	4.7
grandsons of foreign immigrants, father Lima	14.3
grandson of foreign immigrant, father Coast/sierra	23.1
son of a Lima-family	9.4
son of a Coastal family	2.9

<u>for the purpose of contrast:</u>	
foreign immigrants	13.0
foreign migrants	20.4
average foreigners	18.0
Total average (weighted) of foreign and Peruvians:	11.0

Strikingly enough, less Peruvian Peruvians showed a noticeable higher frequency of agricultural background than "purer" Peruvian industrialists from Lima or Coastal families did; the latter's families lived in Peru for three generations. In the case of the grandsons of foreign immigrants, we are often dealing with people from Spain or Italy who obtained agrarian holdings in Peru, not seldomly of a considerable size, and who often produced sugar or cotton for exports. This happened also, but to a lesser extent, when the father settled in Lima. Although this tendency leveled off among the sons - not the grandsons - of foreign immigrants, sons of foreign farmers again formed a considerable proportion among the new foreign industrialists in the country; a partial explanation for this may be that Peru continued to attract migratory as well as settling foreigners from Southern and Central Europe, and from the Levantine, a number of whom came from rural families. Before losing myself, however, in too much detail on the foreigners, attention should be called to what the Table does not show directly but what it implies: there were very few to no sons or grandsons of rural families from the Sierra. True, when looking at the proportion of industrialists who came from this region, their number came close to that of those who arrived from the Coast and from Lima-Callao.³² But in the great majority of these cases, we are dealing with sons of fathers engaged in non-agricultural occupations like professions, white-collar jobs, trade and crafts.³³ As in the case of the Coast, the role in manufacturing industry of sons of latifundistas, farmers or peasants from the Sierra, was quite small or practically negligible.

What these data seem to imply is that foreign-Peruvian families, engaged in agriculture, produced more industrialists than "purer" Peruvian agricultural families. The argument that this difference might be explained by the

32. Including the generation of the grandfathers, Lima was represented by 13% among the pure Peruvian industrialists, the Coast by 16 and the Sierra by 11 percent. If we go only by the place or region where the fathers were born, these proportions change to 20, 14 and 6 percent respectively, implying a migration-process among the grandfathers. If we stick to the birthplace of the Peruvian industrialists themselves, Lima's proportion rises to 64%; including those who were born elsewhere but grew up in Lima, and those born in Lima but raised elsewhere, the total percentage arrives at 88%; only 5% of the industrialists were born and raised in the provinces. For further information, see my report, pages 65-79.

33. F. Wils, op.cit., pp. 82-101, 145-147.

former's more frequent operation in export-agriculture, is not sufficient: why would the sons of Peruvian families also engaged in this sector, not have done likewise and in greater numbers? Yet a few other data which qualify to some extent the tendencies observed so far, must also be considered.

Table (3)

The percentage of industrialists who are sons or grandsons of people engaged in agriculture; size of industry

(Grand) fathers occupation	Peru's largest firms	L i m a - C a l l a o		
		Large firms	Median firms	Weighted total
Father in agriculture	14	4	4	7
Grandfather in agriculture	4	16	23	22

Table (3) brings out that especially among the industrialists at the level of median but also on that of the large firms, occupational mobility away from agriculture occurred in the generation of grandfathers-to-fathers, whereas at the level of Peru's largest firms the change-over appears to have been of a more recent kind, from father-to-son. Given our earlier data, we know that a good part of this occupational mobility must have taken place among foreign settlers and their descendants, but a close examination showed that the same was true, by and large, for the Peruvians, albeit in considerably weaker proportions.³⁴ The main impression - more it cannot be - that remains is, again (a) that agriculture, and domestic agriculture in particular, has not been a very important source for the recruitment of industrialists in Peru, and (b) that to the extent it has served as such, it were foreigners or their descendants who entered industry.

Several speculative explanations can be offered. One would be that those who came to industry from the Coast and Sierra, the descendants of families not primarily engaged in agriculture, did still represent or include people who were not completely divorced from agriculture. "Farming" in Peru is, after all, a fairly rare phenomenon, the maximalization of domestic agricultural output and productivity quite limited, and probably more in evidence, as we have seen, amongst toiling small and median farmers than in the circles of latifundistas. But the latter are known to often have occupied

34. The frequencies are too low, however, to make a two by two table. For the moment, therefore, this observation stands as a hypothesis yet to be confirmed by further research.

various occupations and hold various interests, not necessarily restricted to agriculture; now, some of those who mentioned other than agricultural activities, when asked to indicate their father's (primary) occupation, may have included such type of people with multiple roles. As we will see presently, there is some evidence to lend this hypothesis some support. Another explanation would stress, of course, the considerable distance between "Latifundista-agriculture" on the one hand and industrial activity on the other, would emphasize these "easier" aspects of the former which are detrimental to the latter (e.g. seasonal and irregular attention versus constant work besides constant attention; differences in the need for calculus and organization, and in the relation to a stable and paid work-force, etc). A considerably less kind picture might be drawn on the basis of these and other hypotheses, but here I leave the word to those more familiar with the style of life of Peru's large land-owners - of whom, incidentally, too little seemed to be known when compared to the Indian peasantry.³⁵

Whatever explanation is given, we are faced with what, for the moment, I am prepared to accept as an inference: the brain and capital drain from agriculture to industry was less strong than was expected. It would appear that at least from this point of view, industry has contributed less to the stagnation of agriculture in Peru than did possibly other sectors of activity,³⁶ or factors intrinsic to Peruvian agriculture itself.

(b) Other relationships between agriculture and industry.

The internal brain and capital drain is, however, only one, even though important element. Cross-cutting interests might still exist, either at the level of the family of the industrialists or that of the man himself. To that end, the respondents, were asked to indicate also the primary sector in which their father owned interests, and the sectors - including that of agriculture - in which he himself owned property. The results are presented in Table (4), taking into account the size of firm in which the industrialist was engaged. Then it can be seen that, in general, the proportion of industrialists who held agricultural property was rather limited, and only 6% did so. Moreover, land-property showed a clear

35. A great many articles have been produced on the Indian peasants and their communities, at the hand of Peruvian and foreign anthropologists; by contrast, the number of good studies on the latifundistas is small. May be this has partly to do with the earlier appearance in Peru of anthropology than of sociology and modern economics.

36. Favre, in his "Evaluación y situación de las haciendas en la región de Huancavelica" in Favre a.o. (eds) op.cit., describes the migration of landowners and the transfer of capital to Lima, in close connection with the growing importance of this city in Peru, Favre, op.cit. pp. 244-246 and 255-257. This may well have been a more general phenomenon.

Table (4)

Interests in agriculture	Peru's largest firms	L i m a - C a l l a o Large firms	Median firms	Weighted total
<u>Self:</u> agricultural holding	15	10	5.5	6
<u>Father:</u> agricultural holding (occup'n in agriculture)	26 (14)	15 (7)	18 (7)	17 (7)

correlation with size, and the frequency of such holdings increased with the size of the firm in which the industrialists was involved. Or, in simpler terms, as the firms got larger, the industrialists were more likely to own rural property. At the level of the fathers, this relationship was somewhat less clear but could still be found to exist; in fact, the fathers had interests in agriculture considerably more often than their sons, regardless of whether the latter were working in larger or relatively smaller firms. It would seem that these data do indicate that (a) cross-cutting interests, even though not frequent, did exist, and (b) increased especially amongst the industrialists and amongst the fathers of these industrialists, of Peru's largest firms. I can add that this was not just a matter of frequency of holdings, inasmuch as further preliminary analysis tended to show that the size of landholdings also correlated positively with the size of firm; so did the number of times that an industrialist or his father owned interests in export-agriculture, even though here frequencies were very low. Finally, we have added, between parentheses, the frequencies of the father's occupation in agriculture, in order to show the discrepancy between their reported holdings on the one hand, and reported occupation on the other: (nearly two to three times as many fathers appeared to own land than were indicated (by their sons) to be agriculturally occupied.) These data are useful not only because they lend some plausibility to the first hypothesis we mentioned earlier, when commenting upon the rather low percentage of sons from Peruvian agricultural circles. As in the case of the sons themselves, land-holdings may indeed have been more wider-spread than occupational data showed; we should not forget either that land was an useful asset in an inflationary economy, good for mortgages and - when including Indian labour - useful to supply foodstuffs and domestic help. Even foreign immigrants appeared to acquire land in Peru.

The upshot would be that industry and agriculture were indeed to some extent interconnected, especially at the level of the industrialists (or their families) in charge of the larger industries; both the size and type of agricultural as well as industrial interests would seem to imply that here the top of both rural and industrial pyramids were slightly intertwined. But in the great majority of cases, such cross-cutting interests did not exist. A thesis which would underscore the existence in this period of an "agro-industrial power-elite" à la Mills might, it seems, best direct itself to the oligarchy rather than to industry or agriculture as a whole. Given the former's strategic position, still a strong case could be made, but it should then be duly qualified, and base itself upon the interconnections between export-agriculture and industry, rather than upon those between domestic agriculture and industry.

(c) Industrialists and rural stagnation.

It will be useful to turn to the perception which the industrialists had of problems of rural stagnation and of the need for steps to deal with it. For some time, social scientists and politicians nourished hopes that industrialists would be a progressive grouping, intent upon the breakdown of ossified rural structures; not so much out of idealism, but for the purpose of promoting the consumption of manufactured goods and the production of inputs for industry. This extrapolation of what seemed "sound-business-interests" to the level of socio-political behaviour, is currently treated sceptically, if not cynically.³⁷ And this with good reason, as we will see. Although the industrialists indicated the limited size of the domestic market most frequently (28%) as the principal obstacle to the country's industrialization, and - when asked to indicate their own principal problem - again most mentioned (25%) this market-issue, by far the great majority sought the solution of it in terms of measures within their own reach: 33% thought that better salesmanship was the best solution, 24% an improvement of quality, 8% lower cost and 7.5% mentioned lower prices. Only 8.6% indicated what one might call an awareness of the "structural dimension" of the problem, that is the dependency of industry on the living-standard of the consumers (5.8%) or on the evolvment of other sectors (2.8%). This information brings out, I would suggest, the important point that the industrialists acted in a

37. For articles which demonstrate this attitude, see the collections put together by Claudio Veliz (ed), "The Politics of Conformity", Oxford University Press, London 1967; those written from a more radical angle in J. Petras and M. Zeitlin (eds), "Latin America, reform or revolution", Fawcett, Greenwich Conn., 1968, are still more critical of the role which the industrialists did and continue to play in most Latin American countries.

more limited world than observers would ascribe to them, a world in which many elements were "given".

This conclusion is strengthened by other data as well. Asked what they would do as president of their industrialists' association, less than 1% said that they would press for a landreform; the market-problem, which links agriculture and industry most directly anyway, was apparently also a matter they felt rather powerless or unwilling to deal with: only 8% indicated that this would preoccupy them most in they were in that position, and even so, most went on to refer to other than "structural" internal solutions, to regional market formation or to changes in tariffs. When invited to present their programme in case they would be the country's President, agricultural development received the first vote of a low 2%, landreform 5%; and this in a period in which much debate and even some action was taking place in this field. In fact, about two-thirds of the industrialists acknowledged that they did not act in favour of landreform, but asked whether they "should" act, 74% said yes.

In Table (5) some data are presented on the attitude of Lima-Callao's large and median industrialists, towards the necessity and types of land-reform. Only 13.2% is of the opinion that such reform is not called for, and that the rural issue can be solved through technocratic means; on the other hand, only 1.3% agrees with the most radical solution in the scale. The present Junta's type of land-reform, approximating statement (3)

Table(5)
Attitude of industrialists in Lima-Callao to landreform (percentages)

Attitude to landreform	Strongly agree and agree
1.The present distribution of land is fair; the State has only to stimulate agricultural production through credit and technical assistance	13.2
2.To improve agriculture, only the badly cultivated latifundios should be expropriated with indemnization	59.8
3.The agrarian problem is solved by expropriating <u>all</u> latifundios, paying indemnization and stimulating new types of ownership of land	18.1
4.It is necessary to expropriate <u>all</u> latifundios without indemnization and deliver the land into the hands of those who work it	1.3
No answer	7.6
Total (N= 179)	100.0

most closely, finds the approval of 18%. Whether one regards this percentage as well as the first as still low or higher than expected, depends of course on one's prior assessment and idiosyncracies. A considerable majority, about 60%, agreed, essentially, with the type of landreform that came close to Belaúnde's compromise. As a result, one could say that although about 80% supported a more or less radical landreform, most preferred a moderate version, that would take into account differentials in productivity and the right to indemnization.

The motivation from which these attitudes were derived, is not entirely clear. I would seem, however, that they did not spring from a clear perception or awareness of the mutual interdependence between agricultural and rural development, and the need for landreform as a requisite for both. Not just in view of the earlier data, but there are a few others pointing in the same direction. The support for moderate landreform was not hindered by a high appreciation of the Sierra's latifundistas: in a ranking of groups, they were accorded the very lowest position. This despite the fact that 22.4% of the industrialists were related to such latifundistas, either by parentage or by frequent contact.³⁸ Moreover, this group was perceived by the industrialists as having very little influence on the formulation of national economic strategies. We have, on the other hand, the attitude of the industrialists vis-à-vis the great "mass of poor people", including the Indians: although the latter were as frequently mentioned (12.3%) as the latifundistas, as the group most responsible for the country's lagging position (being referred to as "ignorants", "indígenas", only sometimes as "those who don't consume nor produce"). The mass of them and of other "poor" people was the industrialists' most frequent first and second choice among the groups that should receive priority in the future. A cynical interpretation would argue: "because it is good for business"; this would underestimate, however, the role of other possible motives ranging from genuine concern to paternalist attitudes, from the fear of left-wing penetration in the Sierra and in urban slum-areas to a preoccupation with their own and their industries' security.

Finally, if the support for a moderate landreform was not grounded in an awareness of the more "structural" interdependence between industry and agriculture, neither did the industrialists wholly share the social scientists'

38. Only 6% of the industrialists, however, entertained frequent relationships with owners of latifundios in the Sierra.

framework of the "system of the internal domination".³⁹ Whereas the latter tend increasingly to account for the stagnation of the Sierra in terms of the institutionalized subjugation and exploitation of the Indian peasantry by latifundistas and associated circles, the industrialists' explanation was mostly couched in different terms: in the total configuration of explanatory factors adduced by them, the weight rested much more heavily on what the social scientist would either emphasize less, regard as "dependent variables", or would see as the expression of ethnic-social prejudice. The strategic role of latifundistas or "gamonales" was recognized, by only 10% of the industrialists: such answers as the "abandonment" by both politicians and government also go in the direction, to some extent, but - even when combined with the reference to "colonial heritage" - do not add up to more than about 17%. I would not be surprised, incidentally, if in wider Peruvian white and mestizo circles, including those from less privileged strata,

Table (6)

The factors to which the industrialists attribute the Sierra's stagnation (percentage)

Factors mentioned	(%)
1. isolation, topography, no roads or communication	22.1
2. Indians have no culture no education	21.9
3. Government is negligent, gives no support, too centralized	13.7
4. "gamonalismo", avariciousness of the latifundistas	9.9
5. bad resources, poor soil	5.6
6. people don't want to work, "indigenismo"	5.3
7. no investments, capital, industries	5.3
8. colonial heritage, history	1.8
9. politicians have abandoned them, don't bother	1.7
10. other answers	7.1
No answer	5.6
Total (N = 179) weighted	100.0

were to see this matter of causation in terms rather similar to those of the industrialists.

39. A very clear statement of this system and its mechanics can be found in Julio Cotler's "The mechanics of internal domination and social change in Peru", Studies in Comparative International Development, Vol. III, 1967-68, no. 12, pp. 229-246. The more radical view can be found in Anibal J. Quijano's "Tendencias in Peruvian development and class structure", in J. Petras and M. Zeitlin (eds), op.cit. pp. 289-329.

(d) Some conclusions.

These and earlier data bring out points of a methodological nature and others of an empirical-peruvian kind. To begin with the former, I would argue that we should acknowledge more the not unfrequent discrepancy between our theoretical constructs of social phenomena and processes, constructs which often try to get at "underlying" or "latent" structures, and the empirical, often more complex and confused reality. In Peru of 1969, and this brings me to the substantial points, domestic agriculture and industry were in many respects but loosely interconnected; this despite the "structural" fact that both were mutually interdependent. As we have seen, the "objective" brain and capital drain from domestic agriculture towards industry was less than anticipated. Moreover, a sort of "dualism" tended to prevail in the perception of the industrialists with respect to both the interdependence of the two sectors and the causation of the Sierra's stagnation. Yet, they were in favour of moderate landreform and of more attention for the peasantry's condition; the former probably to an important extent because of the latter, rather than because of perceived structural interconnections and/or the perceived interests of industrial development.

This is not to argue that the "structural" analysis should be dropped, on the contrary, it should be elaborated further. When doing so, we might be more cautious, nevertheless, in interpolating cerebrally the semantics derived from such analysis into the hearts and minds of the people and groups we study. From such a "structural" point of view, industry has quite probably contributed to rural stagnation in other ways than here examined. For instance, in Peru - like elsewhere - the term of exchange between manufactured goods and agricultural produce may have worsened to the detriment of the rural sector especially. Moreover, by its lack of adequate absorptive capacity, industry may have contributed little to alleviate population-pressure in rural areas. Then, as a preliminary analysis of other data suggests, the industrialists - as they did in the past - have reinforced the power position of the export and financial groups which had even more influence over national strategies and a more direct role in agricultural matters, than the industrialists themselves. Again, industry has quite probably strengthened the urban-oriented bias among planners and other responsible for policy-formulation and implementation; but here we should consider also our previous observations on the lack of "industrial consciousness", even under the reformists' regime in the sixties. From this point of view, the industrialists have reinforced a type of class-formation and ideology under which the solution of agrarian problems was difficult to obtain.⁴⁰

40. This point will be more systematically discussed in a study I am now working on.

This leads me to the strategies of the present Military Revolutionary Junta which stepped in in 1968, and undertook the task to work out and implement a whole series of drastic reform, also in the fields of export and domestic agriculture and in short of industry. Some preliminary observations on the implications of their strategy for the interconnection between these sectors will follow, bringing this paper to an end.

4. Agricultural and industrial development, now in a context of drastic reform.

Let me begin by noting, first of all, the "structuralist" terminology which the Junta used to state and map out its strategy of reform, not unlike Generals preparing a major campaign. Although in this campaign and in its preparation some essential pieces were missing, especially those referring to the mobilization of the population, and even though the radicals' critique is mounting with respect to what are regarded as "bourgeois-capitalist" tendencies on the part of the Junta, one hardly needs the applause of Moskou or Cuba to be aware that the Junta is, indeed, engaged in often drastic reform of Peruvian structure. In its plans, export and domestic agriculture as well as industry occupy an important position and are meant to undergo a drastic change in ownership, relationship and priority. Sounding like 20th-century technocratic planners, familiar with "structural" theories and advised by those to the semantics of whom many a social scientist is nowadays attuned, the Junta put agriculture and industry -besides other pieces- together before the public eye as part of a new interconnected puzzle.

This point is of some importance as it may imply that the Junta was also engaged in disseminating a perception of society and economy in terms that were less familiar in politically rather conservative Peru.⁴¹ It should be interesting to check whether these terms have indeed penetrated, and if so, whether they are capable of motivating people, for instance the industrialists, to new types of behavior. But let us return to the Junta; rather than meting out its policies and plans in detail, I will limit myself to those elements which are of most importance at this point. So far, the Junta has:

- (1) ^{expropriated} the sugar-plantations of the oligarchy and of foreign interests alike, but left them the agro and other industries. While it has recently handed over the plantations to cooperatives of workers and employees, the Junta has further curtailed the oligarchy's important position in banking and in real estate. Moreover, by substituting the freedom of enterprise, trade and exchange for a strongly centralized and planned process under State-supervision, finally the 150 years old period of liberalist policies came to an end.

41. On the other hand, Peruvian politics and discussions did include a strong dosis of scepticism and a search for hidden machinations; still, this is different from an exposition of the system in which such machinations and interests operate; the more so when this exposition is coming from the Government.

- (2) The distribution side of export-agriculture, like that of all other export sectors, was put under State-control; the external sector is now partly intended as a "workhorse" to generate foreign currencies for the domestic sectors, partly (especially mining) as a basis for new industries.
- (3) A quite drastic landreform was announced, consisting of both redistributory measures and steps to promote agriculture's development.⁴² This reform is now gradually being implemented. Collective, cooperative and also independent types of modernized farming are envisaged, connected with agro-industries and industries producing tools for agriculture.
- (4) Finally, industry received a great, if not "the" greatest priority. While a process of peruvianization of foreign industries was initiated to strengthen national control, new types of co-ownership and co-determination were introduced (the "industrial community"), and while the State reserved the responsibility for basic and strategic industries for itself, also a new attempt was made to decentralize industry and have it work more closely together with agriculture.

At first sight, then, agricultural and industrial development will be closely intertwined in the future. Yet there are sufficient grounds to raise some questions here, concerning the type and direction of the future relationship. In general, I would suggest, it is not unlikely that industry and the groups related to it, will advance more rapidly than agriculture. Besides, paradoxically, a certain "agro-industrial bourgeoisie" might emerge on a scale exceeding that of the oligarchy. To a certain extent, strategic features of the Mexican model might also appear in the Peruvian case. That industry received favored treatment first appeared from the exemption of the agro-industry in the case of the oligarchy; the Junta is interested to see that in the approaching Andean Market, Peru will not loose out industrially to Chile and Columbia. Secondly, it is of interest to know that in the Landreform Law,⁴³

42. See the "Nueva Ley de Reforma Agraria", No. 17716, Lima 1969. I would recommend the study of this law as it - and its subsequent reglementation - is the result of careful studies of the experience in other countries, adapted to Peruvian conditions.

43. Both in the introduction of the Law and in articles 2; in articles 144 to 147 special attention is given to the promotion of agro-industrial collaboration.

and in speeches the need for industrial growth is explicitly mentioned as one of the justifications; of more direct importance, however, might be the way in which the process of indemnization is set-up. Broadly speaking, the obligation handed out for the purpose of indemnization, can be turned into cash, provided they are submitted as fifty-percent payment of initial capital for new industries which will be assigned by the State. Stated in nominal amounts, these obligations are apt to lose their value in times of inflation, and the pressure is strong to convert them into liquid assets. These assets may come to benefit industry more than agriculture, particularly so when such industries were to be established in coastal cities, something that seems not improbable. Thirdly, the landreform law not only leaves the former landowner landholdings variable in size, already now they try to circumvent the law by distributing land amongst relatives and friends; logically, they will make an effort to hold on to the best pieces of land. So that now the indemnized latifundistas may - without being "worried" by restive tenant-workers - obtain a footing in both agriculture and industry at the same time, and thus form the basis of the "agro-industrial bourgeoisie" mentioned earlier. Fourthly, the industrial law foresees industries in the provinces. Such industries are promoted by varying the extent and weight and depreciation of tax-allowances, direct financial and technical support, and by a system of evaluation in which decentralization and the use of national (including agricultural) inputs is also considered. But it is doubtful whether these measures are sufficient to direct industrial investments towards the Sierra. Industries still have an important leeway in the cities, and private capital will tend to seek out those investments which render the quickest profit⁴⁴. I seem to have mentioned enough arguments to warrant the hypothesis that the reforms may strengthen certain features of the Mexican model. That is, may promote the formation of a powerful urban

44. The accumulated advantages of Lima-Callao and the burdens of industrial decentralization, in the Sierra in particular, cannot easily be wiped out. New agro-industries will probably try to seek location either in Lima-Callao or in coastal cities, which affords them easier and directer access to regions of domestic agriculture in the Sierra: longitudinal roads linking Sierra-valleys together, are few and in bad condition.

bourgeoisie, despite the introduction and implementation of a landreform in behalf of the Indian peasantry.

I stress that this is hypothetical. A good counter-case can be made. For one thing, on the basis of earlier data we might suggest that the latifundistas, turned into farmers-industrialists, may find it hard to run a commercial farm, let alone an industry. For another, the Junta has shown sofar a rather impressive capacity and insight into Peruvian tendencies and politics; moreover, it may still channel indemnization funds from agriculture into industries and other types of activities that are of direct use to agricultural development. Considerations like these make it hard to predict what will be the shape of the country's future, specifically with respect to the relationship between agriculture and industry.