

Missed Opportunities and Future Challenges:
Globalisation, Small-Farmers and the Expanding Chilean
Non-Traditional Fruit Sector

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Abstract

The following research revisits, re-examines and builds on previous and ongoing critical work into the rise of non-traditional fruit exports in Chile. The work is principally concerned with the negative distributional impacts on small-scale producers in light of the country's extensive neoliberal reforms of the mid 1970s and 1980's and their continuation under successive Concertación governments since 1990. Attention is placed on revisiting and better understanding the phenomenon observed by Murray (1997) ten years earlier, that saw small-scale producers enter into grossly uneven bargaining relationships with large fruit export firms that tended to expose them to a disproportionately high proportion of the risks associated with exporting in the global marketplace. At the time, these processes were shown to be driving many small-scale producers into a cycle of debt- resulting in land concentration and greater inequality in the locality. In the absence of government intervention, it was predicted that these patterns would continue to threaten the livelihood and economic sustainability of the Chilean peasantry.

The following dissertation demonstrates that in the ten years since 1994 significant land concentration has indeed continued to take place as predicted within the original research locality, El Palqui. But unlike in the past, where land was dominated by large *haciendas*, today, it is equally large, capital intensive producers – including a handful of internationally owned export firms – who are progressively extending their grip over the Chilean countryside. In light of these changes, it could therefore be argued that the Chilean countryside is developing a character gravely reminiscent of Chile's pre-reform 'semi-feudal' system. With even those small producers, who have supposedly 'successfully inserted' into the global economy facing serious financial hardship, the future looks bleak for the Chilean peasantry. This thesis argues that the continuation of land concentration is a by-product of successive Chilean governments' persistent failure to assist small-producers during and after the critical transitional phase from an inward oriented development model to an outward oriented export-led model. This failure to act represents a missed opportunity to effectively integrate smaller producers into the export sector in a manner which might have been conducive to growth with equity.

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List of Acronyms

BIH	Basic Irrigated Hectares
CCC	Credit Consignation (<i>Consignación</i>) Contract
CEPAL	<i>Comisión Económica para América Latina</i> (United Nations Commission for Latin America)
CEPRO	<i>Centros de producción</i> (Production Centres)
CERA	<i>Centros de Reforma Agraria</i> (Agrarian Reform Centres)
Chile-US-FTA	The Chilean United States Free Trade Agreement
CORA	<i>Corporación de Reforma Agrícola</i> (Agrarian Reform Corporation: Chile)
CORFO	<i>Corporación de Fomento de la Producción</i> (Manufacturing Promotion Corporation)
ECLA	United Nations Economic Commission for Latin America
EP	<i>El Peñon</i>
FTA	Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
IMF	International Monetary Fund
INDAP	<i>Instituto de Desarrollo Agropecuario</i> (Institute for Agriculture Development)
ISI	Import Substitution Industrialisation
HA(s)	Hectares
LL	<i>Los Litres</i>
MERCOSUR	Common Market of the Southern Cone
MIR	<i>Movimiento de Izquierda Revolucionaria de Chile</i> (Revolutionary Movement of the Left: Chile)
MNC	Multinational Company
NAFTA	North American Free Trade Agreement
NGO	Non-governmental Organisation
NTAX	Non-traditional Agricultural Export
P3	Pacific Three Agreement
PDC	<i>Partido Demócrata Cristiano</i> (Christian Democrat Party)
PE	Political Economy
PPEX	Primary Product Export

PP	<i>Puerto Plomo</i>
SA	<i>San Antonio</i>
SAP	Structural Adjustment Policy(ies)
SOE	State Owned Enterprise
SR	<i>Santa Rosa</i>
TNC	Transnational Organisation
UN	United nations
UP	<i>Unidad Popular</i> (Popular Unity Party)
WB	World Bank
WTO	World Trade Centre

1.0 Introduction and Topic Rationale

The following section seeks to explore the rationale for undertaking this study and outlines the central aims of the work. I will begin by outlining how Chile has become a favoured destination of study over the last three decades, yet information remains scarce in terms of neoliberalism's effect on the ground and within diverse economic sectors.

1.1. Topic Rationale

Due to the enormous changes, and the purity with which the neoliberal model has been applied in Chile since the early 1970s, in a sense, Chile has become somewhat of a favoured destination for researchers eager to track the political-economic changes of the last three to four decades. Murray's (1997b) inquiry into Chile's political economy began during the mid-1990s, not long after civilian rule had been restored. At the time Chile was amidst an economic boom after recovering from two serious economic recessions under – and arguably as a result of – the military government's dogmatic neoliberal restructuring (Kay, 2002). Since this time, Murray's work has been principally concerned with the evolving interdependence between global economic forces (particularly those mediated through fruit export companies) and their "conditioning" impact (though not necessarily full 'conditioning' impact) on change at lower scales of resolution" (Murray, 1997a, p.1).

During the 1990s Murray was motivated, by among other things, a call for a more in-depth inquiry into the 'Chilean experiment' by such academics as Barham et al (1992). Barham et al (1992), Murray and others (Gwynne and Kay, 1999) witnessed the Chilean debate in many ways being captured by an overly simplistic discourse that placed far too great an emphasis on the 'positive' macro-economic indicators and rapid economic growth occurring in Chile at the time. Whilst not denying such positives, it was however noted, that there existed a paucity of research into the negative socio-economic effects of the outward-oriented model at different geographic scales and among different socio-economic groups, especially as it related to the ostensibly vibrant non-traditional export sector. Indeed, as Barham et al (1992, p.43) commented at the time, "Despite the zeal with which its advocates have promoted non-traditional exports (NTAX) in recent years, we found no studies that provide a comprehensive analysis of the impact of such strategies on Latin American development".

Hence, Murray's research in many ways represented a concerted effort to try and fill the 'void' identified by Barham et al (1992) and others. Murray's work constituted an active attempt to provide a more rigorous investigation into the impact of the free-market model at different geographic scales or within different geographical spheres, with the aim of providing greater depth and clarity to the convoluted debate surrounding non-traditional agricultural exports, neoliberalism and globalisation within Chile and Latin America in general. Critically, this meant examining 'the model's' impact from the perspective of a particular productive sector and within a specific locality. Given the hype at the time surrounding the miraculous 'success' of Chile's non-traditional fruit exports, naturally, the fruit export sector seemed a logical place to start.

A small rural *Pueblo* (village), El Palqui, situated in Chile's Norte Chico (fourth region) was selected as the locality for investigating the impact of NTAX. The locality was notable for its almost wholesale adoption of table grapes production, extensive global orientation and capital penetration, particularly of the international fruit export company variety (Gwynne, 2003). Consistent with this 'global-local framework', Murray's (1997b) ensuing research focused particularly on the 'dependent' relationship (under contract) that formed between large- often foreign owned and globally connected export firms who helped convince small-scale, capital starved peasants, to convert (*reconversión*)¹ from traditional crops to table grapes for export. In the absence of state intervention, these large export firms were the primary agents controlling small-scale farmer insertion into the global economy offering credit, technical advice and market access in exchange for producer supply contracts (Gwynne, 2003).

Accustomed to meagre incomes, growers were quick to embrace *reconversión* for the chance of becoming modern progressive exporters and the prospect of a better life. For a time it may have seemed like all their dreams had come true at once, but by the 1990s external economic conditions began to take a turn for the worse. Increasingly, returns were inadequate to repay credits and charges, water shortages drove up the price of this vital resource and many farmers experienced declining yields. As growers plunged further and further into debt most could not afford to switch back to traditionally less volatile agriculture. For many there was little option but to sell their land to the export companies- more often than not at below market value. By 1994 Murray (1997b; 2002b)

¹ Reconversion, or *reconversión* as it is known in Chilean policy circles, refers to the process whereby growers are encouraged- depending on the ideological orientation of the government of the time- by either the state, export firms (via contracts), market imperatives or a combination of these forces, to switch from traditional crop production towards competitive, higher value, non-traditional export crop production (such as fruits; grapes, apples and citrus. Underlying this policy is a commitment to free-market resource allocation and hence the need to focus on those sectors and regions which are deemed to have a comparative advantage within the global market place (Gwynne, 2003; Murray, 2002a).

found that six out of 26 sampled producers had already sold their land to their creditor company to relieve debt and the 20 remaining *parceleros* had particularly precarious debt to asset ratios.

As a consequence, these economic pressures were “leading in turn to a significant concentration of land ownership” (Murray, 2002b, p.207) within the locality as larger players consolidated their holdings at the expense of smaller and more vulnerable producers. This led Murray (1997a) to conclude, that, despite the astounding macro-economic successes of the last few decades [within Chile], “the distributional impacts of growth in [the fruit export] sector have been, and continue to be, regressive in their nature” (p. 1). He also made a daunting prediction that “it is quite possible, six years from now after the completion of the original fieldwork, that the remainder of the *parceleros* will have been fully proletarianised”. It is within this context that my research seeks to return to El Palqui to perform a longitudinal study in order to track changes occurring in the locality since the mid-1990s.

1.2 Aims and Key Research Questions

From the outset, the research was guided by three broad central aims; firstly, to re-investigate - using primary sources- the extent to which socio-economic differentiation (particularly land concentration) within rural Chile persists to this present day and to try and provide an explanation; secondly, when combined with relevant secondary sources, to try and develop a greater understanding of the complex links between economic processes at the global and national scale and their impacts at the local scale in Chile; and finally, to contribute to the wider debate vis-à-vis the impacts of non-traditional fruit exports, neo-liberalism and globalisation within Chile.

In order to realise these aims, one central question and three contingent sub-questions were asked. They are as follows;

Central research question

(1) How has land tenure transformed in El Palqui since the mid 1990s, and to what extent has land-concentration², semi-proletarianisation and full-proletarianisation continued to characterise the region?

² Land concentration is defined as: the process whereby a minority of- usually larger land owners- due to various reasons- progressively acquire greater and greater amounts of land over time, often at the expense of smaller growers.

Objectives:

(1) What factors explain the continuation or discontinuation of land concentration; and what structural barriers may have inhibited small-scale producers from taking full advantage of the fruit export boom?

(2) What roles have export companies and their contract systems played in El Palqui?

(3) To what extent might past and present policy structures at the national level- particularly neoliberalism- have contributed, influenced or conditioned the present state of affairs in El Palqui vis-à-vis land ownership, socio-economic differentiation and the role of the fruit export sector?

1.3. Thesis Structure

Having already introduced my research topic and general background to this thesis, the following provides a brief discussion of the structure of this thesis and the areas I intend to focus on throughout. In keeping with the political-economy approach that guides this research, the idea is to situate the changes taking place in El Palqui, Chile, within the wider global, regional and national context. This is achieved by gradually tracing the historical political-economic events that have taken place at each of these geographical scales over time, in order to determine how external structures have conditioned the ‘local’, and indeed, how the ‘local’ has responded in turn.

However, before doing so, *Chapter 2* provides an overview of my research’s scope, methodological underpinnings, philosophical perspectives and theoretical approach, including an attempt to justify my choice of topic, site selection and methodological limitations.

Chapter 3 looks at globalisation as a term, a process and a discourse. It traces the historic emergence of a number of ‘waves’ of globalisation since colonial times, with particular emphasis on the latest, arguably neoliberal wave of globalisation, which has had a particularly dramatic effect on Latin America as a region from the mid-1970s to present day. In addition, particular attention is paid to globalisation’s tendency to, on the one hand, reach almost every conceivable part of the globe, whilst, on the other hand, manifest itself differently according to the prevailing physical and human geographies for which it comes into contact with. Ultimately, the purpose of

this chapter is to provide a global-historical context for the phenomenon of globalisation and to take the opportunity to clarify the term for its use in subsequent chapters.

Chapter 4 traces the political-economic history of Latin America from colonial times to present day. It begins with a discussion of the colonial economy under Spanish rule and tracks the regions development as it moved from economic dependence on the Iberian *core* to a new form of dependence on the industrial *core* nations of the Northern Hemisphere following independence (early- mid-1820s), after which most Latin American nations embraced outward-orientated export-led growth, only to be devastated by the Great Depression of the 1930s. Following this, it is explained how Latin American nations responded to this external crises by rejecting ‘free trade’ in favour of ‘structuralist’ inspired Import Substitution Industrialisation (ISI), only to be forced to return to a new form of economic-liberalism (neoliberalism) following the debt crisis. The chapter concludes with a discussion of the negative impact of neoliberalism within Latin America and outlines CEPAL’s ‘neo-structuralist’ challenge to the neoliberal model.

Chapter 5 builds on the contextual background of chapter 4 but does so from a Chilean perspective. Chile’s colourful political-economic history is explored from colonial times to present day. Specific attention is given to examining the roots of Chile’s grossly inefficient, unequal and antiquated *hacienda* system which remained firmly entrenched from the mid-17th century up until the early 1960s. The chapter then goes on to explain how this system was not only socially unjust but economically backward, and ultimately, collapsed under the weight of populous pressures and successive land reforms, despite military intervention to halt the reforms. Following this, the chapter will explain how the military government utilised earlier land reforms and state investment in the agricultural sector, particularly in fruit and forestry, to reinsert Chile back into the global economy as a primary-product exporter (as in the 1850s-1930). Then it will be shown how three successive democratic and nominally socialist governments (since 1990) have done little to alter the central tenets of the military’s economic strategy. Thus, notwithstanding the enormous growth in non-traditional exports, the chapter concludes by outlining the human cost of neoliberalism and explains how the model has, in the main, favoured medium to large scale farmers while excluding or forcing out small-farmers.

Chapter 6 presents quantitative and qualitative data generated from field research carried out in El Palqui, Chile, 2004. It will be shown how due to a range of structural constraints, El Palqui’s growers have had little choice but to pursue a form of ‘dependent capitalisation’ or ‘dependent

development' by relying on transnational fruit export companies for credit, expertise and market access. In particular, it is demonstrated how firms have used their asymmetrical position of power to transfer much of the market risks associated with exporting in the global economy on to small-producers, creating proletarianisation and land concentration within the locality.

Finally, *Chapter 7* refers to the findings in terms of the aims and key questions of this thesis. The focus is on land concentration, its causes, its relationship to wider structures, and the role that the fruit export companies have played. Explicit is an attempt to analysis the goings on in El Palqui since 1994 from neo-structuralist perspective by focusing on a number of important structural constraints faced by growers and by recommending a number of interventionist tools to address these structures. The chapter concludes by arguing that due to successive Chilean governments' hands-off approach to *reconversión* (particularly in the post-*reconversión* stage) these structural constraints have been given free rein, resulting in social-economic differentiation within the countryside. Finally, a call is made for greater state intervention in this area so that the Chilean government may finally be able to match its 'growth with equity' rhetoric with reality.

2.0. Epistemological Perspectives

While the purpose of the section above was to outline my topic's rationale, aims, central question and sub-questions, it is also important to discuss the epistemological position and epistemological limitations of my thesis. Therefore, in order to present my findings in later chapters it is necessary to outline the scope of my research and lay down what I consider to be knowledge and how this knowledge might be attained, analysed and expressed.

2.1 Epistemologies

From the outset of this research I have been under no illusion that my findings will represent pure, objective, impartial, and value-free facts, nor facts that will be immediately applicable to all countries, regions, societies, or cultures across time and space; as often the natural science seeks to create. In general I tend to agree with Sayer (1998, p5) that "social science is somehow different and requires differentiated foundations and tools from the natural science". This is not to imply however, in a historical-hermeneutic sense, that "facts do not exist independently of experience" (Murray and Overton, 2003, p.6), nor is it to suggest in a strictly empirical-analytical sense that science should only seek to focus on observable entities and avoid making normative judgements. This research takes place at the juncture of these two epistemological poles.

Thus, I am conscious that because all knowledge is in essence humanly generated and interpreted, all knowledge must therefore necessarily pass through a variety of subjective filters laden with personal biases, predispositions and values. For instance, even the decision to choose this particular area of study was not value free, nor was it value free when my supervisors selected the project and study region ten years earlier. I am also aware that my 'positionality' as a foreign, non-fluent, Spanish speaker, who at times relied on 'gatekeepers' for my information (see methods) (Murray, 1997a; Murray and Overton, 2003) may have potentially biased the type and depth of information collected as would my own assumptions and world view I entered the study with. Therefore, to reiterate, I do not anticipate that my findings will stand the kind of test and scientific rigor 'positivism' demands, and however revealing, will certainly not constitute universal laws.

That said, so long as I am transparent in regard to my positionality, theoretical underpinnings and methodological framework, I hope to create a context whereby my findings may to some extent tell us something of the reality of the vast changes which have taken place within El Palqui since the mid-1990s. And furthermore, go some way to helping us better understand how globalisation (particularly under neoliberalism) conditions the local, as well as offering some tentative lessons that may help us to better analyse, interpret, and potentially predict and prevent similar outcomes in different localities.

2.1.1. Critical Realism

In light of the above discussion, my epistemological approach is best described as ‘critical realism’. That is to say, that one accepts that a ‘real world’ exists, but at the same time remains mindful and cautious by employing ‘post-modernist’ ideas that argue that all knowledge is essentially filtered and tainted, whether intentional or not, by human bias and cognitive limitations. Implicit therefore within a critical-realist approach, is an understanding that we can, at least within reason, seek to uncover true phenomena in both the natural and social realm. But by implication, if things can be said to be essentially ‘true’ then there must in turn be space to argue that something can be better or worse, just or unjust, right or wrong, moral or immoral. If so, as free thinking knowledgeable human agents we are not only capable of envisioning a better state, but we are also capable – if not morally compelled – to act on our vision to bring about a more desired outcome. Thus, like all critical theory, inherent to a critical-realist epistemology is a reformist vein that in some way desires to go beyond solely “...adding to our knowledge of the geographic world....but aims to change it for the better” (Kitchin and Tate, 2000).

2.1.2. Structuration Theory

In addition to critical realism, my research is also influenced by Giddens’s ‘structuration theory’. Structuration theory seeks to reconcile two competing streams of thought within the sociology discourse; (1) one that assumes that it is primarily ‘structures’ that shape societies in a deterministic sense, (2) and another that places far greater emphasis on ‘human agency’- or in other words, the ability of ‘knowledgeable agents’ to not only recognise structures but to act to restrict, remodel, change or re-structure these ‘structures’. Structuration theory might be said to offer insight as to the mechanism of external structures and to what extent they have a conditioning influence over different economic spheres (Bilton et al, 1997). Thus, applied at an international

level, structuration theory would recognise the power asymmetries and external conditioning forces inherent in the global-political economy. But unlike more deterministic epistemologies and social theories (e.g. Dependency Theory: see chapter 4.3), it would not discount the ability of nation-states (or other ‘agents’ such as communities, and non governmental organisations (NGOs) etc.) to alter, to a certain extent, their internal conditions in order to break free of, or mediate, external conditioning forces.

Another advantage of structuration is that it can be applied to all geographic scales. At the national scale, for example, it can help us to understand how various Chilean governments have at times attempted to resist external forces (particularly under Allende), and in other times allowed external conditioning forces to modify production systems and society virtually unchecked; as was the case during the early neoliberal phase. Further down the geographic scale, and in terms of the case study area of El Palqui, structuration directs us towards uncovering the techniques and livelihood strategies that “disorganised, small-scale and disempowered” (Murray, 1997a, p.6) local producers might have assumed in their dealings with much larger “virtually un-regulated multi-nationals” and as a result of being rapidly plugged into the rather precarious global capitalist system.

2.2. Theoretical Framework

Having already outlined my topic rationale, and epistemological underpinnings, the following section seeks to make clear the macro-intellectual approach (e.g. political-economy) and policy approach (e.g. neo-structuralism) which will inform my analysis for the remainder of this thesis.

2.2.1. Macro-intellectual Approach: Political Economy

Although political economy analysis has its intellectual roots in Marxist type analysis, it can provide a valuable prism for exploring past and present political-economic conflicts without necessarily advocating purely socialist style solutions (Peet and Thrift, 1989). Its strength is that it forces us to examine political, social, economic and environmental changes at the international, national and local scale not so much in a ‘neutral’ descriptive sense but rather as “political act[s] carried out by different agents in different classes and social groupings” (Peet and Thrift, 1989, p.13). Thus a PE approach has particular appeal in terms of Chile, because it compels us as to view Chile’s past and more recent economic and production changes – such as the dismantling of the formally

dominant, regressive and repressive *hacienda system*³ under Frei and Allende, and the systems virtual resurrection by, arguably, equally powerful and influential export firms under Pinchot's military rule – as fundamentally connected to the nation's underlying 'political struggles' (Haggard and Kaufman, 1995).

2.2.2. Policy Approach: Neo-Structuralism

Neo-structuralism is a relatively new theory which developed in response to the tumultuous development experiences within Latin America; first under structuralism and more recently (since the mid-1970s) under neoliberalism. Neo-structuralism will be discussed in greater detail in later chapters; however, essentially it aims to provide a middle ground between structuralism and neoliberalism. It accepts, therefore, the need to maintain macro-economic stability and acknowledges the gains to be made from international trade (Dietz, 1995; Lewis, 2002). Yet, having its roots in structuralism, it does not view the international political-economy in entirely benign terms. Unlike with neoliberalism, it is not enough to simply get 'prices right'. Neo-structuralism is well aware of the structural barriers peripheral economies must try and overcome when operating within the international economy. Thus, it retains a key enabling role for the state in fostering more holistic economic development whereby the State is crucial in helping to bend the allocation of resources in a manner that can improve on market outcomes and, ultimately, improve a nation's trade competitiveness and development prospects (Gwynne and Kay, 1999; Kay, 2002; Dietz, 1995; Lewis, 2002).

The two approaches outlined above complement each other. For example, given neo-structuralism's overriding concern for 'structures', implicit therefore is the need to unravel those historical and current political-economic factors (e.g. class struggles) which have given rise to and which sustain these structures over time. Furthermore, both approaches, but neo-structuralism in particular, dovetail nicely with a broader 'structuration' epistemology. For instance, structuration theory like neo-structuralism recognises how external conditioning forces can condition an economy or productive base. But unlike neo-structuralism's more radical and deterministic cousin 'dependency theory' (see chapter 4.3) it also retains a degree of optimism in that 'agents' – be they states, institutions, NGOs, communities and even individuals – can help temper or even repel such structures (Green, 1995) albeit with some difficulty given the forces of globalisation (Gwynne and Kay, 1999).

³ For a description of the *hacienda system* refer to chapter 4.

2.3. Methodology

2.3.1. Methodological Rationale

This thesis takes a hybrid methodological approach incorporating both a qualitative and quantitative approach. Both methods have their own relative strengths and weaknesses. Ordinarily, quantitative methods aim to uncover relationships between two or more ‘measurable’ variables with the aim of unearthing certain statistical patterns, or even laws (especially in the natural sciences), that might give us insight as to why a particular statistical relationship exists (causality). Assuming causality is revealed, such findings may then be used to form a model, which in theory aims to predict certain outcomes in similar situations where similar variables and parameters exist. On the face of it, therefore, quantitative data appears to offer a superior synthesis of reality and prides itself on being objective and detectable to the senses.

This may be so (although this is still a highly debated subject within the philosophy of science) in terms of the natural sciences, where generally bias only infiltrates the research process either as a consequence of the researchers own conscious or unconscious subjectivity or due to the limits of human cognitive abilities to adequately understand and interpret the complexities of the natural world. But within the social sciences the objects of investigation are often free thinking human agents, making reality far more difficult to tie down (some would argue impossible)⁴. For instance, in the case of this thesis, while quantitative data may be able to tell us that land sales have increased among smaller farmers within a given period, it does not necessarily tell us why. It may be able to make a connection between other observable phenomena such as debt levels per-hectare farmed, but still, it cannot tell us why some farmers decided to take on debt in the first place or why others have managed to avoid debt and succeed. Thus, qualitative research seeks to uncover what factors might explain why a particular person decided to take a particular course of action (e.g. borrow from an export company). Presumably, no rational person sets out to accumulate debt to such a level that they lose their asset base. Thus in the case of El Palqui, qualitative enquiry might involve an attempt to uncover what *parceleros* expectations were leading up to the signing of a contract. What information did they base their decision on? To what extent was their decision based on the information of other influential groups with superior information (e.g. export companies)? [These issues are explored in greater detail in chapters 6 and 7].

⁴ For instance, those of a Historical-Hermeneutic persuasion would argue that external reality does not exist, only each individual’s perception of their own reality (Murray and Overton, 2003).

There may be many reasons underpinning a grower's decision to reconvert and which explain grower failure. Not all individuals would have started from the same financial foundations or knowledge base. Perhaps some had outstanding prior debts, health problems that required immediate attention, were exploited or cheated by another person or legal entity (e.g. an export firm), were incredibly unlucky, or lacked the requisite skills – such as written and numerical literacy – to effectively manage their *parcela*. Here 'reality' is far harder to tie down, as in many ways we are concerned not so much with reality, but with how a given individual perceived his or her own reality at a given time and place, and how this perception then influenced them to take a particular course of action.

This creates a dilemma of sorts. Qualitative research, because it takes place within the social realm, is grounded in a specific time, location and socio-cultural context which one could argue precludes qualitative findings from being adopted and applied in any another context. I have already described how a researcher, whether intentionally or unintentionally, may further distort the findings by allowing their own world view to interfere with the research process, by deciding the terms of inquiry in the first place and the way in which questions are constructed and construed. Does this then mean that qualitative scientific inquiry into the social world, in particular, is a fruitless endeavour? As from a scientific viewpoint, what would be the rationale in trying to understand some phenomena if it is merely subjective and has no relevance in any other context? As Murray (1997a, p.7) pondered, how do we avoid being stuck in such a "quagmire of relativism"?

While one must remain wary of these factors when performing qualitative research, especially when making cross study comparisons, it is the author's position that the experiences of people under certain conditions are often (although certainly not entirely), applicable and useful in similar situations – and we are indeed capable of identifying where such similarities and lessons may apply. Thus, it is the author's contention that both forms of inquiry, qualitative and quantitative, have their merits, and when combined, complement each other as qualitative inquiry can help uncover why quantitative phenomena, such as land sales, may have occurred. Furthermore, if questions are direct and unambiguous it is even possible to present qualitative findings in a quantitative form. Once again, as long as the researcher declares his or hers intention in an honest and transparent fashion and does not claim immunity from his or hers own worldview, then there is no reason why a reader should not be able to take onboard findings from both the qualitative or quantitative forms of inquiry.

2.4. Topic and Site Selection

In what follows, I will describe the methodology used to collect information for fulfilling the aims and objectives of this thesis; including my rationale for choosing Chilean agriculture; and in particular, the decision to focus on the evolution of Chile's table grape exports.

2.4.1. Why Study Chile?

Compared with other nations, Chile has been subjected to the first and arguably the most pure and aggressive neoliberal restructuring to date (Kay, 2002; Murray, 2002a). This makes Chile a particularly interesting destination to study from researchers' point of view as there exists a substantial time frame for which to examine the implications of the outward-oriented development model. However, despite the considerable time frame that has passed, politicians, policy makers, academics and grassroots organisations- both within and outside of Chile- continues to debate the merits of neoliberal restructuring. Part of the problem derives from the fact that while there has been an abundance of investigations hailing the macro-economic successes of the reforms, inadequate attention has been paid to the impact of neoliberalism in different geographical spheres or localities.

2.4.2. Why Non-Traditional Fruit Exports?

Although a number of Latin American countries have experienced a rise in non-traditional agricultural exports since the introduction of neoliberalism, the growth of fruit exports in Chile has been nothing short of spectacular (Collins and Lear, 1995; Korovkin, 1992; Kay, 2002), tempting some to refer to the process as the 'Chilean fruit miracle'. Yet, in reality, Chile's experience with non-traditional fruit exports also demonstrates the great contradictions of the neoliberal model. On the one hand the Chilean fruit sector is lauded by adherents of unfettered market capitalism for its 'miracle' like growth, dynamism and productive efficiency. But on the other hand, it is also a sector that has been subjected to a rather hostile form of economic darwinism which has perpetuated inequality within the Chilean Countryside (Kay, 2002; Murray, 2002b). The debate is complex and ongoing, and I would argue can only be resolved by uncovering the real experiences of those living in specific localities involved in the transition.

2.4.3. Why Chilean Table Grapes?

Of all the fruits produced in Chile, grape exports have shown some of the most dramatic growth within Chile. During the 1980s, a number of pre-coup institutional reforms and agrarian infrastructural developments interacted with low labour costs and a non interventionist state to unlock Chile's comparative advantage in the area of grape exports (see chapter 5.8) (Gwynne and Kay, 1997). The combination of these institutional and geographical factors, particularly the government's pro-business stance, provided the kind of business conditions irresistible to both domestic and foreign investment (Murray, 2002a; 2002b).

Thus, in the absence of any meaningful government agricultural policy, large export firms effectively filled a void once occupied by state agencies such as INDAP (Institute for Agricultural Development) by providing credit, technical expertise and marketing facilities to many small peasant farmers (Collins and Lear, 1995). As a result, the private sector, especially foreign capital, was instrumental in transforming the hitherto traditional and 'inward-looking' Chilean countryside to one that relied heavily on the outside world (Gwynne, 2003). Within Chile's Central Region in particular, foreign capital drove the *reconversión* process, producing highly visible 'production clusters' of small-scale producers specialising in almost complete monocultural grape production (Murray, 1997b). Hence, the corresponding interrelationship that developed between foreign investment and local producers in many ways epitomises the expanding global-local linkages unleashed in Chile as result of globalisation. This makes the grape export sector an ideal sector for exploring the influence of neoliberal restructuring within rural Chile.

2.4.4. Why Study Parceleros?

By virtue of their central role in the extensive and abrupt changes that have taken place within rural Chile, *parceleros* have become a particularly interesting group to study as their lives, experiences and misfortunes in many ways reflect the wider story of agrarian change in Chile. It is worth noting, however, that *parceleros* were not the only group to invest in table grape production. Many large owners and corporations have either converted existing land or bought new land in order to plant table grapes for export. But what makes *parceleros* unique is that among Chile's peasant population they were among a select few with enough land to consider *reconversión* as a 'viable option'. According to Murray (1997a, p.15) generally, "*minifundistas*, due largely to lack of financial collateral, have been precluded from participation in this sector" [also Collins and Lear, 1995 and Kay, 2002]. But most importantly, *parceleros* insertion into the global economy has been almost

entirely 'dependent' on global capital or local firms operating in the global economy. For these reasons they represent a highly global, highly integrated group of producers in which to track the local implications of the globalisation of grapes within Chile.

There are also good practical reasons for choosing to focus on *parceleros*. Thanks to the systematic nature in which *parcelaciones* were formed during the counter reform process, they now make up a relatively homogenous and geographically defined group of producers to study. This has two benefits; first, their geographical concentration makes them suitable to interview within a narrow time frame and at a reassemble cost. The second relates to the quality of the findings. In effect *parceleros* represents a defined cohort, or population, with similar life experiences within a similar socio-economic group. This, I would argue, makes it easier for a researcher to uncover the influence of specific external influences within the locality, compared with had the population and land distribution grown up organically over time which would have likely produced far greater socio-economic diversity.

2.4.5. Why El Palqui?

As I have already mentioned, setting out to perform a longitudinal study of a discreet population of farmers I was necessarily compelled to return to the site selected previously by Murray (1997a) during his initial investigation; that being El Palqui, a small rural settlement in the region of Coquimbo (in Chile's fourth region (see figures 3 and 4). However, besides this, there are number of reasons why El Palqui may be considered an excellent site for studying changes within the Chilean countryside.

- ***Political/Economic History***

Most importantly, El Palqui is a region that has been highly influenced by the wider political-economic changes in Chile since the mid-1960s. Typical of Central Chile, El Palqui was once dominated by a minority of powerful *hacienda* owners up until the mid-1960s. Following this the locality witnessed extensive expropriation and collectivisation projects under Frei and Allende, only to be drastically halted, and in some cases reversed, by the Military Government's counter-reforms (Murray, 2002b). Still, despite the counter-reform, under Pinochet, 144 new parcels of land, in five reform units (*parcelaciones*) were formed out of the previous collectivised land by 1977; on average they were 9-10 basic irrigated hectares (BIH) in size (Murray, 1997a; Kay, 2002). Most of the reform

beneficiaries were new landowners, with few business skills and little managerial experience, yet they were thrust into one of the most uncertain and precarious times in Chilean economic history (Collins and Lear, 1995).

Initially, the drastic social-political upheavals, and the harsh economic conditions brought on by the Military Government's extreme neoliberal reforms, were enough to force many reform beneficiaries to sell their land. For those who chose, or perhaps more accurately, were able to remain, they got down to producing what they new best- traditional crops- mostly vegetables (tomatoes and green beans) geared for the domestic market. Yet as the macro-economic situation altered, especially given the devaluation of the Chilean peso, as elsewhere in Chile, market forces drew in local and foreign investors who scrambled to unlock El Palqui's unique comparative and competitive advantage, precipitating the much heralded fruit boom (Murray, 2002b).

- ***Natural and Institutional Endowments***

As a locality, El Palqui has a number of natural advantages that contributed to its growth. Lying within the *Guatulame Valley*, within the wider *Limari* system, El Palqui is blessed with a unique topography and geographical positioning which provides a very favourable climate for growing grapes. For example, according to Murray (2002b, p. 200) "El Palqui's distribution of temperature and isolation characteristics throughout the year means that the harvesting period, from mid-November to mid-February, has generally coincided with peak prices (around the Christmas festivities) in northern hemisphere markets...thus the produce can command excellent prices"⁵.

Not surprisingly, given such favourable natural endowments, when suitable institutional-economic conditions coalesced during the 1980s, El Palqui received some thing akin to a 'gold rush' (Murray, 2002b) as large fruit export companies penetrated the region eager take advantage of the locality's natural and institutional endowments. The subsequent transformation was spectacular. Between 1962 and 1988 in the Guatulame Valley grape production ballooned from a mere 70 to 1,500 hectares (Murray, 2002b, p.202).

Underpinning and driving this extremely rapid and complete transformation were a number of large transnational agri-businesses who were responsible for connecting local producers with global

⁵ Although Murray (2002b) notes that since the late 1980s the maximum price period has slipped back to late November.

markets (Gwynne, 2003; Murray, 2002a). The primary mechanism underpinning this producer/export firm relationship was the credit-consignation-contract system (CCC), a system first pioneered by Chilean owned fruit firm David Del Curto in Curicó, that was later (in the 1980s) adopted by other Chilean and non-Chilean export firms (Barton and Murray, 2005). According to Gwynne (1995) and Murray (2002b) the CCC system works in the following way; export firms lend considerable sums of money to fund the initial setup costs and any subsequent running costs for those *parceleros* wishing to ‘convert’ their *parcelas* to table grapes for export. In return, growers are legally obligated to sell their produce exclusively to the creditor firm. However, growers are not paid upfront for their produce. Instead, payment is withheld or delayed until such time as the grapes are sold in overseas markets. Once the grapes have been sold, growers receive the ‘market price’ less the initial advance, interest payments and commission (for export). Growers who fail to pay in full- almost a forgone conclusion in the initial years- are legally bound to sell exclusively to their creditor firm until such time as they can settle their outstanding debts. The implications of the CCC system will be discussed in greater detail in latter chapters. However, suffice to say, this system helped El Palqui evolve from a traditional agricultural locality to “one of the most rapidly transformed exporting areas in the whole of Chile” (Murray, 2000b, p.204).

In summary, the key benefits of studying El Palqui is that the region’s experience under neoliberalism has been so pure and so complete with the majority of *parceleros* embracing grape production. It is thus a truly transformed locality which stands as a testament to the awesome conditioning power of globalisation, especially when global economic forces are allowed free rein under neoliberalism. And as a region naturally blessed to grow grapes with a high degree of population and socio-economic homogeneity (at least in the early years), it should in theory be possible to isolate those institutional and political-economical structures which have shaped the locality since the mid-1960s.



Figure 1. Chile Regional Map

Source: GoChile (2006)



Figure 2. Chile's IV region.

Source: Biblioteca del Congreso

Figure 3. El Palqui Chile: Field Study Site Right North-East Corner

Source: Google Earth (2006)

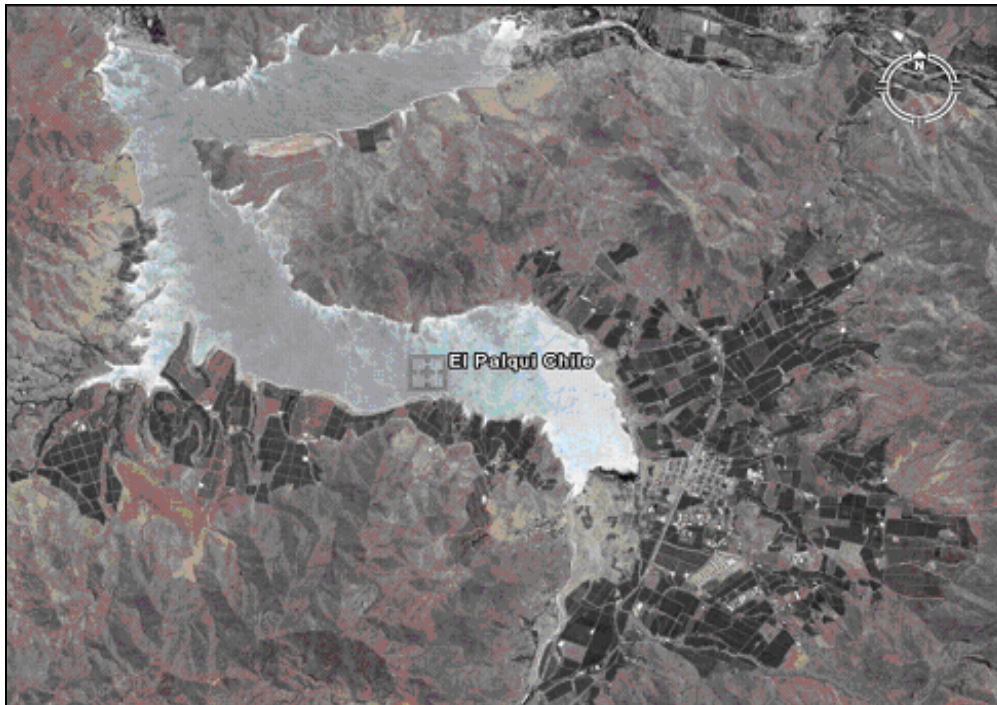
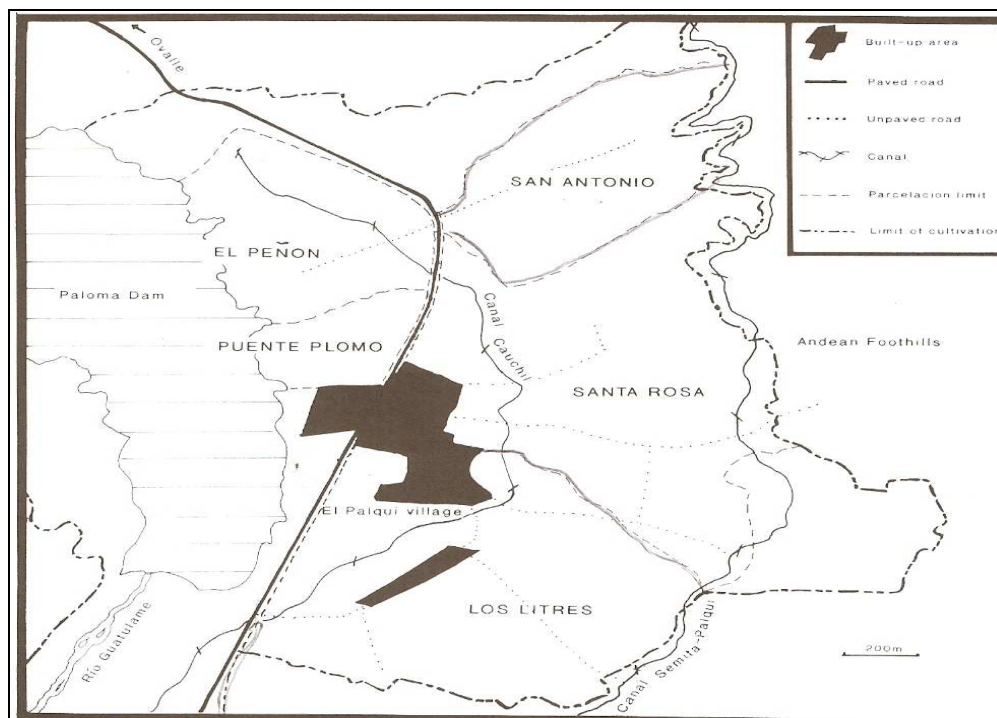


Figure 4. El Palqui Chile. Research Site and Separate *Parcelaciones*

Source: generated from Murray (1997a)



2.5. Field Work and Data Collection Methods

The following section outlines my methodological approach used for satisfying the aims and objectives of this thesis. As previously discussed, I elected a ‘hybrid methodology’ which included both qualitative (part a) and quantitative data (part b). The quantitative data was derived from examining *los roles* (the land tenancy register) which track land tenure changes over time according to each plot. The qualitative data, was derived almost entirely from a series of interviews with local growers, and is intended to complement the quantitative data by unravelling the underlying causes behind land sales and acquisitions within El Palqui. The location specific mixed data was then combined with an array of contextual secondary sources in order to situate the ‘local’ in terms of the wider political transformation that have taken place within Chile.

2.6. Quantitative Primary Data: (Part a) Los Roles

In order to track the changes in land tenure for 144 *parcelas* in El Palqui, I consulted the local *roles* which track the changes in land ownership within the locality over time. For each parcel of land the *roles* give the name of the owner, size of the plot and a corresponding reference or *parcela* number. Where a person or company owns two or more plots, as is often the case, the *roles* continue to categorise the *parcela* as if it is a separate entity- even though in reality multiple plots are likely to be administered by their owners as whole entities, especially when adjacent to one another. Nonetheless, this categorical peculiarity is extremely useful from the point of view of this research as it allows us to see just how many parcels of land have been acquired, by whom, and within which timeframe.

For the purposes of my research, rolls were used to examine land changes within the locality in five discrete periods, 1983, 1986, 1990, 1994 and 2004. For period 1983-1994 I relied on Murray’s (1997a) previous *roles* information collected in 1994. I was able to up date the *roles* by attaining the data for 2004. Unfortunately, data for the period 1994-1998 did not exist.

Nonetheless, combining the past and present data I was able to calculate, update and compare critical changes within the locality over time, such as the overall velocity within the land market⁶ (i.e. land transfers per period), and more specific indicators such as the number of original *parceleros* remaining by 2004 and their percentage land ownership within the locality. Likewise, I was able to

⁶ Land market velocity is a term I have used to describe the rate of transfers or the degree of fluidity within the land market over time. When the number of transfers within a given period appear to exceed that of previous intervals, the market can be said to display greater velocity.

calculate, for instance, the number of individuals or companies who have acquired more than one plot. These were just some of the methods used in demonstrating whether land concentration has continued since 1994. Microsoft Excel, with its spread sheet format, was essential for organising, tabling and presenting my findings graphically (see chapter 6).

2.6.1. Problems Encountered

There are a number of problems pertaining to the data collected and the manner in which the data was obtained. Firstly, it is crucial to point out that no data was able to be obtained for 1982 meaning the first period (1983 to 1986) consists of only *three years* as compared with the following two periods that have intervals of *four years* (1986-1994). Of course, this data gap is inherited from Murray's (1997a) previous research. However, the author accepts this admission is likely to bias the information by understating the number of land transfers within this period by approximately one quarter (*e.g. 1 year*), especially when making cross period comparisons. That said, I would contend that the data is still useful and comparable so long as the reader is made aware of this statistical discrepancy.

Of greater concern is the period 1994–2004 as there are no records for the middle period 1994-1998. An attempt was made to obtain this data but this proved unsuccessful. In previous years Murray was granted access to the *roles* but I was not afforded the same access. Somewhat understandably, the authorities were not comfortable in providing such personal information to the public, let alone a foreign researcher. The *roles* were online, but only for the year 2004, and they required a password from an authorised person. Fortunately, I was assisted by an authorised local from El Palqui involved in the agricultural industry, who kindly provided me with the information for 2004.

Still, not having the data for 1994–1998 creates a similar dilemma to that described above. How could I compare the last 10 years' data with past data organised according to 4 year intervals (with the exception of one three year interval 1983–86)? There lies no simple answer to this quandary. I could, for instance, attempt to disaggregate the data by dividing the latest *10 year* interval by two creating *two five year* intervals (1994–1999 and 1999–2004) to compare with the remaining *two four year* intervals and *one three year* interval. Such a technique would, however, be based on a rather optimistic assumption that the land market remained more or less constant during the last 10 years. Yet, this is a highly unlikely scenario and a rather arbitrary assumption.

In order to address this problem, when referring to the periods between 1983 and 1994, changes will be discussed in terms of *one three* and *two four year* intervals, as doing so provides greater analytical depth. Yet, when making comparisons with 2004 findings, the data will be aggregated and presented in *one 11 year* (1983–1994) and *one 10 year* (1983–1994) period. It is reasoned that over this greater time frame the missing year of 1982 will be less likely to prejudice my findings. Moreover, as the majority of data is presentable in graphical form, most graphs displaying changes over time will include both columns' from the three and four year intervals, as well as an 11 year aggregate (1983–1994) column so as to make comparisons with the latest 10 year period (1994–2004).

Another concern relates to the difficulty in uncovering who owns a particular parcel of land. According to Murray (1997b) — who discovered this point during an interview — some companies have on occasion bought land in the name of their manager or executives making it difficult to assess the amount of land owned by specific export companies. The extent of such tactics is unknown, but I suspect it is relatively rare given the large number of company names that appeared on the *roles* as of November 2004.

Finally, as was the case in Murray's (1997a) prior investigation, one serious flaw of the *roles* is that they do not tell us the degree to which 'semi-proletarianisation' has taken place. From 1983–2004, the *roles* assume that each *parcela* retained its original size. However, as later chapters will show, we know this not to be the case. We know that many, perhaps even the majority, of *parceleros* have at some stage sold a part of their *parcela*. But the *roles* maintain the same number of hectares for each allotted piece of land. Thus I would strongly suggest that unfortunately the *roles* are likely to understate the extent of land concentration within the region. This is undoubtedly a serious gap in my research, and I call upon the reader to make up his or her own mind when presented with the qualitative evidence, which although of a smaller sample size, appears to show that the majority of *parceleros* have at one stage or another engaged in partial land sales. If any thing, this highlights the importance of qualitative data in telling the El Palqui story, which I will turn to now.

2.7. Qualitative Data: EL Palqui Interviews 2004 (Part b)

In October/November 2004 I carried out a series of interviews with small-farmers within El Palqui. The aim was to interview some 25–30 farmers in regard to their production and output situation, tenancy status, marketing methods, credit sources, debt levels, investment levels, technology use, labour sources and their future intentions. In order to acquire this information, a semi structured

interview approach was selected which included closed ended questions and open ended, opinion/experience based, questions. Semi-structured interviews were aimed at collecting a rich combination of quantitative and qualitative data, and were deemed most suitable given my limited time frame and language issues.

Upon arriving in El Palqui, my first goal was to make contact with those farmers interviewed during Murray's 1994 investigation from the three separate *parcelaciones*. However, as expected, some of the original interviewees had by this stage sold their land, passed away, or moved to a different locality. In fact, six had already sold their land by the time of Murray's investigation. Still, relying on the list of names provided by my professor, I attempted to contact as many of the farmers interviewed in 1994 as was possible.

Although the survey consisted of a number of questions aimed at understanding the general production situation of small-growers, in those cases where an interviewee no longer owned his or her land, I endeavoured to establish when it was sold, to whom and for what reason (e.g. debt, prices etc). On most occasions I was able to contact the person directly. Where this was not feasible or possible, I spoke with friends, family and other growers to collect my information. Wherever possible I sought to corroborate such information by asking the same questions to a number of people within the locality. One person in particular, Robinson Laffarte, the son of a former interviewee and small business owner who provides administrative services to growers, proved to be an essential guide throughout the duration of my stay.

Of the 20 owners still retaining their land in 1994, I was able to interview 15 directly (6/9 from LL, 3/5 from SA, and 6/7 from SR). Information for the remaining five growers (of which 4 out of 5 had sold completely) was gained by questioning friends, family, and other growers and of course 'my guide'. The information was organised and collated so as to make comparisons with past findings.

In addition to the longitudinal aspect, I also performed another four interviews. Of course, the purpose of these extra interviews was not for comparative purposes but rather to add additional debt to my findings, so they are analysed separately throughout. All in all, 20 full interviews were performed from a population of 73 owners. However, crucially, 18 of the interviewees are single *parcela* 'small-owners' of which there remain only 61 remaining, meaning approximately one third of the entire population of individual *parcela* owners were interviewed.

2.7.1. Issues Encountered During the Interview Process

During the course of my research I faced a number of challenges; some of which were expected but many were not. For instance, before leaving New Zealand I was aware of my limited research timeframe, but there was no way of knowing just how challenging such research would be. As an English speaking New Zealander, with little prior exposure to Latin American cultures and a limited command of the Spanish language, I tried to prepare myself to the best of my abilities by studying Spanish before I left. Yet on arrival, I soon found my command of the language wanting when confronted with a difficult Chilean accent combined with the general pressures that come with researching out of one's comfort zone. Fortunately, for the first 5 or 6 interviews I was assisted by my partner, who as a fluent Spanish speaker from Argentina, helped me ease into my research; although for the most part my Spanish was far more limited than I would have liked.

Once on my own, I simply had to make do with my limited language skills. I had a range of set-questions that I asked and all replies were taped for later analysis. But although taping allowed me to capture the interviewees' responses, on many occasions I was not able to understand the response, which regrettably meant I could only assume that the question was first, understood, and second answered appropriately. My lack of Spanish also precluded me on a number of occasions from asking important follow up questions that may have offered greater insight.

As a result, following translation, it became apparent to me that on several occasions some questions had been misconstrued, answered in a confusing manner, or even missed out completely. For this reason, on a number of occasions I have been forced to adjust my results accordingly. For instance, instead of having a sample size of 20 for each question, the results are framed according to '*the number for whom a response was attained*' rather than the total number interviewed. Thus, although a fixed number of interviews were carried out, many of the findings will be framed like so...*7 of 15 who answered this question stated that..., or 10 of 18 have received...etc.* No doubt these gaps in my investigation prejudice the strength of my qualitative data and overall findings. However, in my defence it is important to make clear that although the sample size is indeed small so too is the whole population. In hindsight, however, my largest regret is that I did not appreciate just how long research can take when working within a foreign culture and where major language barriers exist.

2.8. Additional Information and Secondary Sources

2.8.1. Location Specific Secondary Data, and Informal Information Sources

In addition to collecting land tenure statistics and carrying out interviews, a number of additional interviews, anecdotes and documents were gathered. For example, an interview was performed with a representative from the multinational export company, Unifruti, who kindly took me on his daily visits to various vineyards and orchards throughout the region and provided me with some important background information regarding the changes in El Palqui and the role of the export companies in the wider region.

Furthermore, I also received a copy of a CCC contract that belonged to my ‘guides’ father, and for which I was told- by both my guide and growers- was typical of CCC producer contracts within El Palqui. Finally, throughout the course of my investigation, by spending time with the locals and enjoying their warm hospitality I heard many personal anecdotes from growers and their families. Although they were not necessarily obtained in a strictly scientific sense, they have still been very useful in helping me contextualise my findings. Throughout the results chapter some of these anecdotes will be used to add meaning and context to the more discrete scientific data.

2.8.1. Non-location specific Secondary Data

In addition to the locality specific data collected, a range of secondary sources have been considered. They include statistical information (grape export and price statistics) from various Chilean and non-Chilean governmental and non-governmental institutions, such as INDAP, the United Nations and CEPAL (United Nations Commission for Latin America and the Caribbean: also ECLA). I have also consulted the extensive development literature relating to Chile and the wider Latin American continent.

2.9 Limits to my Analysis- ‘Some Thoughts’

2.9.1 Explanation of Aims and Justification of Research Scope

Of course, the areas and question outlined above are but a few of the many modes of inquiry and areas I could have touched on throughout the research process. However, due to time, logistical limitations, and the fact that many questions would require skills in some areas of the social-sciences of which I have no direct prior experience, I have decided to, for the most part, examine the effect of neoliberal restructuring on visible phenomena such as land concentration and socio-

economic differentiation, rather than provide a sophisticated philosophical critique of the free-market model from a moral or ethical perspective. This does not mean the ‘model’ will be immune from criticism, however, but merely states that I accept that this thesis cannot hope to try and nail down the final judgement as to the merits of neoliberalism.

For instance, it is not my intention to uncover to what extent neoliberalism has increased or decreased the overall wellbeing of the community. That is to say, given the terms of reference for my investigation, I cannot objectively say that neoliberalism has made the community worse or better off. Although qualitative and anecdotal information attained during the interview process and my stay will help to illuminate the opinions and experiences of various individuals, such an inquiry was not the centre point of my research. Yet I do believe they are essential in helping to explain much of the goings on and provide a crucial human element, whilst ultimately leaving it up to the reader to form his or her own opinion.

Moreover, at no stage do I pretend not to have my own perception and opinion in respect of the effects of neoliberalism in El Palqui or indeed Chile. I am comfortable in declaring that the driving force behind my interest in development studies, and indeed the decision to partake in this thesis stems from a deep personal belief that we can improve our wellbeing and that of others by learning to appreciate and understand the structures and power dynamics that exist within the social world which we inhabit. While it is my personal belief that the litmus test of any set of reforms or policy initiatives is the impact on individual and collective ‘wellbeing’, I also accept that ‘wellbeing’ is a rather elusive concept. That is to say, one is eager to avoid the ‘reductionist trap’ often fallen into by many in the economics profession, who are notorious for their persistent attempts to reduce human ‘utility’ or ‘wellbeing’ to one ‘convenient’ but extremely narrow metric ‘income’.

One cannot simply rely on such proxies to measure wellbeing. Beyond certain ‘biological bottom lines’ (diet, health, shelter) which few would dispute have an objectively verifiable negative impact on ones happiness; to a certain degree, each individual is essentially the final arbiter of their own happiness or wellbeing, which is not necessarily a function of ones physical surrounding or external reality, but rather how one perceives his or hers own wellbeing or ‘reality’.

Thus, although at an intuitive level it would seem to me that the loss of land in El Palqui, greater income inequality and increased debt burden would place undue stress on a community, and one would suppose, represent a loss of quality of life, such losses would have to be balanced (if even possible) against other important variables such as; financial stability, incidence of crime, environmental quality; access to employment, markets, new opportunities and economic freedoms, the degree of social mobility, material wealth, capital and income; not to mention less observable- but equally important concepts- such as social cohesion, cultural identity, self esteem and stress levels.

But because my research cannot provide such a detailed and holistic analysis of 'wellbeing', I intend to limit the scope of this thesis to measuring the degree of 'land concentration' that has taken place in El Palqui since the mid-1990s and its relationship with grower debt and foreign capital. The idea is to present the evidence as it stands. Where opinions and views of interviewees are presented the reader is invited to make up his or her own mind as to the more holistic impacts of neoliberalism in El Palqui and the Chilean countryside.

3.0. Globalisation

3.1. Introduction

An essential aspect of this thesis concerns the ever controversial and often misunderstood phenomenon of globalisation. In essence, the entire academic/intellectual pursuit which this thesis represents is an attempt to better understand the forces and mechanism of globalisation, its primary agents, and in particular, the way in which globalisation is played out or manifested within unique geographical spheres. It could be argued that ever since colonial times inaugurated the first ‘wave’ of globalisation, Chileans have fluctuated in terms of their attitudes and responses to globalisation, at times resisting the force (e.g. indigenous resistance against the Spanish colonists, and during the early 19th century with Creole resistance against the Spanish monarchy), at other times welcoming it (at least among the Chilean elite) as was the case during Chile’s first outward-orientated free-trade area (1830s–1930s), only to turn their back on global integration (at least of the laissez-faire variety) for nearly half a century following the Great Depression.

For the most part, however, with the exception of Allende’s rule (see section 5.6), whether globalisation has been embraced or eschewed in Chile has seldom been a democratic affair but rather the prerogative of the elite. Never has this been truer than in recent times. Indeed, under military rule (beginning in 1973) the Military Junta- without the mandate of the people- unleashed the most transformative and rapid wave of globalisation yet (thanks to neoliberal restructuring); a wave which has continued to reverberate under successive democratically elected and nominally socialist *Concertación* governments. These ‘waves’ will be explored in greater detail in the following chapter. Before this is done, however, given the central importance of the term globalisation to this thesis, it is necessary to clarify the controversy surrounding globalisation the ‘term’, globalisation the ‘process’ and globalisation the ‘discourse’- especially as it relates to the discipline of geography.

3.2. Globalisation the ‘Term’

According to Johnston, Pratt, and Watts (2000, p.532) the term ‘globalisation’ first surfaced “around 1960 when Canadian media scholar Marshall McLuhan coined the term ‘global village’ to capture the impact of new communications technology on social and cultural life”. Since the 1990s, however, globalisation has developed into something of a household name (Murray, 2006)

- although there remains much debate, controversy and confusion over the term. This is because like other terms within the development studies discourse such as 'development', 'sustainable development' and even 'poverty', globalisation is a rather amorphous and convoluted term that often eludes definition. Indeed, as we will come to see, some even deny the existence of the phenomenon altogether preferring to see the present state of affairs as an extension of internationalism rather than some new and profound change deserving the name 'globalisation' (Hirst and Thompson, 1996).

However, putting this polemic aside for the moment, few would deny that there is a process or processes underway that are progressively linking the earth's peoples via the expansion of economic, political, social, and environmental links; and most would agree that these 'links' are growing in strength, reach, velocity and intensity due to the seemingly limitless development of faster and safer transport modes and more efficient communications technologies. Further, there is little doubt that these developments are progressively reducing global spatial and temporal barriers ('time-space compression') (Murray, 2006), contributing to a new and unique awareness of not only being part of a nation state, region, city or village, but also a global society (Waters, 2002).

Within this context of an ever shrinking world, there is a concomitant awareness that actions and events that take place thousands of miles away can have drastic and even magnified ramifications for individuals and communities throughout the entire globe or in seemingly unrelated localities (Johnston, et al, 2000; McGrew, 1992). The war in Iraq's effect on the global price of oil and the world economy in general is a case in point. Sometimes these actions can also have unintended or unforeseen outcomes as a consequence of being part of such a complex and integrated global system. For example, by contributing to an increased price for oil, US foreign policy has inadvertently strengthened Hugo Chavez's regime of Venezuela, whom the US regard as a threat to the 'free world'.

Therefore, it would appear that the world today is an increasingly complex, uncertain and interconnected place. As individuals, consumers, and voters- whether we like it or not- we cannot go about our lives without reference to the global- even if we do not always realise it. However, depending on one's world view, ideological beliefs, socio-economic position, culture, nationality or religion, this increasing interconnectedness may be seen in both a negative and a positive light, as an opportunity or a threat, a process to be embraced or resisted.

It is my belief that there is indeed such a process taking place and it presents both opportunities and threats; and I intend to refer to this process as globalisation throughout this thesis. However, due to the words elusive character, the following seeks to illustrate the rationale behind the claim that globalisation is indeed at work in order to arrive at a working definition to use as a reference point for remaining chapters.

3.3. Globalisation's Antecedents

It is a common misconception that globalisation is a new process that has emerged over the last two to three decades, when in reality globalisation is part of an ongoing process that has been underway for centuries (Cloke et al, 1999; Murray, 2006). Arguably, ever since humans left Africa to spread out across the globe in search of new lands and resources to conquer, people have been establishing ever greater ties through trade, migration, cultural exchange and empire. One need only think of the magnificent empires of the Greeks, Romans and Ottomans, or the great civilisations of the Maya, Inca and Aztecs of pre-Columbian times (Bulliet et al, 1997).

Notwithstanding the significance of these empires and civilisations, it is, however, important to distinguish between those processes that have 'contributed' to globalisation versus the 'processes' of globalisation itself. By definition, in order for us to talk of some process being 'global', it necessitates a situation whereby humans have; firstly, the technological capabilities to traverse the entire globe and discover new lands; secondly, the military might to defend such lands; and thirdly, and perhaps most importantly, the motivational, institutional and administrative capacity to either settle or retain meaningful contact for an extended period of time in order that social, political, environmental and economic links may develop, feed back into a global system and have long term global influences.

The first peoples to not only possess such capabilities but put them into practice were the Western Europeans who began their expansionary drive just before the close of the 15th century, but by the

mid-17th century had charted almost every (at least coastal) inch of the globe⁷. However, as Bulliet et al (1997) maintains;

[W]hat made Western European expansion unprecedented had less to do with what happened between 1450–1500 than with what happened later...European exploration led to the opening of the worlds three major oceans, establishing regular contact among all the continents for the first time in world history....and showed the ability to move beyond conquest and capture of existing systems to create a major new trading system that could transform regions almost beyond recognition”, [that is]..., the Europeans did not turn their backs on the world after an impressive burst of exploration [unlike the Chinese for example] (Bulliet et al, 1997,p. 509).

Since this time, it is useful to think of globalisation as occurring in waves rather than as some steady linear process (Murray, 2003). The first of these waves we might call the ‘mercantilist/colonial wave’ (1492 to the early 1800s); the second, the outward orientation ‘free trade’ wave (1850s to the 1930s); third, the ‘developmentalist wave’ (1930s-1980s); and finally, the neoliberal wave (1980-to the present day). Of course it is acknowledged that these ‘categories are somewhat arbitrary in nature. However, I would argue that there is sufficient consistency within each period to warrant such labels. As stated at the beginning of this section, these waves are best described later in the Latin American and Chilean context. Although, due to its unprecedented impact and central relevance to this dissertation, the following offers a more detailed exposition of the latest neoliberal wave

3.4. The ‘Fourth Wave’: Neoliberal Globalisation (mid-1970s–2000)

Some countries globalise, and others are globalised... the Third World belongs in the latter category (Humala, O. 2006, Peruvian Presidential Candidate).

⁷ At the time the Arabs and much earlier the Chinese, had similar or arguably superior navigational skills to make such long journeys of discovery, but showed little interest in doing so. Historians debate the exact reasons as to why, but it is generally accepted that both the Arabs and the Chinese with their rich trading routes, vibrant cultures and abundance of luxury products simply lacked the motivation to conquer and settle new far away lands (Bulliet et al, 1997: Murray, 2003)

The above quote by Peru's left leaning opposition leader Ollanta Humala, in many ways defines this most recent period of globalisation (or 'hyper-globalisation'), and reveals the negative manner in which globalisation is often viewed within much of the 'third world'. However, Humala goes on to talk of the evils of what he calls "the neo-liberal economic model that has failed to benefit our nation" and is critical of the role of multinational companies that he argues "offer no benefits" to the people of Peru, and speaks of a "new division" in the world.

Thus, as the article progresses it becomes clear, then, that Humala is using neoliberalism and 'globalisation interchangeably, as if they are synonymous' with each other. But if we accept, as I already have, that globalisation is not a new process, then it would in fact be misguided to refer to 'neoliberalism' - a relatively new paradigm (albeit one based on 18th century classical-economic theory) - with the much older process of 'globalisation'. Thus it seems Humala is not so much talking about globalisation per se, but more specifically, the latest wave of 'neoliberal globalisation' which many would agree has had a profoundly negative effect on the Latin American continent⁸.

Humala can be forgiven for confusing the two phenomena given their close relationship over recent years. Although neoliberalism and globalisation may not be the same thing, neoliberalism - with its emphasis on restricting the nation state in order to encourage freer international trade and foreign investments flows⁹ - has unquestionably been the pivotal force in driving the extremely rapid globalisation phase since the late 1970s; whereby the 'developing world' was indeed actively '*globalised*' according to the ideological values and economic interests of the 'globalisers' (see chapter 4.4).

These 'deliberate' structural reforms were instrumental in assisting some of the worlds largest corporations in their efforts to branch out from their formerly stagnant 'Fordist type' production systems to ones based on flexible factors of production which are inherently global (Bilton et al, 1997; Murray, 2003). Thus, firms came to possess not only the financial resources and technical capacity to act strategically at the global level but now enjoyed the kind of 'economic freedoms' (Johnston et al, 2000) necessary for searching out those localities which offered the most

⁸ For instance, it is unlikely that Humala would lament the spread of Latino culture, music and language throughout the world and the fact that he can make such as quote one day and it be transmitted by global telecommunications systems to be included in this dissertation the following day; however, these are all possible due to globalisation.

⁹ Via the rolling back of tariffs and subsidies regimes, deregulation, government social spending, and the promotion of privatisation and liberal foreign investment laws.

beneficial 'investment climate'. Effectively, this meant those areas with lower labour costs poor worker protection and limited environmental regulation (Bilton et al., 1997, p.64).

Nowhere is this new wave of globalisation better epitomised than in the numerous 'free trade zones' throughout the developing world whereby firms operate within a virtually stateless business climate insulated from the rules and regulations of the nation state in which it is physically located. Moreover, the fact that firms that chose to locate in such de-regulated zones can leave with relative ease means they can, in a sense, hold governments to ransom; demanding that policies and conditions meet their expectations- ultimately weakening the economic sovereignty of the recipient nation¹⁰. Because of this Ohmae (1990, p.65) argues that these corporations "operate globally without any real concern for place". And their ability to alter and temper the nation state according to Bilton et al (1997) makes TNC the 'true global actors' and the primary "shapers of the global economy" (Dicken, 1998, p.7). This is certainly the case in Chile where according to Gwynne (2003, p.314) "fruit TNC are becoming the main agents linking local spaces of production to global markets, investment and technology"

Thus, I would argue that neoliberalism and globalisation are two separate but interrelated forces, with neoliberalism steering, and some might even argue bulldozing- the way for a particularly rapid phase of globalisation. Certainly, the result of neoliberalism restructuring in both the 'first' and 'third world' and former communist Eastern Europe has seen a rapid and sometimes ruthless shattering of time and space and has contributed to the feeling that we are now inhabitants of a profoundly different world.

3.5. Debate within the Globalisation Discourse

It has been argued that globalisation is not a new phenomenon but a process that continues to gain in velocity as it rides the crest of global capitalist expansion. It is also apparent that although globalisation is at work this does not mean the world is now a globalised one.

In examining the extent to which today's world is globalised, a good place to start is to try and envision what a 'truly globalised' world would look like, that is, in essence, a world where the

¹⁰ Although it is claimed by many that Multinational Companies (MNC) actively lobby and influence government policy. States are inclined to meet their standards anyhow in 'a race to the bottom' to receive investment capital (Bilton, 1997).

nation state ceases to exist. Whilst acknowledging the limitations in imagining such an alternate reality, one might envision a world which essentially functions much in the same way that individual nation states currently do. This would mean a world whereby a world government has the role of protecting its 'global citizens', collecting taxes, allocating public resources, and maintaining the rule of law (Bilton et al, 1997; Johnston, 2000). It might also necessitate the more or less free mobility of people, goods, services and capital throughout the globe.

Envisioning the world like this forces us to accept that today's world is far from globalised. As Johnston (2000) rightly states, at present "the nation state is not merely passive and market forces are not simply rampant" (p.534). This has led a number of thinkers to conclude that globalisation is a myth; a mere extension of internationalism (Hirst and Thompson, 1996). But although the world is not yet, and may never be, truly globalised, there is every indication it is a rapidly globalising one (Murray, 2006).

Indeed, according to Giddens (1990) and Robertson (1992) the evidence is simply overwhelming that "the dynamics of contemporary globalisation are not reducible to what goes on at the level of the national state" (paraphrased *in* Bilton et al. 1997, p.59). In other words the "global whole is greater than the sum of its parts". Today there are global intuitions and global events that challenge the ability of the Nation State "to practice its claim to a sovereign monopoly over its bounded space and to protect its citizens from external incursions" (Johnston, 2000, p.534). Thus we see supranational bodies such as the European Union, the North American Free Trade Agreement (NAFTA), the World Trade Organisation (WTO), the United Nations (UN), the International Monetary Fund (IMF) and the World Bank (WB) to name but a few, and phenomena such as global climate change, the Asian financial crises and the surge in global oil prices as a result of the political instability in the Middle East, all serve to remind us of our increasingly integrated existence¹¹. Furthermore, as already discussed, since the 1980s in particular, TNCs have been able to use their huge financial and political leverage to force states to adjust to meet their business requirements; and in a similar vein, the WB and the IMF used the debt crisis to remodel whole economies- often against the will of the majority of people.

Even those groups of organisations who often claim to be opposed to globalisation harness the power of this phenomenon when convenient. For instance, NGOs such as Greenpeace, who

¹¹ The WTO organisation, with its 'rule based' trade liberalisation agenda, already has the ability to check the economic sovereignty of states by enforcing binding trade agreements.

lament many aspects of 'globalisation', also use the latest communications technologies such as the internet to rally support and mobilise 'global citizens' from hundreds of nations on issues which transcend the nation state such as global climate change, deforestation or bio-diversity loss.

It is also increasingly the case that individuals, not just nation states, TNCs and NGOs, act globally too. Individuals are increasingly aware that they are influenced by the global as much as the local and they act accordingly. According to sociology, they act 'reflexively' "by examining the behaviour of the self and others" in response to "the social conditions and experiences of late modernity"; where late modernity could easily be substituted for the term globalisation (Bilton et al, 1997, p.668).

3.5.1. The Globalisation Paradox: The Importance of Place in an Increasingly Integrated World

Given this seemingly limitless interconnectedness, and time space compression, some claim the world is becoming increasingly homogenised tending toward a monocultural world- a world characterised by 'placelessness'. Within the geography discipline this discourse has been referred to as the 'end of Geography thesis. Proponents of this philosophy question the role of Geography given its overriding concern for space, and its focus on 'place' in a world which is increasingly characterised by events and actions taking place at the global level (Murray, 2006).

But as Murray (2003, p. 19) points out, it pays to see globalisation not so much as a 'blanket' but rather as a 'net', as globalisation "does not affect everybody equally and is not making everywhere the same [although] everything is increasingly defined in relation to it". Thus, no matter how powerful such global forces might become, these forces must still interact and manifest themselves within the local. Therefore according to Bilton et al, (1997, p.318) with globalisation we are experiencing;

Simultaneous integration and fragmentation" [which] "need not necessarily mean greater unity and uniformity... [because]...the particular character of individual countries, of regions and localities interact with the larger scale general processes to produce quite specific outcomes.

Thus, if anything globalisation is creating a world "where no clear new structures are discernible..." wherein "unevenness in development, greater inequality, increased division and

difference” are the norm (Bilton et al, 1997, p.319) [also Cloke et al, 1999; Murray, 2006]. Precisely because of this de-fragmentation and spatial unevenness, I would agree with Murray (2003) that- perhaps now more than ever- the study of geography is critical to helping us better understand and track the complex, widespread and rapid changes occurring in diverse spaces or within different geographical spheres (Murray, 2003)¹².

Importantly, if this is so, it also means that nations, communities and individuals are not merely at the mercy of some globalisation juggernaut. Certainly some aspects of globalisation are difficult to combat but it does not pay to see the process of globalisation as completely deterministic (Murray, 2006; Lewis, 2002). As Johnston (2000, p.534) maintains, “[t]here is a general consensus among political theorists that while the power of the state has been eroded....it is a myth to claim that the state has no influence over the impacts of such globalising process” (Johnston, 2000, p.534).

To view globalisation in this sense brings the analysis inline with Giddens’s ‘structuration theory’. According to Giddens (as paraphrased *in* Bilton et al, 1990, p.670), ‘structures’, defined as “the frameworks and patterns of organisations which, in some way, contain or direct human behaviour”, play an important role in defining our lives. But as individuals, or collectively as communities and states we are also “knowledgeable agents” who can, and do, possess human agency. That is, we possess the ability to reflect on our present situation, analyse prevailing structures and act to “change and influence events”. Such a dual process is said to be at work with globalisation where “structural features are indissolubly bound up with actions, being either reproduced, or transformed, by these actions” (pp.521).

Therefore, as global links grow it is unlikely that we will see the demise of either distinct cultures or the importance of place. True, the consolidation of telecommunication networks, socio-political and socio-economic links may lead to easier and greater convergence of cultural ideas and norms, yet it seems inherent to the human condition that people will always- perhaps out of

¹² For instance, Chile has been notable for its foreign investment driven ‘fruit export miracle’ that transformed the countryside. However, due to the logic of international commerce most foreign investment has been concentrated in specific regions and has affected socio-economic groups differently. Within Chile foreign investment penetration is manifested in clusters, transforming some areas while other nearby towns are effectively bypassed and remain producing traditional crops for local markets. And within such clusters globalisation has had a profoundly different effect on different socio-economic groups. Large farmers have managed to cash in on the ‘fruit miracle’, but many smaller farmers have struggled to meet payments and have been forced to sell land and rely on low paying precarious seasonal work (Murray, 2002a). These types of processes are mirrored at the global scale, with people, capital and resources penetrating some regions while bypassing others.

resistance to the hegemonic power or culture- define themselves, not necessarily by the nation state, but by the localities they live in, as is already the case within many current loosely arranged nation states (Quebec, or even within the USA).

3.6. Globalisation Defined

Having examined globalisation, it is now possible to develop a working definition which will form the basis for further reflections on this phenomenon throughout the remainder of this dissertation. The definition is loosely based on Cloke et al (1999) and is somewhat unwieldy, but is necessarily so due to the intrinsic complexity of the phenomena. Thus, globalisation;

(1) refers to the ongoing process whereby by the world's economic, political, social, cultural and environmental spheres - as a result of progressive advancements in transport and communications technologies and economic motives - are increasingly converging on one another fostering ever greater interdependence between the earth's peoples (Cloke et al, 1999). (2) And although some still deny its existence, "in the contemporary world the scale and extent of social, political and economic interpenetration [particularly the power, reach and scope of TNC] appears to be qualitatively different to international networks in the past (Cloke, 1999, p.337). (3) But contrary to common belief, globalisation is not necessarily making every locality the same; indeed, it is just as likely to produce spatial unevenness, fragmentation and exacerbate power-asymmetries within and between nations, regions, communities and different socio-economic groups. (4) Nor must it necessarily be conceived as an inexorable force, as to some extent its conditioning tendency's may be tempered and actively mediated by different agents including individuals, communities and nation states (albeit with some difficulty).

4.0. The Latin American Political Economy

The following chapter begins with a brief explanation of Latin America's political-economic changes from colonial times to the end of World War II (WWII). The intention is to provide a wider context in which to examine the more recent development experiences within the region latter in the chapter; in particular, the rise and influence of structuralist economics, its eclipse by neoliberalism during the 1980s (or early 1970s in Chile) and both models contribution to the more recent neo-structuralist discourse.

4.1. From Discovery to Revolt (1542–1820s)

When Columbus inadvertently discovered the 'New World' in 1492, the Americas were inhabited by a 'mosaic' of peoples and cultures ranging from the great empires of the Inca and the Aztecs to the hunter-gather tribes of the Amazon and the nomadic warriors of the temperate north and southern cone (Newson, 1996). Yet armed with guns, germs, an insatiable thirst for gold and silver and religious zeal, the Iberian nations, particularly Spain, rapidly laid waste to once great ancient empires, subjugating the indigenous peoples and their cultures in the process (Ward, 2004; Blouet et al, 1997). In doing so they set in motion a process that would, in time, see the continent cast in a shadow of European domination, and lay the ground work for what would eventually become a truly global economy (Newson, 1996).

The first key agents of Spanish colonisation were the *conquistadores*, whom on behalf of the Spanish Crown, were granted various privileges in exchange for their work exploring and breaking in the continent (Newson, 1996). *Conquistadores* enjoyed a high degree of freedom in these early years, but once lands had been conquered the crown moved to centralise its control over the New World as "the prime aims of the Spanish and Portuguese crowns were...to 'civilise' and convert the native population, as well as to exploit it and the regions natural resources as a source of profit (Newson, 1996, p.18)"

With these goals in mind the Iberians promptly began plundering the treasures of the indigenous peoples in heavily populated regions. Plunder required little effort or investment and so at this stage in the colonial process mining was favoured over agriculture (Dietz, 1995); the colonist preferring to rely on Indian tribute to meet their needs. Such plunder was short lived however. Once these sources were exhausted the crown turned its attention to more capital intensive mining

in the Mexican and Peruvian highlands (Newson, 1996). In the 16th Century Potosi in upper Peru and Zacatecas and Guanajuato in Northern Mexico became Spain's jewels of the Americas. By the last quarter of the 16th century silver bullion accounted for about 90% of Latin America's export value (Newson, 1996).

The establishment of large mining towns had a stimulative effect on other economic sectors, such as basic manufacturing and agriculture which came to supply food and other basic commodities to miners (Newson, 1996)¹³. But as Ward (2004, p.2) states;

*despite their apparent natural advantage- rich mineral deposits and extensive areas of fertile land- the Latin American colonies did not achieve sustained growth in output per head of population, or in manufacturing and commercial activity as a share of output. By the early nineteenth century the region's economic development compared unfavourably with that of Britain or the US, where rapid industrialisation was in progress*¹⁴

There are numerous competing explanations as to why Latin American development lagged behind other areas of the 'New World' during the period of Spanish rule. Some note the Spanish Crowns heavy handed mercantilist policies which actively discouraged the production of goods such as wine, wool, oil and other manufacturers in the colonies (Newson, 1996; Blouet et al 1997)¹⁵. Others refer to the overly burdensome taxation, legal barriers and limited transport facilities which stymied investment and trade (Ward, 2004). But most would agree, however, that the highly inequitable and inefficient *hacienda* system, which tended to concentrate the best agricultural lands among a select few elites who managed their estates "carelessly", militated against the adoption of more modern and efficient agricultural techniques (Newson, 1996, Ward,

¹³ Up until 1549 when it was outlawed, labour was organised under the *encomienda* system- a system that granted colonists, churches and agents of the state the right to extract tribute from Indian communities in the form of labour services or goods in kind (Bernstein, 2000; Newson, 1996; Ward, 2004). Unfortunately this was not the end of forced labour practices. Replacing the *encomienda* system was an equally oppressive forced labour regime, the *repartimiento* system (Bernstein, 2000; Newson, 1996) which still compelled native communities to supply workers for mines and farms, but attempted to provide protection by limiting working hours and requiring *encomenderos* to pay them a fair price. Another was debt peonage whereby poorly waged peons were actively encouraged to incur excessive debts and were effectively bound the land until such time that the debts could be repaid (Bernstein, 2000; Newson, 1996; Sachs, 2005). In Portuguese Brazil and the Guiana's were the relative scarcity of indigenous labour and the particular production structure of the sugar plantation system led to the importation of millions of African Slaves from the Central Congo and Angola (Ward, 2004; Newson, 1996).

¹⁴ This point is also supported by (Blouet et al, 1997)

¹⁵ It is widely believed that Spain's relative abundance of 'easy mineral wealth' enabled Spain to delay reforming its antiquated feudal system and mercantilist trade policies, which in turn delayed the industrial revolution, and ultimately led to the decline of the Spanish empire (Bernstein, 2000; Dietz, 1995).

2004) (See chapter 5 offers a more detailed assessment of the inefficient *hacienda* system in Chile).

4.2. Independence and the Era of Commercial Expansion

From 1808 Latin American colonists fought fierce independence struggles against the crown and by the mid-1820s had successfully brought independence to the region¹⁶. Nevertheless, following independence, territorial disputes and political instability blighted the regions economic development until the mid-1850s (Blouet et al, 1997; Dietz, 1995; Ward, 2004)¹⁷.

After the mid-18th century the region resumed its economic interaction with the outside world. By this stage, however, the emerging international economy had undergone a revolutionary transformation. Western Europe, particularly Britain, and newly independent North America, where now the world's undisputed power players and these rapidly industrialising powerhouses had an insatiable thirst for primary products (Bernstein, 2000; Blouet et al, 1997). Rich in natural resources, the Latin economies seized the moment- substituting their hitherto 'dependence' on the Iberian core, for a new type of dependence, this time with the core industrial economies¹⁸.

Under Spanish rule transport limitations had restricted Latin America to the exportation of mainly silver, gold and a few non-perishable commodities such as sugar (Bernstein, 2000; Newson, 1996). New advances in transport and communications- namely railways, steam shipping and the telegraph- were rapidly compressing time and space making possible the shipment of 'bulk cargos' such as coffee, wool, grain, meat, cotton, nitrates, and base metals (Bebbington, 1996; Murray, 1999; Ward, 2004). Crucially, this meant that the formally peripheral or economically backward areas of the Spanish empire, such as those countries of the Southern Cone, Argentina,

¹⁶ By the late 18th century, a number of external events were critical in fostering Latin America's independence movements. First, there were the examples of the successful independence movements of the North Americans against the British and the Haitians against France (Blouet et al, 1997) and the enlightenment ideas which underlay the revolts- particularly the liberal critique of absolute monarchy which appealed to the increasingly ambitious Creole elite who were eager for greater political and economic autonomy (Bernstein, 2000; Bulliet et al, 1997; Dietz, 1995). Thirdly, Napoleon's invasion of the Iberian Peninsular in 1808 weakened Spain militarily, but perhaps more importantly, severed any remaining loyalties to the Spanish throne as Napoleon proceeded to remove the 'legitimate crown' installing his brother to the throne. Thus, in 1810, soon after Napoleon invaded Spain, Spanish Latin America erupted in revolt against the Spanish Crown and by 1826 most of the continent was no longer under direct Spanish rule (Blouet et al, 1997).

¹⁷ Territorial disputes eventually lead to the creation of 15 independent states (Dietz, 1995; Ward, 2004).

¹⁸ Despite Spain's best efforts, by the 18th century already nearly 90% of manufactures were imported from outside. Thus, even prior to independence it was becoming apparent to the colonial elite that the underdeveloped Iberian core perhaps needed the Americas more than the Americas needed Spain (Blouet et al, 1997; Newson, 1996).

Uruguay, Chile and southern Brazil, became Latin America's leading economies¹⁹ and a preferred destination for British capital (Bulliet et al, 1997; Newson, 1996)²⁰.

As Latin America became more integrated into the global economy, the *comprador* classes (Latin America's elite) and northern industrialists became bound in a relationship of commercial convenience (Parpart et al, 2000). Underpinning this relationship was a particularly persuasive economic doctrine- neo-classical economics. According to this doctrine, it was assumed that so long as each country produces those products for which they have a lower opportunity cost (i.e. a comparative advantage in), then trade will be maximised to the benefit of all involved (Sachs, 2005). For Latin America this meant producing primary product exports in exchange for manufactures and luxuries produced in the *core* (Green, 1995; Murray, 1999). As the wealth poured in Latin America's elite felt vindicated in their support for the ideals of economic liberalism (Dietz, 1995). But underlying the model were serious equity and structural weaknesses.

The export booms provided exorbitant wealth to a select few landed elite. But by 1900 the vast majority of ordinary Latin Americans saw little in the way of material advancement or greater living standards (Murray, 1999). If anything inequality intensified. Consequently, the "widening income disparities between rich and poor held back industrialisation by limiting the demand for simple manufactures...[with] the elites preferring luxury imports" (Bulmer-Thomas, 1994)²¹. As a result, even the most prosperous economies of Mexico, Chile and Argentina, "failed to achieve high levels of domestic investment in manufacturing late in the 19th century, despite rapid accumulation of wealth from traditional exports" (Bulliet et al, 1997, p.663)²².

For the time being, however, the booms disguised the structural limitations of relying on a select few, seemingly lucrative, primary-product exports (Bulliet et al, 1997). This was all to change however in the early 20th century when a series of external shocks precipitated the decline of the free-trade laissez-faire model and brought an end to the absolute dominance of the export oligarchies.

¹⁹ Chilean wheat exports increased 14 fold between 1845-1895 and Brazilian Coffee 13.5 fold between 1832-1870 (Bebbington, 1996).

²⁰ By 1914 Britain was still the main trading partner of Chile, Argentina and Uruguay, and owned over half of all long-term foreign capital investments in the region (Blouet et al, 1997).

²¹ Also, *hacendados* (owners of *haciendas*) preferred to practice extensive agriculture and rely on their cheap and abundant supply of rural labour rather than adopt more modern efficient practices.

²² Only Argentina managed to raise its per-capita wealth to a level comparable with the USA and Canada, although it lost ground after 1914 (Bulliet et al, 1997).

4.3. The Crisis of the Free-Trade Model

World War I (WWI) was the first serious external crisis to hit the continent. The war closed off markets to the north, and with the Allied economies geared to the war, imports were scarce. This hurt many Latin American producers and middle men, but had the unintentional bonus of stimulating new nationally owned manufacturing industries. Then, in 1929, the New York stock exchange crashed generating a 'Great Depression' which reverberated around the world leading to a 60% decline in international trade. Primary producers, highly integrated as they were into the global economy, were hit particularly hard²³. But again, in somewhat of a silver lining, the crisis did at least offer a further impetus for Latin America's burgeoning manufacturing sectors which grew prosperous substituting local manufactured goods for those products formerly procured from the core industrial economies of the north (Dietz, 1995; Green, 1995; Ward, 2004)²⁴.

The growth in manufacturing had political-economic ramifications for the region altering the traditional political balance of power within many Latin American countries. Manufacturing led to a greater concentration of people living in and migrating to the cities, and critically, helped stimulate a new class to rival the traditional elite- the 'middle-class'. Then, if there was ever any question that the export oligarchs might regain their control of the state and its institutions, the outbreak of the WWII put this beyond doubt.

4.4. Post-World War II and the Emergence of State 'Developmentalism'

For manufacturing, the war years were a time of growth. As in WWI, during the second 'Great War' the Allied economies had little spare capacity to export manufactured goods to the 'New World' (Alexander, 1995; Kay, 1989). Shielded from foreign competition the domestic production of spare machine parts and consumer goods continued to increase²⁵. By the end of WWII many Latin American economies were virtually self-sufficient in terms of processed foodstuffs, textiles and shoes, pharmaceuticals, cement and paints (Alexander, 1995). In the larger

²³ According to Green (1995), during the 1930s, most Latin America countries "experienced growing poverty, social unrest, repression, recession, and default on debt" (p.16).

²⁴ During this time a number of manufactures in Mexico, Columbia, Brazil, Argentina and Chile were successful in expanding their operations in footwear, clothing, household goods and agriculture machinery (Blouet et al, 1997). Between 1928 and 1938 Brazil's industrial sector grew an astonishing 45%, Chile 39% and Argentina a still very respectable 35% (Heenan et al, 2002, p. 24).

²⁵ According to Blouet et al (1997), "the Manufacturing sector of most LA countries grew in excess of 5% per annum during the war years, [although he concedes]...that the starting base was low".

economies of Mexico, Argentina and Brazil there was an enormous increase in steel production (Blouet et al, 1997), and other heavy industries (Alexander, 1995).

However, despite experiencing significant growth during the war years, memories of the Great Depression continued to play on the minds of politicians, primary producers and industrialists alike (Lewis, 2002). Most Latin American governments considered it prudent to play a greater role in the economy to reduce dependency on the more industrialised North and avoid another depression (Alexander, 1995; Heenan et al, 2002). Understandably, therefore, economic autarchy was increasingly viewed by Latin American leaders, economists, industrialists and citizens alike as an attractive alternative to the unbridled capitalism of the late 19th and early 20th centuries (Heenan et al, 2002). So from this point onwards, state intervention and Import Substitution Industrialisation, which initially began as an ad-hoc response to an external crisis, developed into a conscious and coherent regional development strategy based on the precepts of the newly established theory of structuralism, to which I turn to now (Alexander, 1995; Kay, 1989; Green, 1995; Heenan et al, 2002).

4.5. The Ascendancy of Structuralism

Although this thesis is primarily concerned with the agrarian sector, given the interrelated nature of economic development, structuralism has had an important- albeit not always positive- impact on Latin America agriculture and the Latin American peasantry. Most notable, has been structuralism tendency to promote Import Substitution Industrialisation (ISI) which is widely regarded as having favoured the industrial/urban sectors whilst neglecting the countryside (e.g. ‘urban bias’). As such, the following discusses the two sectors in relation to one another in order to arrive at a more complete picture of agrarian change in Latin America²⁶.

As outlined above, between WWI and WWII Latin America underwent a tremendous economic transformation. Not surprisingly this transformation was closely paralleled by academic inquiry into the mechanics of this significant ‘structural’ shift and its potential consequences for the

²⁶ Unfortunately, due to space limitation my analysis of this earlier historical period is necessarily terse. This is in no way to imply, however, that Latin American countries’ complex histories are reducible to a mere five pages. On the contrary, to borrow the words of Ward (2004, p. 19) “Latin America is a large and diverse region. Thus, this short study cannot do justice to the great range of variation between particular countries” and within countries. However, chapter 5 will offer at least a detailed assessment of Chile’s unique political-economic history.

region. Driven by the rise in multilateralism characteristic of the post WWII global-political economy, and under the auspices of the newly established United Nations, the Economic Commission for Latin America (ECLA) was established in 1947 and charged with the role of providing policy advice and strategic direction for the region. Headed by the exceedingly competent executive director Raul Prebisch, the ECLA came to have a profound influence over the region's economic development (Ward, 2004).

As head of the ECLA, Prebisch's intellectual contribution to Latin American development theory was nothing short of revolutionary. Prebisch was enthused and excited by the region's recent industrial expansion, and less than two decades since the Great Depression devastated the region, was unsurprisingly pessimistic towards the supposed benefits of 'outward-orientation' preached so dogmatically by neo-classical economists and free-traders²⁷.

Consequently, Prebisch and his colleagues sought to develop a 'holistic' and distinctively 'Third World' development theory (Kay, 1989) that, unlike the popular modernisation theories of the time, or the formerly influential neo-classical theories of Smith and Ricardo (Ranis, 1981), recognised the unique historical 'conditioning' factors which had driven the region's economic development since colonial times to independence and determined Latin America's 'positionality' within the international economy (Kay, 1989; Ocampo, 1995).

Attacking neoclassical economics, Prebisch rejected the assumption that the international economy was made up of various states voluntarily engaging in mutually beneficial trade for all (Ayres, 1995; Kay, 1989; Ward, 2004). On the contrary, he argued the international economy was a hierarchical system, consisting of a powerful industrialised *core* (exporting manufactured products) and a comparatively weak and economically dependent *periphery* (exporting primary products). Thus, given the 'unequal exchange' inherent in this 'global-division of labour', he maintained that free trade would only serve to deepen the periphery's subordination and dependency on the industrialised core (Ayres, 1995; Kay, 1989; Ward, 2004).

²⁷ Some have argue that this theory was politically convenient as it very much suited the interests of industrial UK at the time who required an abundant and steady supply of raw materials to fuel its industrial growth and agricultural products to feed the swelling urban labour force that such rapid industrialisation created. By the same token, the free market system also suited Latin America's powerful landed elite who specialised in producing agricultural products in exchange for manufactured goods and luxuries products produced within the industrial core. Moreover, the theory proved politically convenient in the sense that it absolved the State from any responsibility to its citizens as it was assumed that the market would provide for their economic and social wellbeing. Besides it was argued that any government intervention would only create inefficiencies that would stand in the way of material progress for all (Kay, 89; Green, 1995; Gwynne and Kay, 2000)

It was this disillusionment with the 'a-historical' and overly optimistic assumption ridden neo-classical orthodoxy, which led Prebisch to seek empirical support for his *centre-periphery* subordination model. By examining trade statistics Prebisch discovered his 'smoking gun' which confirmed his suspicions; that over time the 'terms of trade' tended to shift against primary product exports in favour of manufactured goods. Prebisch had thus uncovered what he deemed to be the mechanism for which the international economic system discriminated against the *periphery* in favour of the *core*. As a consequence, no longer was 'development' seen as a merely linear or 'mechanistic' process whereby a particular economy moved from an economically backward state (or traditional society) to one characterised by the era of mass consumption as modernisation theorists maintained at the time (Kay, 1989). Quite the reverse, 'development' and 'underdevelopment' - in the words of André Gunder Frank- were 'two sides of the same coin'. That is to say, it was 'development' itself within the industrial *core* which created and reinforced 'underdevelopment' in the *periphery* (Ayres, 1995; Kay, 1989). With this in mind, Prebisch then returned to the realm of theory where he proceeded to articulate an original, empirically grounded, development discourse which would have wide spread ramifications for the entire continent.

4.5.1. The Prebisch Secular Decline Hypothesis

Prebisch's investigation into the 'reality' of the global trading system uncovered a disturbing trend of primary product exports declining in value relative to manufactured goods over time (Kay, 1989; Ward, 2004). The decline was not to be taken lightly as according to Prebisch it effectively ensured that technological progress would remain concentrated and diffused within the *core* in a virtuous cycle of technological development and capital accumulation (Ocampo, 1995). Meanwhile, the periphery languishes in a cycle of boom and bust, with export demand and prices being determined by forces beyond their control as the Great Depression so brutally demonstrated (Ayres, 1995).

But if the decline in terms of trade described the process for which the core maintained its dominion over the periphery, what mechanisms caused the decline? Prebisch articulated a number of reasons, both on the demand side and the supply side.

Firstly, on the demand side, he discovered that primary product exports (PPEX) were generally income inelastic. This meant as incomes rose in the core economies, demand for Latin American exports would not increase proportionally- resulting in declining terms of trade for Latin America

exports vis-à-vis manufactured imports produced in the North (Ayres, 1995; Kay, 1989). Second, he argued that the market for manufactured goods was characterised by oligopolistic producers who kept prices high. The market for PPEX was in contrast highly competitive (within and between nations) and characterised by numerous substitutes which ensured PPEX producers were essentially at the mercy of world prices, or in economic speak, were merely ‘price takers’ (Ayres, 1995; Ward, 2004).

To make matters worse, according to structuralist thinkers, there was also a tendency for technological innovation in the *core* to either replace or reduce the quantity demanded of primary products as new innovative production techniques emerged (Ocampo, 1995; Kay, 1989; Ward, 2004). The sudden collapse of the Chilean nitrate industry following the German discovery of synthetic nitrates after World War I is often cited as a case in point (Collier et al, 1996).

These issues were further aggravated by problems on the supply side. Prebisch argued that while technological progress benefited the core in the form of higher profits and increased wages (due to pressure from unions), in the periphery the abundance of surplus labour and a lack of unionism (due to political repression, social convention or the generally disorganised nature of agriculture) meant that technological progress, if anything, reduced labour demand, depressed wages and did not lead to higher prices or greater technological diffusion (Ayres, 1995; Kay, 1989; Love, 1995; Ocampo, 1995).

Wider political-economic changes within the international political economy were also of grave concern for structuralists. The historically peculiar situation which saw high demand for Latin American exports during the war but low competition from the ‘Old World’ and the United States was not expected to persist (Lewis, 2002, Murray, 2002b). Especially considering the war had led to the eclipse of the formerly open British economy by the much more ‘inward-oriented’ self-reliant US economy (Love, 1995), who Structuralists considered to have a far lesser propensity to import primary products (Ayres, 1995; Kay, 1989). In light of these findings structuralists recommended “the periphery become more like the centre” (Ayres, 1995 p.86). Thus, governments were advised to intensify their already pre-existing ISI policy until such time as they could compete with the core on an even keel (Ayres, 1995; Kay, 1989; Murray, 2002b; Ward, 2004); although no specific time frame was mentioned.

4.5.2. Structuralism: From Theory to Revolutionary Development Model

Before discussing the details of the ISI model and its implications for the region, it is important to clarify that structuralists were by no means anti-market, anti-business, or anti-trade (Kay, 1989; Lewis, 2002). They were well aware of the dynamic efficiency that international market forces can facilitate, but believed that these benefits could only be attained by first tackling the ‘structural barriers’ inherent within the international division of labour. Structuralism, therefore, merely called for significant structural changes to the economy (esp. industrialisation), “to make the market work” (Murray, 2002a, p.194) in order to prepare the Latin American economies for their eventual reinsertion into the international economy on their own and more equal terms (Lewis, 2002).

The ECLA recommended that states adopt a variety of interventionist policy tools in order to reduce the region’s economic dependence on the industrial *core* (Kay, 1989; Lewis, 2002). The subsequent adoption, intensity and time scale of ISI differed across Latin America according to, among other things, population size, political systems, and the political will of leaders and industrialists. However, for the southern cone economies at least, there was a surprising degree of uniformity of purpose and consistency of method to the model’s implementation.

Latin American governments responded with a range of protectionist tools including significant tariff and non-tariff barriers (e.g. quotas and licensing restrictions) on imported manufactured goods that threatened to out compete fledgling domestic producers (Kay, 1989; Green, 1995); maintained an artificially high exchange rates so as to discourage exporters and bring down the cost of capital goods and other necessary inputs (Green, 1995)(this was also achieved by maintaining multiple exchange rates for certain key capital inputs like machinery (Lewis, 2002); controlled banks and other credit institutions in order to steer cheap credit and state subsidies to key sectors or key industries (McMichael, 2004); invested heavily in infrastructure and established powerful state run enterprises (Kay, 1989; Green, 1995; Lewis, 2002) and in the areas of electricity and pharmaceuticals; nationalised strategic sectors such as the oil, steel and iron industries (Green, 1995)²⁸; and often included a considerable welfare component, with states subsidising food and fuel whilst promoting education (Lewis, 2002).

Naturally then, ISI policies resulted in a ballooning of the state sector which necessarily grew in order to manage, direct and implement state intervention on such a large scale (Lewis, 2002). In

²⁸ It what McMichael (2004) refers to as the ‘paradox of protection’; often protectionism- which was in theory designed to stimulate domestic production- had the effect of attracting significant foreign investment.

doing so ISI also drove the evolution of a new urban political alliance between industrialists, white collar workers, public servants, multinational business and unions (Angell, 1993).

4.5.3. Successes of Import Substitution Industrialisation (ISI)

The initial stage of ISI, which some have dubbed the ‘easy phase’, or ‘horizontal ISI’, whereby a country substitutes relatively low-tech consumer goods for a known pre-existing market (Alexander, 1995; Dietz, 1995), initially triggered a tremendous growth spurt that transformed the region and seemed to confirm the virtues of the state-led model (Green, 1995). Indeed, from 1929-1983 the Latin American region averaged a respectable GDP rate of 2.63 % per year- although this fell short of South Korea and Taiwan whose growth rates averaged 4.89 and 3.8% respectably during the same period. Of all the Latin American economies, Brazil was the standout achiever; averaging a remarkable GDP of 5.32 % between 1929-1983 (Lewis, 2002, p.32). By the early 1960s both Mexico and Brazil were virtually self-sufficient in terms of consumer products, in part due to their comparatively large domestic markets (Green, 1995 p. 17).

According to Green (1995) and Lewis (2002) ISI welfare achievements were also substantial (Lewis, 2002, p.32; also Green, 1995). For example, across the region, infant mortality fell from 107/1000 in 1960 to 69/1000 in 1980, life expectancy rose from 52–64 between 1960-1969 and unions helped achieve significant gains for workers (Green, 1995; Lewis, 2002). To what extent these improvements were attributable to ISI rather than broader developmentalist policies however is debatable. Nonetheless, significant reductions in absolute poverty were achieved despite an increase in relative poverty until the ‘lost decade’ when both relative and absolute poverty rates skyrocketed (Green, 1995; Lewis, 2002).

4.5.4. The unravelling of the Import Substitution Model

According to Dietz (1995 p.193) “all development strategies eventually encounter diminishing returns”. Thus, although ISI continued as the regions pre-eminent development model up until the onset of the debt crises in the early 1980s (Green, 1995), it is generally accepted that cracks in the model were already beginning to appear as early as the late 1950s (Green, 1995; Ranis, 1981) or 1960s (Alexander, 1990; Sunkle, 1993).

Guided by the state, the private sector- including many TNC that relocated to the region to take advantage of protected domestic markets- became highly concentrated, monopolistic and inefficient in nature²⁹. Part of the reason, especially for the smaller Latin American economies, can be attributed to the small domestic markets which left little room for competitive forces to discipline inefficient, uneconomical industries which were notorious for producing poor quality over priced goods (Green, 1995)³⁰.

Markets for manufactured goods were typically small for a number of reasons. Firstly, many Latin American economies had relatively small populations (e.g. Chile and Uruguay) which placed natural limits on any domestically geared industrialisation policy; secondly, expanding into foreign markets was either made difficult or actively discouraged by a tendency to over value exchange rates which made Latin American exports artificially expensive (Green, 1995; Lewis, 2002)³¹; and thirdly, as a consequence of the highly unequal distribution of wealth that continued to blight the region during the ISI era creating a society whereby few had the wherewithal, particularly in rural areas, to afford the very goods ISI sort to stimulate (Green, 1995; Murray, 2002b; Ward, 2004). It also did not help that firms tended to produce goods far above the world price, and governments' systematic neglect of the countryside played a major role (Alexander, 1995; Dietz, 1995; Green, 1995). Indeed, this last point deserves deeper elaboration because in many ways the issue of inequality and the distribution of wealth has been, and remains to this day, at the heart of many of Latin Americas political-economic woes. And arguably any model that neglects this reality is unlikely to succeed.

4.5.5. Import Substitution Industrialisation's Urban Bias and Agrarian Neglect

Of course, ISI did not cause Latin America's endemic social inequalities. The regions inequality owes its origins to a myriad of complex socio-economic and socio-political factors bequeathed to the region by its former Iberian masters and which remained relatively unchanged by the time ISI was introduced following the Great Depression. Indeed, since colonial times Latin American agriculture had been characterised by an almost semi-feudal or 'bimodal' land tenure system which acted as a perennial 'structural constraint' to increasing productivity (Gwynne and Kay,

²⁹ In Brazil, for instance, Johnson and Johnson produced dysfunctional over priced nappies purely because it was a protected industry operating within a small market with no real competitors (Green, 1995 p.13).

³⁰ In 1969 the Chilean domestic price of electric sewing machines, bicycles and refrigerators were respectively 3, 5, and 6 times higher than international prices (Green, 1995, p.18)

³¹ However, given the highly protected markets that both domestic and foreign own industries operated within, it is doubtful whether they would have been internationally competitive anyway (Green, 1995).

1997; Murray, 2002b, p192). Within this grossly unequal land tenure structure the landed elite or *hacendados* (estate owners) were notorious for underutilising their productive base. They preferred to practice inefficient extensive agriculture relying on the abundant supply of cheap, or in the case of *inquilinos* (permanent workers), effectively free labour, rather than adopt modern agricultural methods and intensive farming techniques (Alexander, 1995; Gwynne and Kay, 1997). Most would agree, however, that ISI aggravated these existing inequalities within Latin America, particularly between rural and urban populations (Ward, 2004; Heenan et al, 2002).

Indeed, with an overemphasis on expanding the industrial sector Latin American governments displayed an unabashed 'urban bias' which neglected the already underperforming, unequal, agrarian sector (Dietz, 1995; Murray, 2002b; Ranis, 1981; Sunkel, 1993). Primarily, this involved imposing prohibitive price controls on agricultural products so as to provide a cheap food supply to the privileged urban/industrial sectors. The combination of this overt 'urban bias' on top of an already highly concentrated and inefficient land tenure system, created a situation whereby agricultural output continuously failed to keep up with population growth. Inevitably, this forced Latin American economies to import ever greater quantities of food which aggravated existing balance of payment problems (Kay, 2002; Murray, 2002b) - ironically, one of the very things ISI was supposed to alleviate.

Thus, the structural neglect of the countryside during the ISI era had the deleterious effect of reducing aggregate demand and shrinking already inadequate domestic markets (Alexander, 1995; Dietz, 1995; Murray, 2002b). The squeeze on the small farmers in particular, forced many rural peasants to move to the cities in search of work which put great strain on already stretched infrastructure and state services (Green, 1995). To make matters worse, while ISI was squeezing the countryside it was not creating concomitant opportunities in the cities either. This was in part because of the small market constraint described above and made worse by growing inequality, but also because ISI tended to promote capital intensive industries rather than labour intensive industries.

Yet, if the private sector proved woefully inadequate, producing sub-standard products at inflated prices, the public sector fared little better. Free from the 'discipline' of the free market, and backed by a unabashed interventionist state willing to bail them out at almost any cost (Lewis, 2002), state-owned enterprises (SOEs) and bloated government departments were typically

inefficient and unwieldy concerns that were a constant drain on state coffers', leading to imprudent fiscal policy and endemic destabilising inflation (Dietz, 1995; Green, 1995).

Perhaps ISI's most serious failing, however, was its inability to reduce the regions economic dependence on the core, even though this was ostensibly the ultimate goal of the development model. Even though by the 1950s most of the larger economies, particularly of the Southern Cone and Mexico, were relatively self-sufficient in terms of manufactured consumer goods (durables), as their economies progressed up the production chain towards heavy manufacturing and the production of capital goods they encountered a new form of dependency (Lewis, 2002).

The conundrum was that 'vertical ISI' (or 'IS deepening' as it is sometimes referred to) necessitated the importation of ever more sophisticated and expensive inputs and capital goods. But having failed to establish a viable competitive manufacturing export sector which otherwise might have provided sufficient foreign exchange to fund the transition from the 'easy ISI phase' to the intermediate ISI phase, somewhat ironically³², Latin America economies had to rely on "plundering their natural resources" to fund the process (Dietz, 1995; Green, 1995 p.185). On top of this, the subsequent production of heavy industry and capital goods that ensued proved even more prone to concentration and even less labour intensive than those industries formed during the initial ISI phase (Dietz, 1995; Green, 1995).

4.5.6. Addressing a Crisis: Structuralism Responds

From the 1960s onwards, in response to ISI's contraction, structuralists were busy critiquing theorising, and adjusting their own assumptions in search of new ways to reinvigorate the ailing model (Kay, 1989; Sunkel, 1995). Crucially, this involved a new appreciation of the somewhat neglected agrarian sector, not just in terms of rural development, but industrial development. It was argued that land reform, increased government assistance and infrastructure development in the rural sector would simultaneously reduce inequality and increase peasant's purchasing power for manufactured goods, whilst stimulating agriculture and reducing the need to rely on agricultural imports which strained existing balance of payments problems (Dietz, 1995; Kay, 1989; Murray, 2002b; Sunkel, 1995). In addition, structuralists also called for a greater emphasis on promoting exports and greater regional integration (Kay, 1989; Sunkel, 1993). Even Prebisch,

³² Due to their relatively large domestic market, Brazil, and to some extent Mexico, were the few Latin American economies where ISI was able to function successfully (Green, 1995).

who as Alexander (1990) points out, had always intended for ISI to be “just a phase” in the development process, accepted that certain industries were ready for the post-ISI stage, and was noted as saying “I challenge the countries of the centre to practice the free trade ideas they had for so long been preaching to the nations of periphery” (Prebisch *in* Alexander, 1990, p.161)

Unfortunately, many of the revised structuralist recommendations were either ignored, watered-down or applied in an ad-hoc manner by states afraid of the political ramifications of seriously addressing Latin America’s extremely skewed wealth distribution (Green, 1995). For instance, attempts to promote greater regional integration had limited success due to political divisions and the perception among smaller countries that such integration would disproportionately favour the larger Latin American economies (Alexander, 1990; Kay; 1989; Green, 1995). Chile under Frei demonstrated perhaps the best application of the revised structuralist paradigm, pursuing extensive land reform and modernisation programs, whilst helping to establish the Andean trading bloc, but ultimately failed to satisfy the expectations of an increasingly class conscious and frustrated rural sector (Alexander, 1990) who proceeded to vote for a more radical socialist path only to see most of their gains reversed following a right wing military coup (see chapter 5 for details).

The 1960s and 1970s were, therefore, a testing time for Latin American governments. The ‘perceived’ failure among many disenfranchised groups of structuralism to tackle the regions endemic inequalities, as in Chile, led to a more radical version of the *core-periphery* dichotomy, in the form of ‘Dependency Theory’.

4.6 Dependency Theory

Dependency theorists such as Frank, Amin and Wallerstein, borrowed much of their conceptual frameworks and terminology from structuralism, such as the core-periphery dichotomy and the secular decline hypotheses (Love, 1995; Ward, 2004), but advocated a more extreme structural shift. More influenced by Marxist-Leninist concepts of ‘historic materialism’ (Ward, 2004), dependency theory saw an international system not just dominated by an exploitative industrialist core, but a trans-national class alliance between the core and Latin America’s elite (the *comprador bourgeoisie*). Therefore, whereas structuralists emphasised re-structuring economies via ISI with the ultimate intention of reinserting back into the global economy on more equal terms, dependency theorist’s were far more sceptical, advocating ‘de-linking’ (Love, 1995), class

struggle and even socialist style revolution if necessary to break down internal social-stratification. Structuralists were often sceptical of foreign investment, particularly of the enclave variety (e.g. as in mining), but dependency theorists were diametrically opposed to foreign investment which they saw as merely the *core*'s attempt to directly extract 'surplus value' from the *periphery* (Ward, 2004). Thus, dependency theory tended to view the world economy in zero-sum terms, whereby a powerful predatory core built alliances with peripheral elites in order to entrench their dominance over the world economic system.

Dependency theory was influential in fermenting revolutionary fervour within Latin America but most governments- with the exception of Chile (under Allende) and Cuba- either did not heed its politically radical prescriptions or actively repressed the movement- often with the support of the fiercely anti-communist United States. The majority of Latin American governments continued to pursue a kind of watered down structuralism that paid insufficient attention to exporting and regional integration, neglected the countryside, practiced macro-economic imprudence and a lack of fiscal restraint, and did little to mend the deep socio-economic fissures that ISI tended to exacerbate. As such, growth was becoming increasingly sluggish. Latin American states may have been forced to restructure their economies in the 1970s had it not been for the world oil crisis (Green, 1995), which I will turn to now.

4.7. The Debt Crises, the Eclipse of ISI and the Neo-Liberal Era

In 1973 Latin America was struck by the first of two major oil shocks that hit the world economy hard. The crisis led to exorbitant profits being made in oil producing nations and flooded the world's largest financial institutions with 'petro-dollars'. However, with the industrial *core* economies suffering recession, banks had nowhere to lend their hoards of 'petro-dollars'. Credit institutions attempted to solve this 'problem' by lending to the developing world in which Latin America was seen as a particularly desirable lending destination. Millions of dollars in loans were channelled to Latin America at outrageously low, and in some cases negative interest rates (Green, 1995). Little consideration was given to the kind of political regimes in power at the time or indeed the manner for which they spent the money.

For many Latin American countries suffering from the contraction of the ISI model, the flow of money could not have come at a more opportune time. Indeed, the oil crises allowed Latin

American economies to delay the inevitable by providing the capital necessary to maintain ISI deepening and bloated state sectors (Dietz, 1995; Green, 1995). The unwillingness of Latin American economies to make structural reforms during this time when an abundance of capital could have eased the transition, according to Sunkel (1995), makes the 1970s the “real lost decade” of development (p.358)³³.

Sure enough the ‘gravy train’ could not last and did not last. In 1979 the second oil crises struck causing a further contraction of world trade and inflation in the core economies (Dietz, 1995). Yet by this time the core economies were working under a different ideology. Monetarism and neoliberalism were coming into vogue, and both viewed inflation as public enemy number one. Thus, accordingly, interest rates were raised in the core economies to combat inflation and almost instantly Latin American countries found themselves burdened with massive unpayable interest charges on their debts (Green, 1995; Sunkel, 1995). With the core economies in recession, Latin America could not export its way out of the situation either (Dietz, 1995; Green, 1995). The pressure reached a fever pitch when Mexico defaulted on its debt in 1982 triggering the so called ‘third world’ debt crises (Green, 1997).

4.7.1. Ideological Coup: The Rise of Neo-Liberalism

The ‘debt crisis’ was more than just a ‘third world’ debt crisis but rather a global economic crisis. Beginning with the Mexican default in 1982, it threatened the integrity of the world financial system and ultimately led to what has been referred to as ‘the lost decade of development’- or ‘development in reverse’ (Ward, 2004). It was a decade which witnessed the final demise of the ‘Statist’ ISI model and the rise of neoliberalism (Green, 1995) as the “proactive state was displaced by the market-friendly state” (Lewis, 2002)³⁴. It was a decade when the Bretton Woods institutions, particularly the WB and the IMF- institutions formally established to promote development and international economic stability- would be used as conduits by the world’s most

³³ Sunkel’s argument that 1970 was the ‘real lost decade’ is also supported by Green, (1995)

³⁴ Neoliberalism is a term used to describe the resurgence of neo-classical or classic liberal ideas first articulated by the classical economist Adam Smith (1723-1790) and David Ricardo (1772-1823). It emphasises the mutually beneficial gains assumed to be created by producing those goods and services for which a country is deemed to have a comparative advantage in (Gwynne, 2002). It thus incorporates a belief in the ability of self-regulating free markets to generate maximum overall economic welfare for a given society, and advocates a limited role for the state (Murray, 2002b).

powerful creditor nations, to remodel the continent according to the vision and political-economic bias of the North (Green, 1995)³⁵.

In an effort to protect the integrity of the world financial system, or perhaps more candidly, to ensure western creditors got paid, the IMF and the WB agreed to negotiate debt schedules with debtor nations. In return, debtor nations were expected to enact a series of drastic 'structural adjustments policies' (SAP) to their economies along neoliberalism lines (Murray, 2002b). These policies were intended to stimulate economic dynamism and efficiency in what were considered by neoliberals to be stagnant economies (Green, 1995).

The adoption of neoliberal policies in Latin America and their consequences for the region have been covered by many academics. It is not possible given the space limitations of this thesis to outline all of the paradigms impacts in detail and among all Latin American nations. However, chapter 7 gives a more detailed consideration of neoliberalism in Chile- which is widely regarded as the first Latin American nation to wholly adopt the theory and apply it with unparalleled purity (Ward, 2004). While it is acknowledged that different Latin American countries applied neoliberalism at various levels of purity and at different in times, such has been the influence of the doctrine, that it is at least possible to outline the broad policy implications of the model for the region.

Typically, this entailed significant market liberalisation, which included; reducing or removing tariffs and other non-tariff barriers to trade such as quotas and licensing restrictions (Ward, 2004); de-regulation of domestic industries and a relaxing of controls on foreign investment; privatisation of state owned enterprises and an end to subsidy regimes and price controls (including a relaxing of labour laws); exchange rate devaluation to encourage exporting and a decrease in the money supply to control inflation (Dietz, 1995); massive downsizing of the public sector and serious cut backs on social expenditure in an attempt to reduce debt and fiscal deficits (Dietz, 1995; Lewis, 2002); and a greater emphasise on export lead growth, by agreeing to the World Trade Organisations rule based trade agenda and by joining regional trading blocks such as MERCOSUR (Common Market for the Southern Cone) (Lewis, 2002).

³⁵ However, as Green (1995) has pointed out, although structural adjustment was to a large extent an imposition from the *core* countries, still, it would have not have been possible without local elite 'buy in'. For instance in Chile the so called 'Chicago boys' who orchestrated Chiles neoliberal experiment, were trained and influenced by the likes of Von Hayek, Friedman and Harberger at the infamous Chicago School of Economics, which at the time was at the fore front of the "new liberal crusade".

The initial imposition of neoliberal policies led to economic contraction and precipitated a decade of low to negative economic growth for the region (Dietz, 1995)³⁶. The structural shift had a 'liquidating effect' on many formerly protected sectors that were unable to compete with the more competitive foreign imports (Alexander, 1990 p. 159; also supported by Green, 1995). Despite the economic turmoil, neoliberals viewed this process as a painful, albeit necessary, cost if economies were to learn to live within their means. After all, the goal was to force capital and resources from "artificial and inefficient industries" towards new efficient and dynamic sectors (Alexander, 1990 p. 159)³⁷.

In this context, 'development' became "devastatingly simple" (Dietz, 1995 p.192). As long as states successfully realigned their economies according to the 'universal rules' of 'comparative advantage', distributional issues would take care of themselves via the wonder of the 'trickle down effect' (Lewis, 2002). Any suggestion that the state could improve on the market- if not considered blasphemous- was passed off as nothing but an absurd utterance from a waning philosophy of a bygone era (Green, 1995).

For some, although mainly those with the requisite economic means, new opportunities did indeed arise, particularly in the area of primary products exports. Export led growth was seen as the way out of the economic doldrums and a way to generate foreign exchange for which to repay foreign debt (Dietz, 1995). After initial declines in agriculture, some countries such as Chile and Paraguay achieved tremendous growth in agriculture during the 1980s, but the majority of countries within the region had to wait until the 1990s to see a recovery (Murray, 2002b). Still, despite some gains, in the countryside modernisation via the application of 'non-scale neutral technologies' for the most part "favoured medium and large scale producers...and led to increasing differentiation in rural areas of South America" (Murray 2002b. p.197; also Green, 1995). Thus, overall, for the majority of Latina Americans 'structural adjustment' meant greater unemployment, low labour standards, and a reduction in essential services which created growing poverty and exacerbated inequality within the continent (Dietz, 1995; Green, 1995; Murray, 2002b).

³⁶ Throughout the 1980s, as a region, Latin America's GDP averaged a dismal -1.0% compared with 3.3% achieved in the previous decade (Dietz, 1995 p.16). And only by 1993 had per capita growth regained its 1980 value (Green, 1995, p.2001).

³⁷ This point is also backed up by Green (1995)

By the early 1990s, academics, NGOs, grass roots organisations and annalists within the UN, to name but a few, were documenting and protesting the tremendous human costs of neoliberal restructuring. As the evidence poured in, even formerly staunch supporters of neoliberalism like the WB were forced to temper their policy approach- at least rhetorically- by referring to poverty and slogans such as ‘growth with equity’ in their reporting. Meanwhile, in the halls of CEPAL, the former bastion of structuralism, theorists and policy experts were working on a new development theory that would on the one hand acknowledge some of the follies of the ISI model but also accept some of the efficiency enhancing merits of neoliberalism. The name of this model has been loosely referred to as neo-structuralism, which I will turn to now.

4.8. From Neoliberalism to Neo-Structuralism: CEPAL ‘Strikes Back’

Successful industrialising countries like Taiwan and South Korea break into computers, not Kiwi Fruit, yet neoliberalism has ignored the lessons offered by the Asian Tigers (Green, 1995 p.204)

In the “*Silent Revolution*”, Green (1995) notes a crucial turning point in the neoliberal ‘redoubt’ which began in the early 1990s with the election of Bill Clinton in the United States. Of course, well before Clinton *Cepalismos* (CEPAL neo-structuralists) had been critical of neoliberal restructuring and were busy looking at pragmatic ways of fusing aspects of neoliberalism with structuralism. However, campaigning on a platform critical of the ‘savage capitalism’ of ‘Reaganomics’ and ‘Thatcherism’- much as the ‘Chicago boys’ had influenced Latin American political-economy during the 1970s and 1980s- the new economists and policy makers that circled the Clinton administration at least made criticising the neoliberal model a more ‘legitimate activity’ (Green, 1995). A number of catch phrases, ‘neoliberalism with a human face’, the ‘social market’ or the ‘third way’ came to account for this tinkering of neoliberal ideology. The Aylwin administration of Chile during the early 1990s which combined export led growth with new tax laws and a concerted effort to try and alleviate the ‘*deuda social*’ (social debt) bequeathed by the Pinochet era, was seen by many as a star student of this new orthodoxy (Green, 1995)³⁸.

³⁸ However, in light of the military’s continued presence in Chilean politics, Aylwin was in many ways restricted to merely window-dressing neoliberalism so as to not jeopardise the delicate democratic transition underway (Kay, 2002).

CEPAL took inspiration from a range of sources, but the ‘economic miracles’ of the ‘East Asian Tiger economies’ were especially influential. However, contrary to the opinion of many neoliberals, neo-structuralists argued that the ‘Tigers’ owed their remarkable economic transformation not so much to the blind application of neo-classical economic theory, but rather by confidently picking and choosing between those aspects of market and state led growth that best suited their ‘own’ national development goals (Dietz, 1995; Green, 1995; McMichael, 2004, Ranis, 1995; Ward, 2004)³⁹.

4.8.1. Neo-structuralism: A Paradigm Explained

Although it is difficult to exactly pin down a purely ‘neo-structuralist approach’, it is however possible to outline a number of important themes and policy tendencies that underpin neo-structuralism. Critically, neo-structuralists have not forgotten their structuralist roots; thus the world economic system remains, as it always has, an essentially asymmetric system wherein power structures continue to have a conditioning effect over peripheral nations. That said, unlike ‘dependency theory’, it is somewhat optimistic- especially given the success of the ‘Tiger economies’- that governments, can at least, through sensible and targeted state intervention, improve on market outcomes and generate greater collective wellbeing⁴⁰.

With the benefit of hindsight, neo-structuralists have had time to consider, reflect, and learn from the past follies of both structuralism and neoliberalism. As such Sunkel (1993), a leading neo-structuralists, referring to neoliberalism remarked, that some aspects of neoliberalism have been, “unquestionably necessary”, in terms of creating;

...new dynamic forces of export growth; the raising of productive efficiency, competition, increased savings and investment; the reduction, rationalisation, flexibilisation, and greater efficiency of the state apparatus; the achievement and maintenance of a reasonable degree of

³⁹ For example, the state played a key role in both South Korea’s and Taiwan’s economic development; firstly, by initiating extensive land reforms prior to industrialisation which raised peasant purchasing power and helped stimulate demand for fledgling domestic manufacturing industries; secondly, by investing heavily in public infrastructure, education, and research and development; thirdly, by directing capital towards strategic domestic industries and promoting joint ventures between foreign and domestic firms; fourthly, by selectively protecting key infant industries on their path to industrial maturity; and lastly,- having successfully completed the primary ‘easy phase’ of ISI- the state was instrumental in fostering a viable ‘primary manufacturing export industry’ (or primary export substitution in labour intensive food processing and textiles) for which to fund the more capital intensive and technology based secondary ISI (e.g. the production of heavy capital and intermediate goods such as steel, ship building, machinery and petrochemicals) (Dietz, 1995; Green, 1995; McMichael, 2004; Ranis, 1981; Sunkel, 1993; Ward, 2004).

⁴⁰ As opposed to ‘dependency school’ writers who emphasised de-linking, and in its more radical interpretation, class revolution, as the only way forward.

macro-economic balances, and expansion in the role of the market and private economic management (Sunkel, 1993, p. 368).

Others such as Dietz (1995) and Ranis (1995) also admit that the ‘development state’ was overly interventionist and prone to rent-seeking from special interest groups. But believe this is different to suggesting that states can never positively contribute to national development (Dietz, 1995).

Therefore, Dietz, (1995), Green (1995), Ranis (1995) Sunkel (1993) and Ward (2004) all maintain that states have a key role in creating and sponsoring what Sunkel calls ‘development from within’. In this context, the state retains a valuable enabling role in creating key pillars sectors for industrialisation, accumulation and technological diffusion, developing human resources⁴¹ and communication between sectors in order to create an “endogenous nucleus of technical dynamism, for which to launch re-insertion” (p. 368)⁴².

Naturally then, for neo-structuralists, some protectionism is seen as justifiable and growth enhancing as long as it appeals to the ‘national interest’ rather than simply propping up ‘private interests’, and so long as protectionist regimes are not “far too high” nor kept in place for “far too long” (Ranis, 1995, p.146)⁴³. The ultimate aim remains, as it always has for structuralists, re-insertion into the global economy on a more ‘competitive’ and even playing field. For this reason, regional integration is considered to offer a “platform from which to export to the rest of the world” (Green, 1995, p.198).

However, unlike neoliberals, neo-structuralists do not view economic growth as an end in itself. This does not mean that neo-structuralists deny the importance of growth, rather they recognise that economic growth and ‘development’ are not the same things and that “equity and growth are not mutually exclusive, but complementary” (Green, 1995, p.245). Not surprisingly then, neo-structuralists are suspicious of the ‘trickle down effect’ of wealth distribution, recognising that not all groups have equal opportunities. Thus, neo-structuralism tends to stress ‘growth with equity’ and places far greater weight on human rights, labour laws, environmental issues and

⁴¹ Dietz (1995, p.192) is especially concerned with education arguing that the solution requires a “substantial changes in the structure of economic, social, and political power to extend the benefits of education and growing income to a large number of citizens”.

⁴² Dietz (1995) builds on these points arguing that states can assist where externalities exist, and provide infrastructure, human capital, and some times missing factors like finance and international marketing “which can increase both private and social returns” (p192).

⁴³ Green (1995) agrees that protectionism has a key role but must never become too entrenched.

social policy which they intend to fund through ‘progressive tax’ reforms (Kay, 2002; Green, 1995).

4.8.2. Neo-structuralism and the Agricultural Sector

In terms of agriculture, according to Murray (2002c, p.196), a neo-structuralists approach would stress the “government assisted free market- and take into account the realities of the current world order, globalisation and environmental concerns”. This means that the original structuralist concerns regarding overspecialisation of exports, terms of trade declines and protectionism within core economies- despite their free trade rhetoric- remain relevant and of critical importance (Murray, 2002c). At a policy level, this might involve “environmental monitoring, assistance to small growers, while maintaining diversity, creating collective action- increase economies of scale, land reform, regional cooperation and respecting the needs of indigenous peoples” (Murray, 2002c, p.196).

It is sometimes stated that Chile offers the best example of the application of the neo-structuralism model (Ward, 2004); however, as Green (1995, p.190) points out;

While this view of neo-structuralism as merely ‘neoliberalism with a human face’, rather than a true alternative, may ring true in Chile, CEPAL’s policy framework goes farther than the Chilean government on critical issues like the need for wealth distribution, agrarian reform and increased rates of tax.

Clearly, neo-structuralism is an evolving theory, and when judging its efficacy it pays to separate the theory from how it is practiced. No doubt, as in the Chilean case, to date neo-structuralism has fallen short of its mark, but for the time being it provides somewhat of a pragmatic start to addressing the massive socio-economic turmoil unleashed by the neoliberal experiment. As Kay (2002) argues, Chile is somewhere between ‘neoliberalism with a human face’ and a ‘neo-structuralist position’. To reach a neo-structuralist position the *Concertación* “would have to achieve better results concerning equity” and “put a greater emphasis on environmental issues (Kay, 2002, p. 474)”.

With the election to office of the socialist leader Bachelet in 2006, it seems this could be Chile’s best chance yet to institute a truly neo-structuralist position. Bachelet (2006) has already declared

her administration's intention to see Chile "*as a major food supplier*", thus international integration is likely to remain of central importance. However, the government has declared that it intends to play a key role in promoting "*public policies for quality control, public-private cooperation and a change in the productive focus*". There is also a recognition that as Chile's comparative advantage in many products wanes, new technologies will need to be adopted and value added products explored as in the wine and salmon industries. Perhaps most interesting from the perspective of this thesis, however, is that Bachelet claims that "*any policy we implement needs to be inclusive, in which everyone can be part of the achievements of development. The emphasis will be on small-scale family farming, to support the production base and strengthen productive chains (Bachelet, 2006)*".

Clearly international integration and export led growth remains firm on the agenda but the governments 'inclusive' ideals are nonetheless encouraging. Still, it is easy to be sceptical of such statements in light of past *Concertación* governments' failure to address Chile's endemic inequality and worsening social-economic differentiation (these points will be taken up at the end of the following chapter). Thus, although encouraging, we can only sit and wait to see if Bachelet's rhetoric can be converted into reality.

5.0. Chilean Agricultural History and Political Economy

Chile can be regarded as a land of extremes, both in terms of its physical geography and political-economic history. As a narrow land clinging to the Western Andes and stretching from the sub-Antarctic Magellan's to the dry deserts of the north, Chile boasts some of the world's most varied climates making it suitable for a diverse range of agricultural products along side extensive mining in the north (Collins and Lear, 1995). Politically and economically speaking, throughout its colourful history, Chile has been notable for its tendency to adopt political ideologies and economic models from either side of the political spectrum with unparalleled purity in comparison with other Latin American nations.

The previous chapter looked at Latin America's political-economy from a regional perspective. The purpose was to provide a wider context for Chile's own development experiences. It was shown how, despite the diversity between nations, there has been a surprising degree of policy continuity throughout the region since colonial times. Having established this, however, consistent with a neo-structuralist theoretical approach, the following chapter attempts to delve deeper into the Chilean experience, in order to understand Chile's current position within the global economy as a primary product exporter. Of course, in order to this, it is first necessary to examine those historical 'structures which have helped steer this unique nation's socio-economic and socio-political make up from colonisation to present day (Kay, 1981; Murray, 2002b).

5.1. From Colonisation to Independence

As a nation, Chile grew from humble beginnings. Discovered by Magellan in 1520, Chile was only settled and conquered after 1540 (Loveman, 1988); with the exception of Araucaria where valiant Indian resistance held off the Spanish advance well up until the later part of the 19th century (Keith, 1977). Northern and Central Valley Indian populations were not so fortunate, however. They were captured and portioned out under the *encomienda* system- a system whereby conquistadores were granted the legal right to extract tribute (labour, food, or money) from their Indian subjects in exchange for 'saving' their souls by facilitating their conversion to Christianity (Collier, 1996; Keith, 1977; Steenland, 1977). However, by the late 16th century, old world diseases had severely depleted Chile's native Indian populations. Short of labour, Mapuche slavery was briefly legalised in 1608 to help plug the shortfall but was abolished- at least on paper- in 1674 (Collier, 1996; Steenland, 1977).

For most of the colonial period Chile remained on the periphery of the Spanish colonial empire, a relative backwater compared with the 'colonial core' regions of the time which were concentrated in the lucrative silver mines of Peru and Mexico and the political cores of Lima and Mexico City (Loveman, 1988). Devoid of readily exploitable precious metals, hampered by the tyranny of topography, distanced from the both the colonial cores and the Spanish mainland, and forced by Spain's mercantilist policies to pass all trade through Lima and the Panama isthmus, the Chilean economy developed slowly and dependent on Peru (Collier, 1996). By the 17th century ranching was the mainstay of the economy. Markets were limited however to servicing military garrisons, the city of Lima and the Potosi mining enclave (Collier, 1996; Keith, 1977; Loveman, 1988). It would be several centuries before the exportation of fresh produce would be feasible so trade consisted mainly of hides, mules, jerked beef and tallow (Collier, 1996).

In the mid 17th Century, Central Valley Cattle Estancias began to emerge. In time these estancias began to shift away from cattle ranching towards wheat production with exports destined for Peru; thus estancias came to be known as *haciendas* (Collier, 1996; Joseph, 1984). As is to be expected, this change in the colonies production base necessitated a change in the labour relations which had formerly characterised the Chilean countryside, precipitating a decline of the exploitative *encomienda* system. However, to a certain extent this transition was already partly under way anyway as throughout the early 17th century estancia owners were already progressively renting land to either poor Spaniards or *metizos* (mixed raced Chileans) in return for their labour in managing the ranch. The switch to more labour intensive cereal production merely sped up and consolidated this change in labour relations as short-term contracts developed into year round and eventually permanent contracts (Collier, 1996).

From the 1750s, permanent workers, or *inquilinos* as they are known in Chile, became widely recognised as a distinct and effectively hereditary class occupying a position not too dissimilar to the serf under the various feudal systems of Europe (Collier, 1996; Steenland, 1977). In exchange for theirs and often their family's labour, *inquilinos* were typically granted a small area of land on which to build a house, grow crops and graze some cattle- direct money transfers were rare. (Collier, 1996; Kay, 1975). The system tended to suit *hacendados* (*hacienda* owners), as given their huge tracks of underutilised or fallow land, it meant that *inquilino* labour was effectively free (Joseph, 1984). And for *inquilinos* and their families, they were at least offered a degree of- albeit limited- security and identity as compared to the many wandering landless peons or *rotos*

who roamed the countryside in search of fickle employment and barely earned enough to meet their basic needs (Collier, 1996; Keith, 1977).

Although *inquilinos* had few, if any, formal rights, unlike serfs, they were not legally bound to the land (Collier, 1996; Kay 1981). That said, however, evidence suggests *inquilinos* were often at the mercy of their masters and, in general, were subjected to exploitation and extra-economic coercion which essentially ensured their options were few and bargaining power limited. For this reason the *hacienda* system has on a number of occasions has been referred to as a semi-feudal type production arrangement (Collier, 1996; Keith, 1977; Gwynne and Kay, 1997; Steenland, 1977).

Chilean *haciendas*, having originated out of stock raising *estancias*, tended to be especially large (Keith, 1977) and by far the largest and most politically influential were those concentrated between Santiago and Concepción where roughly 500 *haciendas* were in excess of 1000ha (Collier, 1996). Almost from the outset the owners of these grand estates effectively ruled Chile according to their own biases and political interests (Collier, 1996). But the *hacienda* was more than just a large profit maximizing production unit guided by the laws of supply and demand. The Chilean *hacienda*, as elsewhere in the Spanish Empire, played a critical social-cultural role in the countryside and was very much the ‘social nucleus’ of rural Chile (Collier, 1996).

5.2. Chile’s Era of Commercial Expansion

Following independence, Chile wasted little time in taking advantage of the new economic opportunities of the time. Between 1810 and the 1830s alone the value of external trade doubled. Any Chilean living in the port city of *Valparaíso* at the time could not have helped but notice the more than 200 ships anchoring by the end of the 1820’s- up four fold since 1810 (Collier, 1996). Perhaps more significant, however, was the nationality of many of the vessels. Where once Peruvian merchants monopolised the seas, British, French, American and even some Chilean ships were increasingly present and began to displace the formerly dominant Peruvians. In an effort to provide some protection to domestic industries, the newly formed government made several attempts to institute neo-mercantilist policies but in general tariffs were reduced and economic liberalism embraced (Collier, 1996).

Meanwhile, mining flourished in the north on the back of strong international demand. In the *Norte Chico* region towns grew up almost overnight creating a new- although limited- domestic

market for Central Valley agricultural products. Exports were still overwhelmingly in the form of minerals, however, with the Central Valley only accounting for one quarter of total trade (Collier, 1996).

The 1830s–1870s were an era of rapid economic expansion for Chile. New technologies in the form of steamships, railways and the telegraph were rapidly and ruthlessly smashing the tyranny of time and space. During this “time of progress” (Collier, 1996, p.71) Chile experienced a large increase in international trade and a leap in the number of joint stock companies and investment banks which “all played their part in solidifying Chile’s links with the fast expanding world markets” (Collier, 1996, p.88).

As was the case with independence, the rapid expansion of international commerce was absorbed and embraced by Chile’s landed elite and if anything strengthened the *hacendados* grip over the Chilean political-economy (Collier, 1996; Heenan et al, 2002; Kay, 1981; Murray, 2002a). External demand for agricultural products led many *hacendados* to expand in size and increase labour intensive cultivation which led to the settlement of more permanent workers on Chile’s great estates (Kay, 1981; Murray, 2002a). By the 1850s three quarters of Chile’s agricultural land was occupied by a mere 850 landowners who collectively controlled two thirds of all agricultural income in Central Chile (Collier, 1996).

Still, markets were relatively limited until the 1850s when the Californian gold rush stimulated a massive boom in demand for Chilean wheat which saw exports mushroom from 6,000 tones in 1848 to 500,000 tones by 1850; eventually reaching 17% of foreign exchange earnings by 1860 (Collier, 1996). In what proved to be an all too familiar pattern in Chilean agriculture, however, the market closed almost as quickly as it had opened. Temporary relief came when another gold rush- this time in Victoria, Australia- picked up the slack, but the Australian markets followed a similar progression of boom and bust. For a time Britain was there to plug the gap. But this only lasted until 1878 when larger scale and more efficient producers in Americas North West dealt a serious blow to Chilean agricultural exports (Collier, 1996). It would take over a hundred years (in the 1990’s) before agriculture would once again return to its former glory in the national economy (Kay, 1993).

Part of the problem was that unlike in the United States, where agricultural booms stimulated investment in newer more innovative production techniques, in Chile agricultural methods and

labour relations remained essentially traditional with little mechanisation occurring despite the wheat booms (Collier, 1996; Kay 1981). This was due to the fact that within Chile's wheat growing regions land was highly concentrated with population densities approximately 14–15 times higher than that of her Australian and American competitors. Thus, rather than investing their windfalls in the modernisation of the *hacienda* system, landlords merely relied on their abundant land reserves, political influence and cheap labour supply to increase cultivation in formerly underutilised pastureland and settled a greater number of *inquilinos* on the land (Kay 1981).

While the booms created fantastic wealth for Chile's landed class, for *inquilinos* and their families agricultural booms often meant a decrease in the size of their tenancy, a reduction in the number of animals one could raise and longer working hours (Collier, 1996; Heenan et al, 2002; Kay, 1981). Those without permanent work were even less fortunate. Rural peons- underemployed and in poverty- perhaps received a little more in booms- but many drifted to the urban areas usually to join and become '*rotos*' (the urban poor: literally the 'broken ones'). Others were forced to endure the harsh conditions of the northern mines or seek backbreaking work among the many new infrastructure projects being pursued at the time (Collier, 1996; Heenan et al 2002).

Thus, by the turn of the 20th century, despite the immense changes in governance and economy, the traditional bi-modal *latifundia/minifundia* dichotomy remained firmly entrenched. *Hacendados* controlled three quarters of Chile's agricultural land and two thirds of production and exports. Chile was regarded as having a "greater monopoly of land than any other country" (Thomas Wright in Collier, 1982, p.125). Hence, according to Collier (1996, p.840) not only was "the world of Patron and *inquilino*....strengthened rather than undermined by the export economy" by entrenching the *hacienda* system the landed elite exacerbated rural inequality and effectively blocked "the transition to [modern] agrarian capitalism (Kay, 1981, p.492)".

The inefficient *hacienda* system also stymied industrialisation (Kay, 1981; Wright, 1975). Given the lucrative nitrate industry, which at the time generated the majority of the nation's foreign exchange earnings, revenue could have been directed towards the emerging industrial bourgeoisie with the support of an initial tariff barrier. But instead, free trade ideology prevailed. As such, half of the nation's nitrate wealth leaked out of Chile while the remainder was captured by the landed elite for their own opulent consumption purposes (Kay, 1981). Seduced by the free trade

ideals of the time, this appeared not to concern the government. President Santa Maria was reported as saying “let the gringos work the nitrate freely, I shall be waiting at the door” (Collier, 1996, p.144).

5.3. The Export Model Crisis: From WWI to the Great Depression

In terms of agriculture the 1910s-1930s were a relatively productive time for Chile (Collier, 1996; Kay 1981). The annual rate of production (including livestock) averaged a decent 3% as more land came under cultivation and viticulture and pastoralism thrived. Taking advantage of this economic window, *hacendados* expanded their influence over the countryside- with 0.45% of property owners controlling approximately 52% of the land. But yet again modernisation did not result. Simply put, machines cost, but *inquilinos* did not; the *hacendados* preferring to entrench the prevailing social structure rather than modernise their estates (Collins and Lear, 1995; Collier, 1996).

But no sooner was Chile enjoying renewed productivity when the Great Depression unleashed its savagery on the vulnerable economy. During the depression Chile’s already beleaguered nitrate industry was cut in half, while copper- by this time Chile’s pre-eminent export and leading government revenue maker- fell from 17.47 cents per pound in 1929 to a paltry 7.03 cents per pound by 1933 (Collier, 1996). Soon, US capital dried up and unemployment soared as the economic contagion spread to all sectors of the economy. Such was the severity of the crisis that in their 1923–1933 economic survey the League of Nations described Chile as the nation “most devastated by the depression” (*in* Collier, 1996, p.223). Partly due to the crises, a Socialist Republic came to power in 1931 but its term was short lived and generally ineffectual- although it did mark the emergence of socialism which “would forever retain a presence in Chilean political discourse” (Collier, 1996, p. 227).

5.4. State-led development and Import Substitution Industrialisation (1930s-1973)

The Great Depression had a profound effect on Chile’s political-economic landscape. The crisis had violently exposed the inherent vulnerabilities of the export-led growth model based on free trade and the principle of comparative advantage. With exports depressed and foreign exchange

scarce, in something of a silver lining however, the depression did at least offer a degree of 'natural protection' against foreign manufactured goods, which helped stimulate domestic manufacturing. Therefore, rather than return to the free trade model, following the depression the Chilean government instituted "a whole range of new methods (multiple exchange controls, quotas, import licenses, and rationing of scarce foreign exchange)...in an effort to support and protect domestic industry (Collier, 1996, p.229)".

By 1937 the Chilean economy appeared to be in recovery. Unemployment was in decline and factories began to produce a much wider range of consumer goods from processed foods and beverages to clothing. Although mineral exports remained the central revenue maker for the government and the *hacendados* maintained their grip over the countryside, soon Chilean industries were producing durables and intermediate goods such as textiles, paper, chemicals, and metals (Collier, 1996).

The outbreak of WWII offered a further stimulus to manufacturing. As foreign imports dried up Chile was forced to embrace greater import substitution which it did with considerable success in a number of key areas. For example, CORFO (Chile's Manufacturing Promotions Corporation), the government agency responsible for steering Chile's industrial program, played a critical role in tapping Chile's hydro electric potential and establishing a steel company in 1950 which had a tonic effect on the economy. Then as import substitution deepened, CORFO was instrumental in lending money to metal manufactures and industries producing everything from appliances, motors, electrical goods and chemicals to pharmaceutical products. The government also funded sugar beet mills, fish canning operations and cloth production. Together these government initiatives helped manufacturing increase by 18% between 1940-52 (Collier, 1996). While in agriculture, the government agency imported and rented out tractors to small farmers. The general economic climate was one of optimism. It seemed, at least on the surface, that the initial so called 'easy ISI phase', the production of consumer goods, was a success (Collier, 1996; Green, 1995; Kay, 1981).

5.4.1. The Crisis of the Import Substitution Model

No sooner had ISI cemented itself as the pre-eminent development model of the post-WWII era than its weaknesses began to emerge (Cereceda, 1980; Green, 1995). As it turned out, the Chilean domestic market proved too small to foster competition and provide for efficient economies of scales. By the early 1950s concentration was evident in everything from furniture to foods to

textiles (Collier, 1996; Green, 1995). Consequently, many Chilean companies tended to produce poor quality goods at inflated prices, putting their manufactured items even further out of reach of the average Chilean and further limiting an already stagnant market (Collier, 1996; Green, 1995; Murray, 2002a)⁴⁴.

But not only did ISI breed inefficiency, it also failed to improve overall living standards, did not soak up labour and did not stimulate the economy in the long run. The government's initial response was to expand the public sector which it did by 50% from 1939-53. Yet copper taxes and foreign borrowing proved woefully inadequate in funding the government's ambitious industrialisation vision and bloated public sector. This, combined with a general unwillingness to institute progressive taxation, forced the state to resort to inflationary spending which caused further macroeconomic instability. The money supply doubled between 1932 and 1942 due the government borrowing from the central bank to fund CORFO's excesses and due to a series of wage rises that exceeded the rate of inflation. From the 1950s to 1965 the Ibañez administration (1952-58) and the Alessandri administration (1959-64) borrowed heavily and spent big to try hard to kick-start the ailing Chilean economy, but each succumbed to inflationary spending as the fiscal deficit continued to grow (Angel, 1993).

5.4.2. The Agrarian Question?

By the mid-to early 1960s it was becoming increasingly apparent that Chile's economic woes were intimately connected to the nation's sluggish agricultural performance, which many were increasingly blaming on Chile's highly inequitable land tenure structure. Indeed, as late as 1964 a mere 2% of property owners still controlled some 55% of Chile's agricultural land. Apart from being socially unjust, however, this highly skewed land tenure system had numerous wider economic effects (Collins and Lear, 1995). Firstly, with such a huge proportion of land concentrated within the hands of so few, and given the abundance of poor agricultural labourers, land owners had little incentive to pursue more modern agricultural practices. Instead, inefficient extensive agriculture was the norm meaning considerable amounts of Chile's agricultural land was left either fellow or underutilised. Not surprisingly then, from the 1930s-to the mid 1960s, Chile's agricultural output consistently lagged behind the nation's population growth. To meet the short fall Chile had to import ever greater quantities of food in order to feed the expanding urban

⁴⁴ For example the Chilean domestic price of sewing machines and home refrigerators were respectively three and six times the price of their international equivalents (Green, 1995).

masses, which soaked up scarce foreign exchange and strained the nation's balance of payments deficit (Collier, 1996; Collins and Lear, 1995; Kay, 2002; Silva, 1988). Furthermore, with around 70% of Chile's peasant families barely subsisting on less than \$100 U.S dollars per year, few Chileans had the wherewithal to buy manufactured goods, limiting an already small and underperforming domestic market for industrial products (Winn and Kay, 1974)⁴⁵.

Yet, despite being aware of the agricultural sectors lack of dynamism; successive Chilean governments persistently refused to tackle the issue head on. As long as minerals, predominantly copper, provided the state with a steady flow of revenue, little was asked of agriculture except to provide a cheap food source for the urban sectors (Kay, 1981). This was achieved not by stimulating greater agricultural productivity, however, but by building a 'tacit-class alliance' between the industrial bourgeoisie and the traditional land-owning aristocracy (Cereceda, 1980; Carriere, 1975; Silva, 1988). This involved the state using a mixture of public subsidies, price controls, legal barriers and outright repression in order to prevent the emergence of rural unionism and minimum wage laws (Cereceda, 1980; Collier, 1996; Kay, 1981, Silva, 1988), in an effort to satisfy the cheap labour requirements of the *hacendados* and guarantee the supply of cheap agricultural commodities for the urban sector (Kay, 1981; 2002).

To be fair, Alessandri- with the encouragement of the United States- made some tentative moves towards reforming Chile's severely inequitable land tenure structure, but under pressure from the landed elite, very little land was actually expropriated (Collier, 1996; Murray 2002b). Nonetheless, by passing Reform Law 15020 and establishing the two influential state agencies CORA (*Corporacion de Reforma Agricola*) and INDAP (*Instituto de Desarrollo Agropecuario*), it could be argued that Alessandri did at least legitimise the concept of reform, in the process helping to lay the foundations for future reforms under the PDC (Christian Democratic Party) and UP (United Popular) government (Winn and Kay, 1974).

Perhaps Alessandri's most lasting impression, however, was not so much his contribution to land reform but rather his contribution to electoral reform. During his time in office Alessandri extended the franchise from 1,156,576 people in 1958 to 2,915,114 in 1964 (Collier, 1996). Crucially, many of the newly enfranchised were poor rural Chileans whom had traditionally been compelled to vote as their patrons demanded (Murray, 2002a). Most still lacked decent living conditions, had few educational opportunities, consumed an inadequate diet, suffered high rates

⁴⁵ Also noted by Angell (1993), Kay (1975) and Murray (2002a).

of infant mortality and were illiterate (Winn, 1974). Unsurprisingly then, armed with their new found political freedoms “it was only a matter of time before reformist political parties would take up their cause” (Collier, 1996, p.268; also Murray, 2002a).

By the early 1960s the public were becoming restless. Protests demonstrations and strikes were on the rise and were gaining considerable support within Santiago’s sprawling shanty towns. The Christian Democrats jump in the 1963 municipal elections reflected this growing discontent. It was increasingly looking dire for the Conservative government to hold on to the reigns of power; “The scene was now set for the 1964 presidential election” (Angell, 1993, p.146) and the era of ‘mass politics’ (Kay, 1981).

5.5. The Rise of Chilean Mass Politics (1964–1970): The Christian Democrats (*Partido Demócrata Cristiano (PDC)*)

In 1964, the Christian Democratic Party (PDC), campaigning under the banner of a “revolution in liberty” (Winn and Kay, 1974), a strong platform of social-justice and the promise of ‘massive, drastic and rapid’ reform in the countryside (Brown, 1989) won a decisive victory in the Chilean election⁴⁶. Headed by Eduardo Frei, the PDC’s rise reflected the growing phenomena which witnessed Chilean politics and society becoming “more ideologically dogmatic and intransigent” than any of the previous three and a half decades of civilian government (Angell, 1993, p.141). Indeed, for the first time since the establishment of the *hacienda* system, a government dared to openly challenge the “hegemony of the landowners” (Collier, 1996, p.313). However, this would prove to be no easy task. Expectations among the peasantry were high. The PDC faced the dilemma of attempting to lance centuries of socio-economic injustice whilst maintaining order among an increasingly polarised and class conscious populous.

Land reform and rising class consciousness was not unique to Chile. Since the early 1950s, the Catholic Church, the left and the United States Kennedy administration had been calling for reform throughout Latin America. It was the Cold War after all and the US was wary of the rising social tensions throughout Latin America and was eager to avoid another Cuba (Collier 1996; Angell, 1993; Murray, 2002b). Given these concerns, land reform seemed a convenient way of

⁴⁶ The PDC claimed 55.7% of the vote which amounted to 82/147 in the lower house and increased its seats in the senate from 12 to 21 (Angell, 1993)

simultaneously allaying class tension whilst promoting a more efficient, modern and dynamic agricultural sector.

Under the US government funded *Alliance for Progress*, aid flowed to those countries deemed to be acting within the broader interests of the United States and who showed an interest in stemming the tide of communism. Both the Alessandri administration, but particularly the reformist minded Christian Democrat Party, were seen as worthy recipients receiving some US\$720 million in US aid between 1961 and 1970. In fact, Chile received more aid per-capita than any other Latin American country which is indicative of the level of class-tensions and the geopolitical importance of Chile at the time (Angell, 1993; Collier, 1996; Joseph, 1984; Murray, 2002a).

Thus, while the Chilean people and the United States were steadily applying the necessary political pressure for reform, the United Nations Commission for Latin America (or *CEPAL* in its Spanish acronym) were busy re-working structuralism to include, among other things, an intellectual case for land-reform and agrarian modernisation (see previous chapter for details on structuralism) (Silva, 1988). Given the Frei government's belief in the social-market, structuralism had an important intellectual influence over PDC policy. For example, structuralist argued that land reforms would help to reinvigorate the ailing ISI model by lifting agricultural productivity and increasing peasant purchasing power for manufactured goods, which they believed would augment the domestic market and allow for more efficient economies of scale; reduce the need to rely on imported agricultural products; and simmer class tensions by facilitating a more just distribution of wealth (Cereceda, 1980; Murray, 2002a; Silva, 1990; Winn and Kay, 1974).

5.5.1. The Agrarian Reforms of the PDC

In the words of Eduardo Frei himself, the PDC's reforms "rested on four pillars – the expropriation of the large and badly worked estates, incentives for efficient producers, government sponsored organisation of the peasants and an increase in rural wages and job security" (Frei 1965 in Kay b 199? p 420). Thus, the PDC's reforms were motivated by social concerns, but the overriding goal was to stimulate capitalist modernisation in an attempt to revive the country's ailing industrialisation process (Kay, 2002; Silva, 1988; Steenland, 1977).

Under Frei (1964-1970), all farms of 80 basic irrigated hectares (BIH) were expropriable-although owners were allowed to keep a reserve of 80BIH, were compensated in cash and long term bonds, and were often permitted to retain animals and equipment (Collier, 1996; Winn and Kay, 1974). The PDC initially intended to resettle some 100,000 peasant families (Kay, 1975; Winn and Kay, 1974), however, in the end only a quarter to a fifth of Chile's 1,300 liable *hacienda* were expropriated and only 20,000 peasant families settled (Collier, 1996)⁴⁷.

Following expropriation, the reformed land was organised into collectives (or '*asentamientos*'), which in time the government hoped to divide into individually owned plots (Murray, 2002a). The state also offered its support to existing small and medium scale producers to try and induce more modern and efficient agricultural practices, including the provision of improved seed varieties, subsidised credit for machinery purchases, more productive cattle breeds and agricultural inputs (Kay, 1981).

Controversially, however, not only were few families settled, but the main reform beneficiaries were arguably the already better off *inquilinos*; *afueras* (non-permanent workers) and *minifundistas* were effectively excluded (Angell, 1993; Bengoa, 1983; Kay, 1975; Murray, 2002a). Naturally, in a nation already so polarised socio-economically, the slow pace and limited scope of the reforms led to considerable frustration within the peasantry. This is understandable, given that "the *asentamiento*...maintained and even encouraged the economic and social inequality among rural labourers" (Kay, 1975, p. 420). For instance, *asendados* came to own on average 10 irrigated hectares of land, more than 9-10 times that of the average *minifundista*, and often paid *afuerinos* no better than their former patrons (Kay, 2002).

Many peasants chose to vent their frustrations by taking the reform process into their own hands. *Tomas* or land seizures began to occur with greater frequency (Silva, 1988) with some 400 *tomas* taking place between 1969 and 1970 (Collier, 1996). Thus, "by 1970 it was becoming hard to contain agrarian mobilisation" (Collier, 1996 p.314).

Yet despite all the political turmoil that characterised the PDC's rein, productivity increases were attained and real wages did rise (Collier, 1996); Kay, 1975; Winn and Kay, 1974). Combined, it seemed the PDC's policy of expropriating large and inefficient estates, the provision of cheap credits, import assistance on critical machinery, and a favourable agricultural price policy

⁴⁷ According to Kay (1975), this represented around 18% of total arable land; and a mere 7% of all rural labourers' (Kay, 1981)

motivated many large estates to subdivide their land and increase their productivity. Field crop production rose at a rate of 5% per-annum from 1965–1970, more than double that of the preceding period (2.3%), while livestock production managed an average annual growth rate of 5.5%, up from 3.5% from the previous period (Angell, 1993). Most of the productive gains, however, were made in the private sector rather than the expropriated sector. This is somewhat unsurprising given that the reformed sector consisted of less than 18% of total land (in BIH)⁴⁸ (Smith, 1975). The reformed sector did experience growth but had to be propped up by state support which stretched public financial, technical, and bureaucratic resources (Kay, 1981).

Regardless of the increase in agricultural productivity food imports remained a burdensome weight on Chile's balance of payments (Angell, 1993) while the rise in state subsidies and extension services strained public finances (Collier, 1996; Angell, 1993). Public expenditure, doubled during the Frei years (1964–70), but even with the 'Chileanisation' of copper,⁴⁹ tax revenues only covered three quarters of government spending (Angell, 1993).

By 1967/68 the economy was displaying serious structural weaknesses. The private sector was reluctant to invest for fear of further 'redistributive reforms' (Angell, 1993; Collins and Lear, 1995), and foreign capital was drying up, especially within the copper sector. The states response was to augment the public investment from 50% to 75% (Kay, 1981). But in many ways this increase in public investment merely reflected the relative "weakness of private sector investment and an overall failure to improve the level of new investment in productive sectors of the economy" (Angell, 1993, p 150)⁵⁰.

As public expenditure continued to rise, the government attempted to curtail wage rises from unions in 1967 but faced the conundrum of restricting those very unions it struggled so hard to empower in the first place (Angell, 1993; Collier, 1996). When these large wage rises combined with the already existing public deficit and slow growth after 1967 once again chronic inflation ensued (Kay, 1981).

⁴⁸ BIH Stands for Basic Irrigated Hectares. BIH is used rather than absolute size as it gives a better indication of the lands productivity relative to its size (Smith, 1975)

⁴⁹ The government took 51 percent ownership of the mines controlled by United States companies, principally those of Anaconda and Kennecott. Critics complained that the companies received overly generous terms, invested too little in Chile, and retained too much ownership. Nevertheless, copper production rose, and Chile received a higher return from the enterprises (Collier, 1996).

⁵⁰ This point is also supported by Kay (1981)

5.5.2. The Unravelling of the PDC

Under Eduardo Frei, Chile's underlying social, economic and political structural constraints did not disappear perhaps as rapidly as many Chileans had expected or hoped. Although Chileans were undoubtedly better off in 1970 in socio-economic terms (Angell, 1993; Collier, 1996) the old scars of slow growth, inflation, inequality, and economic concentration remained (Collier, 1996). Furthermore, polarisation and political instability were on the increase, particularly in the countryside (Silva, 1988). It was not so much that the reforms were a failure, but that the government had perhaps promised too much too soon, raising peasants' expectation beyond that which was deemed politically feasible (Angell, 1993; Kay, 1981; Murray 2002). Strikes, land seizures, urban occupations, student demonstrations, and minor urban 'terrorism' on the part of the ultra left MIR (Revolutionary Movement of the Left), were all on the rise and reflected the tempestuous mood within Chile (Collier, 1996; Silva, 1988)⁵¹.

As tensions grew, both the right and the left were busy mobilising, forming new coalitions and attempting to articulate a new vision for the nation (Collier, 1996). On the right, liberals, conservatives and some members of the nationalist right infuriated with the PDC's reforms, banded together to form the National Party which by 1969 was capturing 20% of the vote in the congressional elections (Angell, 1993). Meanwhile, the left was also gaining in the poles, capturing 28.1% of the vote in 1969 while their radical allies achieved 13%. Significantly, some on the left, particularly within the socialist party, were increasingly colouring their speeches with the "language of the guerrilla struggle and popular insurrection" (Angell, 1993 p.155). Emerging from this political turmoil a range of disparate leftist parties ranging from the Communists to the Socialists formed what came to be known as the Popular Unity Party (UP). With an increasingly mobilised peasantry, and given the breakdown between the ruling Christian Democrats and the political right, a window of opportunity had opened for the Left, creating space for the UP's historical rise in the 1970 presidential election (Silva, 1988)

5.6. Allende and the Socialist Experiment

In 1970 Salvador Allende, head of the *Unidad Popular* (UP) leftist coalition, assumed the Chilean presidency- albeit with a slim minority in congress. Taking advantage of the newly awakened class tensions stirred up during the PDC era (Collier, 1996) the UP openly declared its ideological

⁵¹ For example, in 1960 there were only three strikes in the countryside. By 1970 this number had exploded to 1,580 strikes (Angell, 1993; Kay, 1981) and in 1970 there were 368 farm invasions compared with only 16 in 1968 (Angell, 1993)

agenda which was to “...search for a replacement of the present economic structure....in order to initiate the construction of socialism” (Allende, 1973 in Angell, 1993 p.158). Specifically, this meant a commitment to “nationalise the economy, to implement a massive program of income redistribution, [and] to end the dominance of the Latifundia” (Angell, 1993 p.158).

Wasting little time, in their first year alone, the government expropriated 80 key industrial enterprises⁵². The most notable seizure being the lucrative northern copper mines, which Allende intended to harness in order to fund his parties ambitious transition to socialism (Collier, 1996).

In the countryside, with little regard to any efficiency criteria, the UP expropriated all estates in excess of 80BIH, abruptly ending hundreds of years of *latifundia* dominance (Kay, 1981; Murray, 2002a). By 1972 all estates over 80 basic irrigated hectares (BIH) (Collins and Lear, 1995; Collier, 1996) – making up some 60% of all irrigated land – were in state hands ready for redistribution (Angell, 1993) and by 1973 two thirds of the peasantry were unionised (Kay, 1975).

However, having expropriated the land, there was disagreement within the UP as to how the reformed sector ought to be organised. The Socialists favoured the establishment of large state run *haciendas*, mass mobilisation and a speedy reform process to consolidate power. The Communists preached caution, advocating a less ‘ambitious’ co-operative type arrangement that reassembled more the *haciendas* of old where peasants would be allowed their own garden plot within a familiar setting (Winn, 1974; Collier, 1996).

Emerging out of this intra-party dialogue was a compromise of sorts in the creation of the *Centros de Reforma Agraria* or agrarian reform centres (CERA). These reform units were made by combining a number of nearby adjacent estates in order to form a large ‘rationalised’ production unit. The CERAs were also an explicit attempt to try and incorporate *afuerinos* and even some *minifundistas* into the reformed sector (Winn, 1974)⁵³.

In theory the CERA’s were to be a socialistic mode of production. But the UP faced political opposition especially from the *asentados* who resisted any attempt to water down their privileged position. This resistance forced the government to compromise and allow private ownership of a house and garden on the CERAs. Still, the formation of the CERAs proved a technical and slow

⁵² By the time of the coup this number had risen to 400 companies making up approximately 60% of Chile’s GDP.

⁵³ *Afuerinos* and *minifundistas* were effectively excluded from the PDC’s reform agenda and suffered job losses as capitalist farmers modernised their farms by employing labour saving technologies (Winn, 1974).

process – in the meantime the *Comite Capesino* (peasant committee) was erected which in time became the most numerous reform unit. But according to Kay (1981), the most successful models were the CEPROs (*Centros de Produccion*) production centres and the ‘intervened farms’. This was because within these units the government was unquestionably in charge and agricultural labourers paid in wages (Steenland, 1977), so the system tended to be better organised, centralised and encountered less conflict (Kay, 1981).

5.6.1. The Cost of Reform: The Demise of the UP

Under the UP the Chilean economy underwent several tremendously rapid structural changes. The first year Chileans enjoyed an economic boom on the back of generous government spending, price freezes and wage rises. The second and third years, however, were not so prosperous economically. Combined, falling copper prices, a thriving black market, and congressional resistance to tax reform meant that government revenue was well below government expenditure. By 1972 the fiscal deficit had doubled from 4% to 8% of GDP partly as a result of the government’s bloated public sector, acquiescence to wage claims from unions and its policy of price controls. What’s more, inflation was in the triple figures, the countries balance of payments account was severely in deficit, years of debt service had to be renegotiated and rescheduled, and real wages and real GDP per capita were falling (Angell, 1993).

In the agriculture sector, fear of expropriation, the development of a black market, rural unrest – particularly land seizures (*Tomas*) which the government appeared either unable or unwilling to try and put a halt to- created a highly volatile and unstable business climate which discouraged investment and led many farmers to de-capitalise their farms (Collins and Lear, 1995; Collier, 1996). The reformed sector fared little better. The decision to allow individual titles backfired in the sense that it undermined the collective ideals of the reforms as peasants neglected the collectives in favour of their own individual plots. (Collier, 1996; Kay, 1981; Kay, 2002; Steenland, 1977). Consequently, wheat and potato production declined by a third while sugar beat slumped by more than 40%, precipitating a four fold increase in food imports at a time when foreign exchange earnings were already stretched (Angell, 1993).

Furthermore, the opposition did everything it could to try and derail the UP by fermenting union resistance, supporting strikes, and fostering fear among the populous. Although it certainly did not help that the UP struggled to come to a consensus as to the nature, scope and speed of the

reform process. There was also a lack of coordination between those agencies directing the reforms, the government's economic team and the politicians (Angell, 1993). Moreover, given the degree of social transformation planned, the UP really needed the support of the majority of the population – particularly the influential middle class (Angell, 1993), better control over the armed forces (Kay, 1981) and perhaps “a greater dose of gradualism” (Collier, 1996). Without such support the UP could only hope their “economic policies would be so successful that there would be a massive swing in its favour”, but this was not to be (Collier, 1996 p.160). By 1973 the economy was in crises, the social order in flux, and militaristic tensions on both sides of the political spectrum were becoming increasingly palpable (Angell, 1993; Collier, 1996). On September 11 1973 the military intervened abruptly and brutally ending over 50 years of civilian government and put an end to over 40 years of state-lead development.

5.7. Return to the Market

On September 11th 1973, Salvador Allende was deposed in a bloody coup headed by the soon to be Dictator General Augusto Pinochet. Almost immediately the military government set about outlawing union activity and any other opposition, “declaring any sectorial demands as an ‘illegitimate act’, directed against the ‘general interest’ of the nation” (Silva, 1988). However, having little experience in economic policy themselves, the generals looked to the new liberal orthodoxy of monetarism and unrestrained laissez-faire economics emerging from the Chicago School of Economics for direction (Angell, 1993; Barton, 1998; Collier, 1996; Kay, 1981)⁵⁴.

Heeding the advice of influential neoliberals, Pinochet instituted ‘economic shock treatment’ (Barton, 1998; Collier, 1996). This included, among other things; curtailing public expenditure by half and reducing the money supply to raise interest rates; privatising some 400 state controlled or ‘intervened’ companies (Lewis, 2002); liberalising foreign investment laws; and dramatically cutting tariffs and quotas on imports (Collier, 1996)⁵⁵.

⁵⁴ Unbeknown to many at the time, these Chicago trained economists, or the ‘Chicago Boys’ as they are sometimes called (Green, 1995; Silva, 1988), were in the process of planning a coup of their own- an ‘ideological coup’- which in retrospect would go on to have far greater implications for the world than Chile’s military coup. However, for the time being, Chile was poised to become the world’s first neoliberal experiment (Murray, 2002a), and would latter be heralded by economists, governments and international financial institutions the world over as a bastion of ideological purity worthy of emulation (Collier, 1996; Murray, 2002a).

⁵⁵ The military government cut tariffs from 70% to 10% in 1974- making them some of the worlds lowest (Collier, 1996).

Predictably, recession ensued and by the end of 1975 GDP had slumped by one seventh and industrial output by a quarter. By the end of the decade manufacturing's share of GDP was a mere one fifth of the pre-recession figure. Unemployment increased by 20 percent and for those lucky enough to keep their jobs, wages were slashed considerably (Collier, 1996).

In the agrarian sector, land reform was brought to an abrupt halt. INAP and CORA- departments formally instrumental in the reform process – were deprived of government funding and underwent serious personal cuts (Collins and Lear, 1995; Cruz, 1993; Silva, 1988). Political activity was prohibited, wages cut, subsidies to small farmers terminated, and food prices were allowed to rise (Murray, 2002a and 2002b). Growers of traditional crops in particular faced serious financial hardship as cheaper food imports poured in and unemployment and wage cuts reduced domestic demand (Gwynne and Kay, 1997; Kay, 2002).

As for the reformed sector, the military government had three main objectives; first, to break up the cooperatives and return land to the former owners; second, to suppress collective political power among the peasantry; and third, to unlock Chile's comparative advantage by subjecting Chilean agriculture to the 'discipline' of the market in order to bring about a more dynamic, efficient, export-orientated agricultural sector (Murray, 2002a). Surprisingly this did not include resurrecting the *hacienda* system (Collins and Lear, 1995; Collier, 1996; Gomez, 1988; Murray, 2002a and Ortega, 1987). Somewhat paradoxically, Pinochet used the earlier land reforms and the modernisation processes already set in motion by Frei and Allende to his advantage (Ortega, 1987). Therefore, of the reformed sector only 30% was returned to its original owners, 30% was auctioned off privately, 7% was kept by the state, and the remaining 33% was parcelled out to *campesinos* (Chilean Peasants) (Collins, 1979). By 1979 the military government had achieved its counter-reform.

5.7.1. Increased Production at a Price

If the intention of Pinochet's market reforms was to demobilise the peasantry and stimulate export-led growth, the military government's structural reforms and the considerable foreign investment it engendered certainly produced this⁵⁶ (Collins and Lear, 1995). Pinochet's markets reforms and the de-unionisation of the peasantry proved an irresistible magnet for foreign investors who poured into Chile to take advantage of the countries abundant natural resources,

cheap labour and counter seasonality (Collins and Lear, 1995; Murray 2002a). Between 1975 and 1976 GDP averaged an impressive 7% on the back of strong growth, particularly within the non-traditional export sector (NTAX) (Loveman, 1988; Murray, 2002; Ortega, 1987)⁵⁷ [see figure 1]. For instance, from 1973-1986 the area planted in fruit trees doubled with a massive 84% concentrated in Chile's Central Valley region between Aconcagua and Curicó (Cruz, 1993; Korovkin, 1992; Kay, 2002) [see figure 2]. Apples were being sold to the UK and wines to the US (Collier, 1996). Radiata pine plantations also underwent spectacular growth from 200,000 hectares in 1965-73 to one million hectares by 1993 (Cruz, 1993). Fish exports followed a similar positive trajectory (Murray 2002). Thus, in just over a decade (1974-1987) agricultural exports went from 250 to 1300 million dollars. This 'remarkable' growth (Kay 1993) saw agriculture reach 27% of total exports in 1987 (Cruz, 1993) reducing Chile's precarious reliance on copper exports which Collier (1996) has called "an obvious success story" (see figure 1).

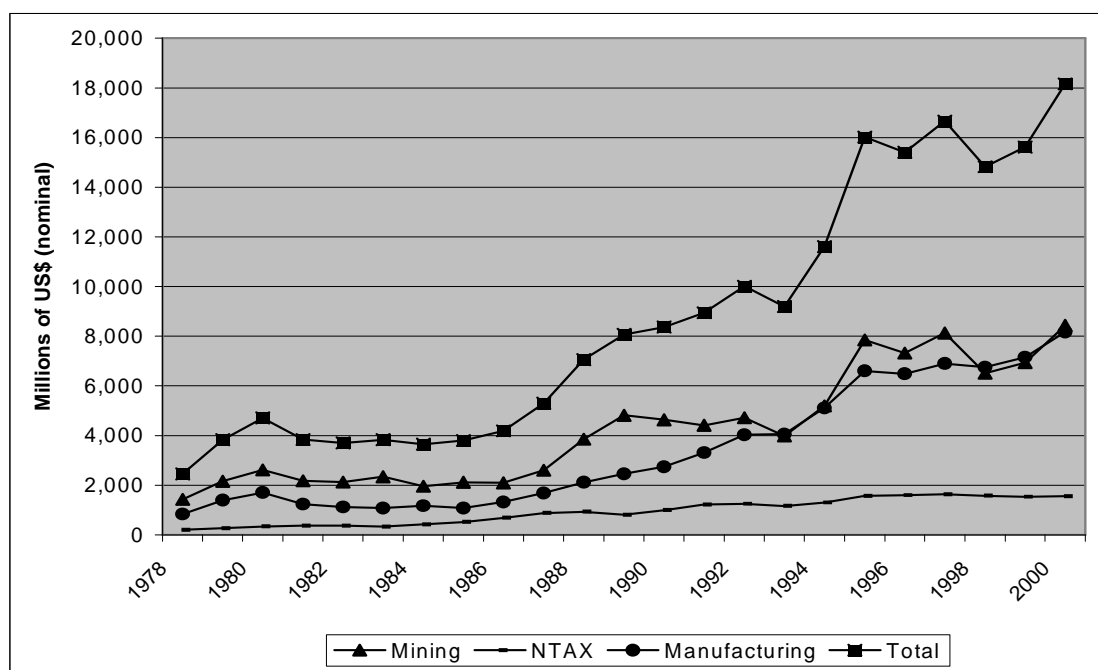


Figure 5. Chilean exports and NTAX 1978-2000 (millions of nominal US\$)

Source: generated from Murray (1997a).

⁵⁷ Kay (1981, p.507) refers to the military government's labour policy as "market repression" in the sense that its primary aim was to lower wages so that Chile could increase its international competitiveness and profits. Collins and Lear (1995, p.193) concur, preferring to refer to Chile's lower labour costs as an "unnatural advantage" rather than comparative advantage.

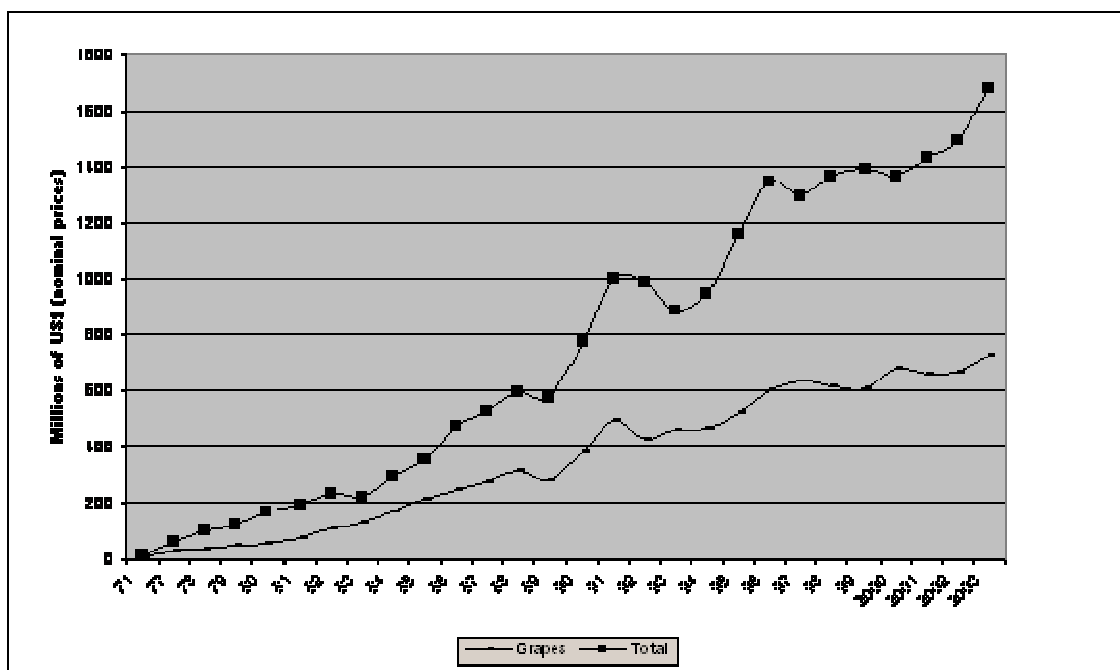


Figure 6. Chilean fruit and grape exports 1971-2003 (Value in nominal US\$000s)

Source: Generated from Murray (1997a).

For neoliberals, Chile's miraculous growth in NTAXs is proof of the market's superior resource allocating ability vis-à-vis the state. For sure, most commentators generally accept that the creation of a land market and a group of highly individualistic, profit motivated, small-to-medium sized farmers, helped drive increased agricultural efficiency and paved the way for the agro-export led growth of the late 1970s and 1980s (Collins and Lear, 1995; Gwynne and Kay, 1997; Murray 2002a; Kay 1993). However, to attribute this growth solely to the wonders of the 'free-market' represents a gross distortion of the situation leading up to the NTAX boom (Collins and Lear, 1995).

The creation of an efficient land market, for instance, simply would not have been possible if it were not for the courageous land reforms of both Frei and Allende which dismantled the inefficient and antiquated *latifundia* system (Collins and Lear, 1995). Furthermore, Chile's dynamic fruit industry owes as much to president Frei's (Senior) 1966 National Plan for Fruit Development, which was aimed at stimulating the fruit export sector. Under the plan, the government surveyed existing orchards, conducted market research, set up nurseries and experimented with new varieties, established phytosanitary standards, partially subsidised credit facilities for orchard investment, and built critical research and development links with the

University of California and the Universidad de Chile (Barton et al, 2005; Collins and Lear, 1995; Gwynne and Kay, 1997). Chile's multimillion dollar forestry industry also received a 'hand up'. After all, the lion's share of trees were planted long before the military government came to power (during the ISI years), plus the industry received considerable state subsidies (Gwynne and Kay, 1997; Kay, 2002)⁵⁸. As for the traditional sector, after initially allowing foreign imports to devastate the sector, it was only once the military government established price bands, minimum prices and tariffs on some basic annual or traditional crops after 1983 (e.g. wheat, vegetable oil and sugar beet), that this sector began to recover (Gwynne and Kay, 1997; Kay, 2002; Korovkin, 1992)⁵⁹.

Also, neoliberals ought not to forget the massive social-economic impact their policies had on the Chilean countryside (and also the urban sector). I have already mentioned the effect the structural reforms had on the traditional sector, but the 'miraculous' NTAX sector has been equally regressive spatially and among different socio-economic groups. The much vaunted fruit boom for instance was "largely concentrated in the Central Valley region" (Kay, 2002, p. 480), and within this region, it has been predominantly large capitalist fruit farmers and agribusinesses that have had the necessary capital and technical expertise to participate in the boom. As Ortega explains;

[while those] few producers who could orientate their production towards the dynamic international markets [were] relatively successful in integrating into the new economic model...the overwhelming majority of peasants and agrarian entrepreneurs found it impossible to produce exportable crops due to a lack of capital and climatic factors and have been confined to producing for the local market (Ortega, 1987)⁶⁰.

Indeed, Bengoa (1983), Cruz (1993), Collins and Lear (1995), Kay (2002) and Silva (1988) estimate that half of all reform beneficiaries had lost their land within the first few years of neoliberalism. Crucially, however, even when small farmers have managed to convert their *parcelas* from traditional to export crops (e.g. *reconversión*), in the absence of government intervention, few have been able to remain viable over the long term due to excessive debts and

⁵⁸ According to Gwynne and Kay (1997, p.4), under military rule the forestry sector received up to 75% of its reforestation costs from the government through generous subsidised government loans.

⁶⁰ This point is also supported by Collins and Lear (1995), Collier (1996), Gwynne and Kay (1997), Kay (1981), Kay (2002) Murray (2002a; 2002b) and Silva (1988).

scale difficulties (Murray, 1997a; 1997b; 2002a; 2002b). With few options available to them, most have had little choice but to flock to nearby rural shanty towns in search of low paid, precarious, seasonal work (Collins and Lear, 1995). To illustrate the magnitude of this transition, Silva (1988) estimates that in 1970 almost 80% of the Chilean fruit industry workers held permanent work compared with only 10% of agricultural workers in the late 1980s⁶¹. Not surprisingly then, from 1981–1986 per-capita food consumption decreased 5% in calories and 20% in protein (Gomez, 1988). Thus, during military rule while an elite few Chileans were basking in their new found economic freedoms, poverty was the reality for nearly half of rural Chileans during the tumultuous 1970s and 1980s (Collier, 1996).

5.8. The Return to Civilian Rule: the *Concertación* Coalition

In 1989 Pinochet stepped down as dictator of Chile and allowed for the return to democratic civilian rule and Chileans elected Patricio Aylwin as the head of the *Concertación* coalition. Campaigning on the “growth with equity” slogan, Aylwin and his *Concertación* coalition had the difficult task of maintaining Chiles’ international competitiveness and export led growth whilst attempting to address the nations ‘*deuda social*’ (social debt) left in the wake of nearly two decades of authoritarian rule and highly uneven ‘development’ (Barton, 1998; Hojman, 1993; Collier, 1996).

In terms of economic policy, the first *Concertación* government showed little interest in altering the fundamental tenants of the neoliberal orthodoxy except to tame some of the more regressive aspects of the free market model (Murray, 2002b). Expropriation was off the agenda and export-led growth remained the order of the day with the fruit and forestry sectors leading the way (Kay, 1993). There was also no attempt to alter the “legal impediments to the unionisation of temporary workers and strikes by organised workers in the economically important fruit industry” (Collins and Lear, p.198). That said, however, in an effort to give a ‘human face’ to neoliberalism, the government re-established its role in assisting small farmers and cooperatives with credit and technical support and continued to offer price support for domestic crop producers. The government also invested in health and education in rural areas in an effort to try and address two decades of ‘economic darwinism’ and poverty in the Chilean countryside.

⁶¹ Cruz (1993) offers a similar figure, estimating that up to ¾ of landless peasants relied on such irregular, temporary and unpredictable work- many of whom were woman.

By 1992 it was clear that the *Concertación* government had successfully managed to retain Chile's export momentum. Commenting during Aylwin's presidency Kay (1993) wrote that "a major structural shift [had]....occurred regarding agriculture's contribution to foreign exchange and position within the national economy" and for "the first time since the mid 1930's agriculture made a positive net contribution to foreign exchange". Indeed, in the early 1990s agricultural exports contributed close to a fifth of total foreign exchange (FE) earnings in comparison to the pre-1973 period where agricultural exports contributed a paltry one fifteenth of total FE earnings (Kay, 1993).

Domestic agrarian production also continued to recover under Aylwin. A range of interventionist measures that first began under Pinochet's 'agricultural rectification policy' during 1982/83, including price bands for key crops, higher tariffs on food imports, and greater purchasing power were continued and had by the nineties afforded Chile virtual self sufficiency in these areas (Kay, 1993).

Thus, the combination of a stable macroeconomic climate, entrepreneurial dynamism and considerable state subsidies to the forest sector had by the early 1990s worked to resurrect Chile's perennial agrarian backwardness and inefficiencies (Kay, 1993). Somewhat ironically, according to Kay (1993), Chilean agriculture in the 1990s, based on a flexible but stable land market leading to an agro-export boom in many ways represents the realisation of those right wing reformists within the PDC who over two decades earlier wished to unleash "modernising capitalistic forces" within the Chilean countryside.

5.9. NTAX, Reconversión and the Role of the State in the Post-Pinochet era

From 1990, up until the time that my field research was carried out in October/November 2004, Chile has maintained strong democratic leadership under three successive *Concertación* governments, first Aylwin (1990-1994), followed by Frei (junior) (1994-2000), then Lagos (2000-2006). During this period each administration had attempted to address Chile's persistent social-inequalities to varying degrees whilst being careful to not jeopardise Chile's much heralded export led growth (Kay, 2002). Most recently, Lagos – arguably the most left-leaning of the three leaders – has carried out the most concerted anti-poverty, anti-inequality measures since

the military regime left power. But as Murray (2002a, p. 426) points out, like the two leaders before him, Lagos has attempted “to tackle this persistent problem...whilst being wedded to neoliberalism, which, to some commentators (Gwynne and Kay, 1997), is the fundamental cause of the deep rural differentiation which has taken place over the last three decades”.

The apparent ‘continuity’ and persistence of the neoliberalism model under three supposedly leftist democratic regimes may seem surprising, but is largely explained by the fragile political-economic environment bequeathed by the military government which included;

[t]he powerful influence of international capital and the desire of the government to maintain investor confidence; the role of the military-aligned business elite and their opposition to the social reform and high taxation... the legacy of the 1980s constitution which swung the balance of power in the parliament and senate towards the right wing; and the wish of the democratic governments not to antagonise the military ...” (Murray, 2002a, p. 430).

In terms of the countryside, this has meant an implicit adherence to *reconversión*; whereby it has tended to be agro-business, rather than the state, that has mediated the process of inserting small-scale producers into the global economic system (Korovkin, 1992; Kay, 2002). This is not altogether surprising, however, given the continued growth in non-traditional fruit exports since the mid-1990s, particularly table grapes, as shown in figure 3 below.

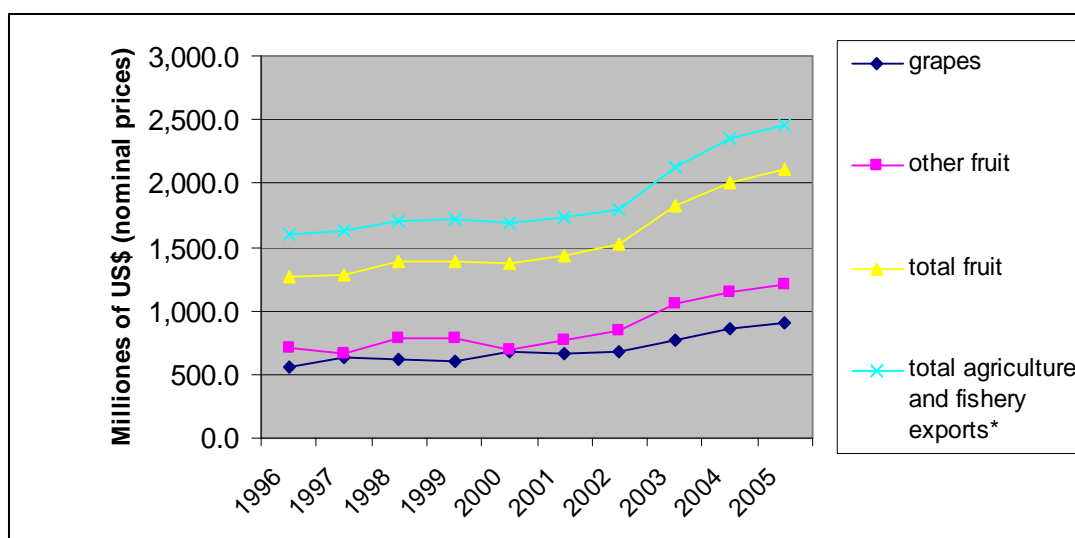


Figure. 7

Chilean Agriculture, Forestry and Fisheries Exports (1996-2005)

*Includes Fisheries and Silviculture

Source: Banco Central 2006

Note: see figure 2 for pre-1996 periods.

Through the use of contract farming in particular (Chapters 2.4.1. and 7.3.), agro-business, much of it foreign owned, has become the key driver of change within the Chilean countryside channelling finance and advice to small-scale producers in an effort to promote '*reconversión*' (Korovkin, 1992; Gwynne, 2003; Murray, 2002b).

Where the state has provided its limited support, it has tended to be directed towards *reconversión* itself rather than the obstacles and needs that the 'reconverted' may face once they have converted their plots (Murray, 2002a). Furthermore, because assistance for *reconversión* has generally only been offered to those growers the Chilean government considers as 'viable producers', *minifundistas* have effectively been left out creating "a geographic [and indeed a socio-economic] concentration of exclusion" (Murray, 2002a, p.433; Korovkin, 1992).

Thus, despite some superficial government assistance, small-growers wishing to partake in *reconversión* have for the most part had to rely on agribusiness for credit, technical expertise and market access. This process has been underway for some time and has tended to create a situation whereby small ignorant peasants are entering into contracts with much larger international firms, creating a vast power asymmetry between producer and exporter (Gwynne, 2003; Murray, 1997b).

Since the early 1990s Murray (1997b) has explored the nature of these power relations within different Chilean localities. His investigations show that for many- perhaps even the majority of *parceleros*- exporting grapes and apples has not being as lucrative as agro-business would have initially had them believe. Companies have been able to use their position of power and superior information flows to force farmers into rather unfair bargaining positions. For example, in El Palqui it was observed that from 1990 onwards, as international prices worsened, "through the economic mechanism of prices and contracts...many growers were unable to shift out of grape production, as returns consistently failed to cover credits and charges" (Murray, 2002b, p. 206). As such, a large number of small producers have been effectively forced to sell their land, on a number occasions to the export companies who have seized the opportunity to expand their productive base (Murray, 2002a). These are concerning findings as it shows that even those

farmers that have ‘successfully reconverted’ and ‘successfully inserted’ into the global economy have still faced tremendous structural barriers (Murray, 2002b.p 197).

Therefore, if the mid-1990s are anything to go by, it would appear that there remain numerous post-*reconversión* issues and equity consideration which have yet to be addressed. For instance, in El Palqui, by 1994, 32 of an original 144 *parcelas* had fallen into the hands of companies, more often than not due to unsustainable debt levels. Writing during the time of Lagos, Murray (2002a. pp. 438-39) commented that without;

monitoring of fruit procurement contracts; legal aid for small-scale growers in contract disputes; a system of financial provision and debt re-negotiation for small growers; more effective non-company owned technology transfer; provision of impartial information; and, incentives to organise and bargain collectively, [then rural poverty and inequality are likely to persist].

To summarise, the rapid changes among the Chilean fruit export sector is thus, arguably, one of the more revealing stories to emerge out of Chile’s neoliberal experience. On the one hand, this highly modern, highly capitalised, dynamic and globally integrated sector is synonymous with the ‘new rural Chile’ so eagerly received by economists, politicians and industry leaders. Yet by the same token, this sector is also indicative of a new rural Chile whereby rural socio-economic differentiation, land concentration and rural proletarianisation appears to be intensifying, threatening the livelihoods of many peasant families. Given the hype surrounding the expansion of Chilean NTAXs, particularly the fruit export sector, there is a danger that the Chilean model will be regarded as a model worthy of emulation, when in reality Chile is yet to demonstrate how such growth can be made more inclusive and equitable despite 14 years of ‘growth with equity’ rhetoric from successive *Concertación* governments. It is, therefore, crucial that El Palqui’s story and stories from other localities like El Palqui be told so that we may come to better understand the negative distributional effects that outward-orientation can have in order to formulate better ways to mitigate such effects.

6. Local Transformations in El Palqui, Chile

The following chapter will attempt to statistically show the results drawn from field work that took place in El Palqui, Chile, November 2004. The data will be merged with Murray's previous data, which covers the period 1983-1994. Combined the findings suggest a marked and steady pattern of land concentration taking place within the *Pueblo* from 1983–2004⁶². By far the most notable trend has been the steady proletarianisation and semi-proletarianisation of *parceleros* within El Palqui's five *parcelaciones* (*Los Litres [LL]*, *San Antonio [SA]*, *Santa Rosa [SR]*, *El Peñon [EP]* and *Puente Plomo [PP]*). Replacing these small-growers are a select few, highly capitalised and highly aggressive, national and multinational export companies.

In presenting these findings, the chapter is divided into two separate, yet interrelated parts, based on two different data sources, part (a) and part (b). The methods used and the targeted data sources intentionally mirror that of Murray's (1997a) previous work in an effort to harmonise past and current findings so as to allow for a longitudinal study of land concentration within El Palqui. The entirely quantitative findings for part (a) have been derived from the regions land tenancy roles between the period 1983 and 2004, which track the change in ownership of each plot over time (see methods)⁶³. Part (b), however, uses a mixed approach and contains both qualitative and quantitative data forms.

⁶² Information for the pre-1983 period was not available. However, it is clear by comparing the number of *parceleros* in 1983 with the number of originals that some had already sold prior to 1983. In his earlier research Murray (1997) was unable to say exactly which forces led to these early sales as most growers could not be contacted. Nonetheless, he supposed that growers may have sold either to relieve debt with state agencies like INDAP, or - unaccustomed as they were to making relatively large amounts of money- may have been tempted to sell to make a quick buck, or, might have lacked the administrative experience or technical expertise to manage their land efficiently making quick-sale an attractive out.

⁶³ Unfortunately, the roles are limited to showing changes among discrete plots and therefore do not allow us to trace the shrinking of *parceleros* (from 1994 onwards) which occurs when a plot owner decides only to sell part of his/her plot. If it were possible to track these changes, judging by the evidence from part (b), which tells us that the majority of small farmers interviewed have sold some land, the distribution of land within the region is likely to be even more skewed in favour of larger players than part (a) figures suggest. In the absence of plot size on the roles we can only use original plot size as the bench mark for measuring change. Furthermore, although a large number of *parceleros* in El Palqui are involved in grape production, several are not, and others practice multi-cropping, meaning one cannot say for certain that every land sale is due to a failure to successfully reconvert.

6.1. Land Transfers within El Palqui (1983-2004) (Part a)

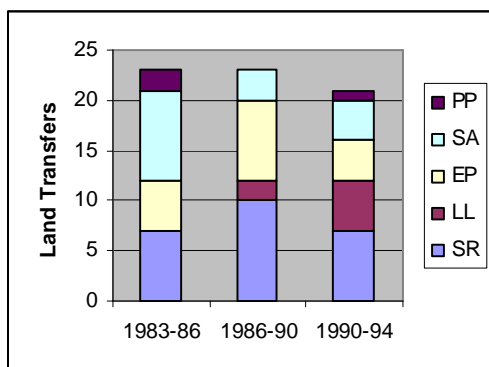


Figure 8a

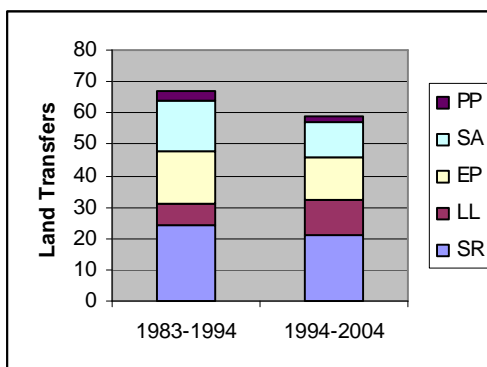


Figure 8b

Figure 8a Land transfers within individual parcelaciones, El Palqui Chile, 1983-1994

Figure 8b Land transfers within Individual Parcelaciones, El Palqui Chile, 1983-2004

Source: Generated from the *roles* of *Impuestos Internos* (various years) as are all part (a) findings that follow).

Note: Comparing one parcelación with another will be misleading as each parcelación has a different absolute number of plots (for instance, in 1983 Santa Rosa (SR) had 46 original parceleros compared with only 5 in Puente Plomo). Thus, for a more accurate analysis comparisons should be made with in each individual parcelación over time.

Beginning with figures 8a and 8b, and bearing in mind that there exists a mere 144 plots, one can almost instantaneously observe the high degree of fluidity within the El Palqui land market between the years 1983 and 2004. The graph (figure 8a) shows a steady rate of transfers, particularly between 1983 and 1994. The first two 3 and 4 year periods both share 23 transfers while the four years between 1990-94 recorded 21 plot transfers. Although, the exact numbers of transfers for the four year periods since 1994 are not attainable, it would appear that the 59 transfers within the ten years since 1994 (1994–2004) are consistent with the past 11 years trend (1983–1994)(of 67 transfers) but displays a slight slowing down (see figure 8b). However, this difference could quite easily be explained by the extra year between 1983-1994. Indeed, by dividing the number of transfers by the number of years there appears even less difference

between the two periods, with an average of 6.1 transfers per year (1983-1994) and 5.9 transfers (1994-2004)⁶⁴.

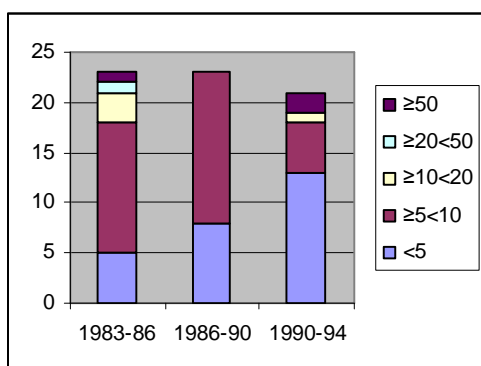


Figure 9a

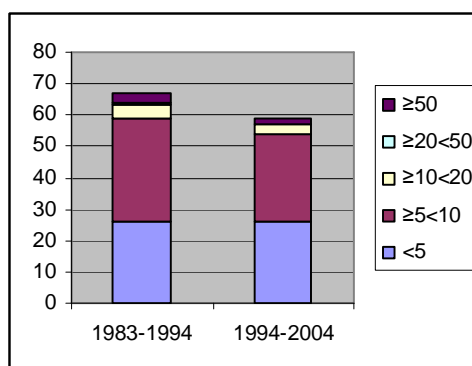


Figure 9b

Figure 9a: Land transfers according to size distribution, El Palqui, 1983-1994 (ha)

Figure 9b: Land transfers according to size distribution, El Palqui, 1983-2004 (ha)

A similar result is found when land transfers are presented according to size distribution. As figure 9b demonstrates, transfers according to each size category have more or less remained constant between the two periods 1983-1994 and 1994-2004. The fewer transfers within the ($\geq 5 < 10$) category from 1994–2004 are likely to reflect the greater number of transfers that took place within this category in the early years, especially from 1983–1990 (see figure 9a). It is difficult to say for sure what drove this disparity to begin with. Perhaps initially larger plots were in greater demand due to their perceived scale benefits. Yet, as these plots ($\geq 5 < 10$) became scarcer, buyers turned their attention to the remaining smaller plots.

Because of the general consistency between the number and size of those transfers between 1983 and 1994, and 1994 and 2004, as might be expected, there is also little deviation between the two year groups in terms of the amount of hectares transferred.

⁶⁴ However, figure 1 and 2's weakness is that they are both derived from discrete time periods; (1983-1986, 1986-1990 etc) therefore, disaggregating by year is not likely to accurately reflect the actual year to year variability within the land market.

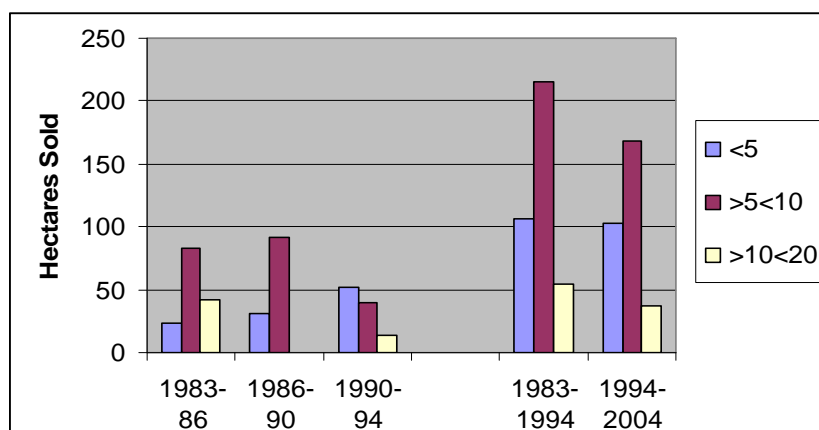


Figure 10: Land transferred for each size category in terms of hectares.

Note: Graph displays only those size grouping for land from 1 to 20 ha. The reason is to exclude large land transfers so as to give a more accurate depiction of the amount of land being transferred among small-farmers without the data being distorted by large one off sales.

Hectares	1983-86	1986-90	1990-94	1983-1994	1994-2004
<5	24	31	52	107	103
>5<10	83	92	40	215	168
>10<20	42		13	55	37

Table 1: Land transferred for each size category in terms of hectares

Although in figures 8, 9 and 10, land transfers in terms of number, size distribution and hectares appear more or less constant – especially when broken down into one 11 year and one 10 year period- this does not necessarily reflect the *rate of change* or degree of fluidity within the land market over time (e.g. land-market velocity). Given the fixed number of plots within the sample area, as more and more land becomes consolidated among a few successful larger growers (owning more than one plot), there are effectively less ‘individual’ plots available to transfer, or in other words, fewer and fewer owners within each *parcelación* (see table 2).

This is based on the assumption that larger growers or export companies are, in general, less likely to encounter financial difficulties and are, therefore, less likely to resort to selling their land⁶⁵. They are also likely to manage their multiple plots, especially when adjacent to one

⁶⁵ This is not to suggest that larger players owning more than one plot do not and have not sold land- but as latter evidence will show, in general, they have been far more successful in retaining and expanding their holdings (see figures 11 and 12).

another, as if they are one entity, rather than as discrete plots, as appears on the roles. Thus, in line with this assumption, we would expect to see a slowing down of the rate of transfers as there are essentially less plots available for transfer. A more meaningful measure, therefore, would be to calculate the number of transfers as a percentage of the number of owners within El Palqui, as is presented below.

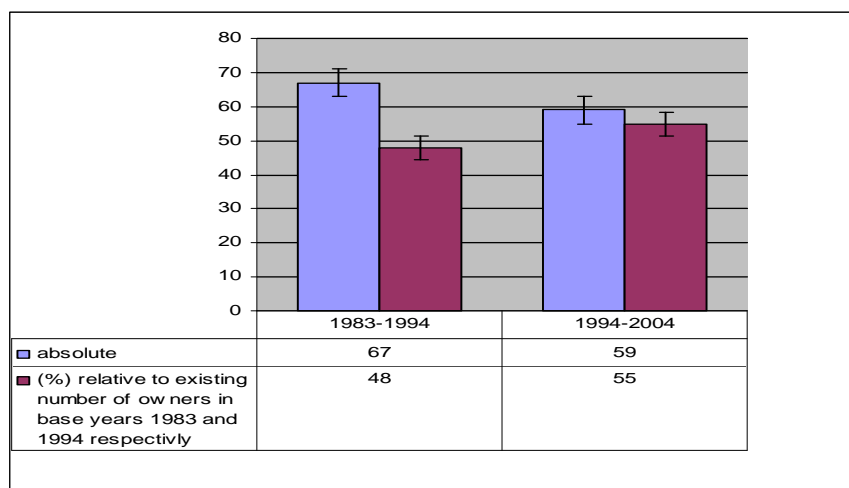


Figure 11: Number of absolute land transfers vs. the number of transfers relative to the number of owners in El Palqui in base years 1983 and 1994.

As displayed above in figure 11, as a function of the number of owners remaining, land transfers have actually increased proportionally from 1994–2004 from 48% to 55%. The results would perhaps show an even greater divergence if it were possible to extricate the extra year included in the 1983-1994 data set. Still, while it is clear that land transfers have increased proportionally since 1994, overall, there is little major deviation between the two periods.

These statistical patterns are also mirrored at the level of the individual *parcelación*. Looking at figure 8a and 8b, at first glance there appears significant variation throughout the years. For instance, in the initial period 1983–1986 San Antonio (SA) is responsible for approximately 40% of all transfers but records comparatively less in the next two periods, only to rise again slightly in the last period (again due to the decreasing absolute number of plots available) potentially due to the catch up effect already outlined. Los Litres (LL) on the other hand demonstrates a different transition, recording no transfers between 1983 and 86 and comparatively fewer than the other *parcelaciones* in the following two periods up until 1994.

In percentage terms, however, some of these apparent trends seem less significant. For example, as in figure 11, figure 12 and table 2 below shows the number of land transfers within each *parcelación* for the two periods (1983–1994) and (1994–2004) as a function of the number of owners present in base years 1983 and 1994.

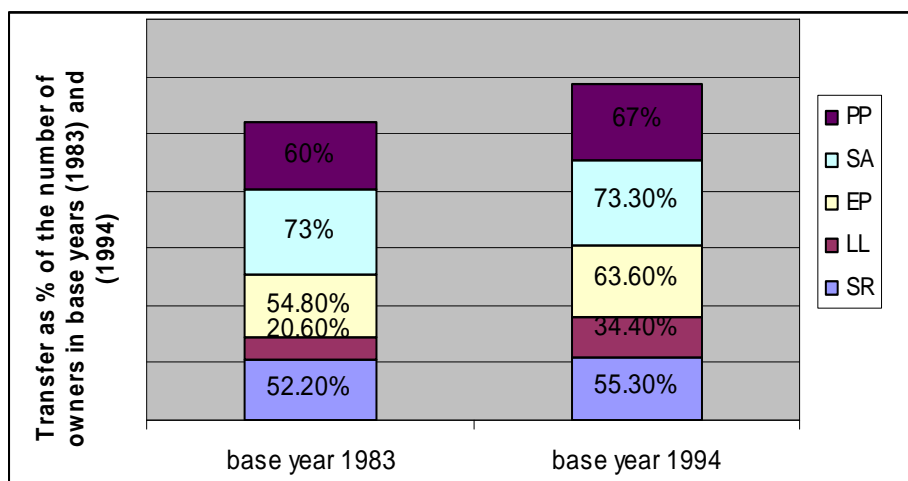


Figure 12: Number of land transfers among El Palqui's five parcelaciones as a percentage of (or relative to) the number of land owners in base years 1983 and 1994.

Transfers as a % of owners various base years	SR	LL	EP	SA	PP
No. of owners in 1983	46	34	31	22	5
No. of transfers by 1994	24	7	17	16	3
Transfers as % of owners in base year 1983	52.20%	20.60%	54.80%	73%	60%
No. of owners in 1994	38	32	22	15	3
No. of transfers by 2004	21	11	14	11	2
Transfers as % of owners in base year 1994	55.30%	34.40%	63.60%	73.30%	67%

Table 2: Number of land transfers among El Palqui's five parcelaciones as a percentage of (or relative to) the number of land owners in base years 1983 and 1994

With the exception of EP and LL, relative to the number of owners in base years 1983 and 1994 transfers have remained more or less constant throughout the years for 3 of the 5 *parcelaciones*⁶⁶, especially if we take into account the extra year included in the 1983–1994 interval. The increase for LL is most pronounced (just under a 100% increase). It is quite possible that the figures reflect something of a catching up effect given that LL had the fewest transfers from 1983-1994.

⁶⁶ Of course, there is likely to be much more variation between the years than the graphs suggest. But in order to compare with the last 10 year period it was necessary to aggregate past data. This is undoubtedly a limitation of my findings.

Although there may be another explanation linked to this *parcelación* relatively late adoption of ‘monoculture grape production. According to Murray (1997a, p.129);

As late as 1988 in LL the cultivation of the tomato remained at least as important as the cultivation of the grape. In this parcelación green beans also continued to form an integral part of the localised agricultural base (around 10% of surveyed land).⁶⁷

Thus, having arrived late to full monoculture-*reconversión*, there may have been a lag time of sorts before lower returns, increasing costs and increasing charges began to bite and generate debt. Moreover, as Murray observed in 1994, having arrived late, LL growers perhaps “failed to enjoy the successes characteristic of the mid-late 1980s” (Murray, 1997a, p. 31). Given these two interrelated factors, it is perhaps unsurprising that LL has displayed such a rapid rate of transfer’s among small-farmers within recent years. However, in spite of LLs’ farmers’ recent and rapid decline, overall, LL still retains the largest number of original *parceleros* (19 of 34). The peculiar nature of LL will be discussed in greater detail in part (b) of the results section.

6.2. El Palqui’s Evolving Land Distribution and the Issue of Land Concentration

So far it has been demonstrated that land transfers have continued to characterise El Palqui. It is clear from the findings that many smaller farmers are selling off their land while others are consolidating their holdings. What the transfer information does not necessarily tell us, however, is how this is affecting the distribution of land within the locality. That is to say, a greater number of land transfers does not necessarily mean less owners and greater land concentration if each parcel of land is sold and bought by another individual (perhaps another small producer), even though this is extremely unlikely.

⁶⁷ As a point of comparison, already by 1988 San Antonio was almost 90% committed to grape production (Murray, 1997)

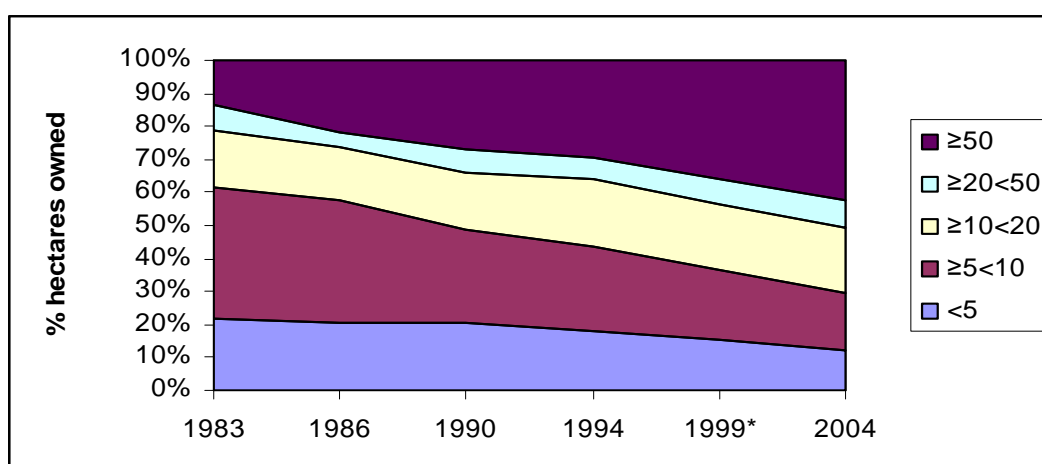


Figure 13: Change in land distribution in El Palqui, in terms of percentage hectares owned, 1983-2004.

Note: Year 1999* represents the estimated mid-point between year 1994 and 2004 and is thus an estimated value.

(ha)	1983	1986	1990	1994	1999*	2004
<5	223	208	208	179.94	152.5	125.57
	22%	20.50%	20.5	18%	15.20%	12.50%
≥5<10	403	378.8	287.6	260.4	216.48	172.56
	40%	37.40%	28.30%	26%	21.50%	17.20%
≥10<20	173	162.6	177	201.02	200.7	200.47
	17.10%	16%	17.40%	20%	20%	20%
≥20<50	82.1	44.02	68.62	68.62	75.1	81.55
	8%	4.30%	6.8%	6.80%	7.50%	8.10%
≥50	133.4	219.7	274	295.23	360.3	425.45
	13.10%	21.60%	27%	29.40%	36%	42.30%

Table 3: Change in land distribution in El Palqui, in absolute terms and as a percentage of total hectares owned, 1983-2004.

According to figure 13 it is possible to identify which categories have grown as a result of land concentration. There is a marked increase in the (≥ 50) category (from 36% in 1994 to 42% of total land by 2004) while the ($\geq 10 < 20$) category has remained essentially unchanged. The ($\geq 20 < 50$) groups shows a moderate increase from 6.8% to 8.10%. It is not difficult to see who the 'losers' have been since 1994, however: small farmers, particularly those within the ($\geq 5 < 10$) category who have gone from owning 26% to only 17% of total land.

From the perspective of this thesis, however, perhaps the most important factor to consider relates to the successes and failures of those ‘original’ *parceleros* who (mostly) received their land during Chile’s agrarian reforms⁶⁸. According to figure 14, it is clear that of 144 originals in 1983, only 48 (or one third) have retained ownership over their land. If we exclude LL from the results (which, as already shown in figure 5 has had fewer transfers overall (e.g. more owners), but proportionally more transfers in the last 10 years), the number of originals drops to a mere 28% (29/104: total minus LL).

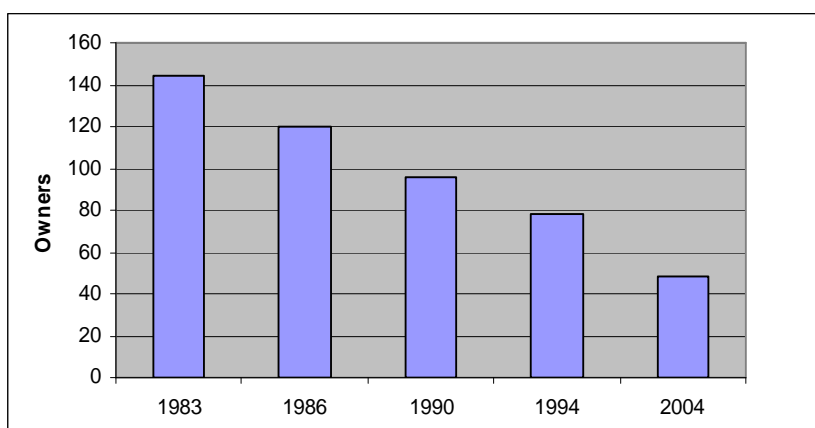


Figure 14: Number of original parceleros remaining in El Palqui, 1983–2004

	1983	1986	1990	1994	2004
No. of originals	144	120	96	78	48
No. as % of originals in 1983	100%	83.30%	67%	54.20%	33.30%

Table 4: Number of original parceleros remaining in El Palqui, 1983–2004

⁶⁸ By original, I am referring to those individual *parcela* owners present as of 1983. It is feasible that a few owners making up this group were not direct reform beneficiaries and bought their land from other ‘truly’ originals *parceleros* following the completion of the counter reform. Yet, further investigations reveal that these numbers are likely to be small making this assumption a satisfactory one for the purposes of this thesis.

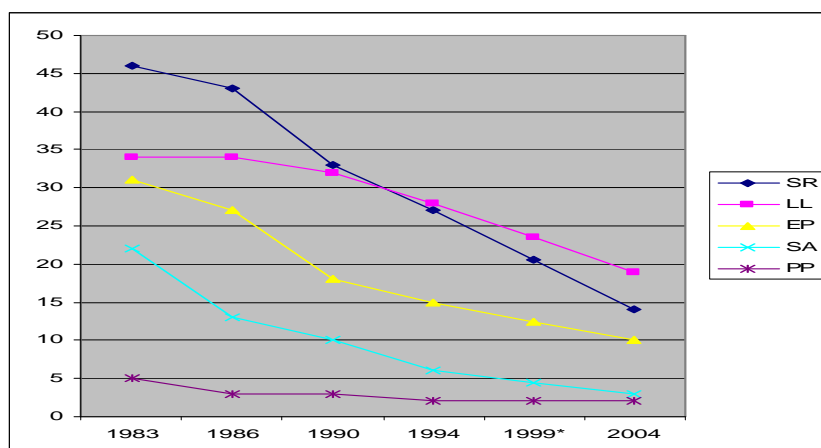


Figure 15: Number of original parceleros remaining within each parcelación, El Palqui, 1983-2004⁶⁹.

Note:* As above, data for the year 1999* has been inferred by taking the mid-point between periods 1994 and 2004. In actuality, no data was able to be obtained for this period. Thus, these results should be read with caution. Furthermore, 1994–1999 and 1999–2004 are five year intervals which are compared with 2 four year and 1 three year intervals. As such, once again the gradients presented are merely a rough guide.

In terms of each individual *parcelación*, the same overall pattern emerges. All five *parcelaciones* display a steady decrease in the number of original *parceleros*- albeit with some variation between *parcelaciones* (see figure 15). For instance, SR, EP and SA all show a rather steep decline; with the largest of these, SR, going from 46 *parceleros* in 1983 to a paltry 14 by 2004 (or from 27 in 1994 to 14 in 2004). Similarly, SA and EP show a rapid decline, especially between the years 1986 and 1990, although both exhibited a slight levelling off between the years 1990 and 2004. LL on the other hand, proved resilient in early years but has sped up slightly in recently years, most probably for reasons discussed above. PP is far too small a sample to draw any conclusions or patterns.

⁶⁹ It is worth noting that these figures are generally supported by *parceleros* and, if anything, are likely to overestimate the number of 'original *parceleros* still remaining. For example, when asked how many 'original growers' remain grower 1 of SA informed me that he is the only grower left of an original 30 growers. Grower 2, claimed there were now only 9 of 50 originals in SR, and Grower 3 said only 12 of 35 *parceleros* remain in LL. For the entire locality, grower 4 remarked that "20 years ago there were 100 small farmers and now there are only 20 left". The differences are most likely attributable to the exact definition of 'originals'. For the purpose of this research, 'originals' refer to those growers who were on the roles as far back as 1983. Judging by the few land sales that occurred prior to 1983, most of those now considered originals are likely to have received their land during the agrarian reforms. However, a few small-farmers now thought to be 'originals' bought land off other *parceleros* during these early years. Thus, they are not likely to be considered 'originals' by other reform beneficiaries, but will be considered so for the purpose of this research.

Looking at table 5, there is little doubt which groups have benefited most from land concentration within El Palqui. Although the graph shows no change in regard to the number of players owning greater than 2 *parcels* between years 1994 to 2004, it does however, reveal the few key players who have consolidated their dominance within the region.

No. of plots	1983	1986	1990	1994	2004
2	2	1	1	6	6
3	1		1	2	
4		1	1	1	
5			1	1	
6					2
7		1	1	2	3
8		1	2	2	
9					
10					
≥10					3

Table 5: Number of individuals owning greater than one plot, El Palqui, 1983-2004.

For example, by 2004 three producers owned ten or more plots, three owned seven plots, two owned six, and six owned five plots. Furthermore, if we compare 1990 and 1994 with the findings for 2004, we see considerable land concentration taking place even within the larger groups. By 2004, the locality's top three land owners collectively owned an impressive 40 plots or 28% of the total number of original plots. This is likely to reflect the combination of larger growers picking away at individual plot holders as well as some land sales among medium size owners.

Interestingly, the number of owners holding two plots has remained constant at six owners or 12 plots (although two of the six are new owners since 1994 and one owner has sold one plot). Given the limited sample size, a tentative explanation may be that owners of two plots generally face the same barriers to expansion that individual *parcela* holders face (in fact, with an average land size of 10.75 hectares, many holders of two plots actually have less than some individual *parcela* holders). The relative unimportance of this category lays bare the harsh reality that few *parceleros* have managed to upscale and convert themselves into what Korovkin (1992, p.242) calls 'peasant capitalists', with most *parcela* land being sold to larger owners higher up the chain. As such, there are now seven individuals or companies who possess ≥ 6 parcels of land (74 plots in total).

Given such concentration it will come as no surprise that since 1983 the amount of land owned by the top five largest owners has increased from 21% of total land in 1983 to 44.5% of total land in 2004 (see figure 16).

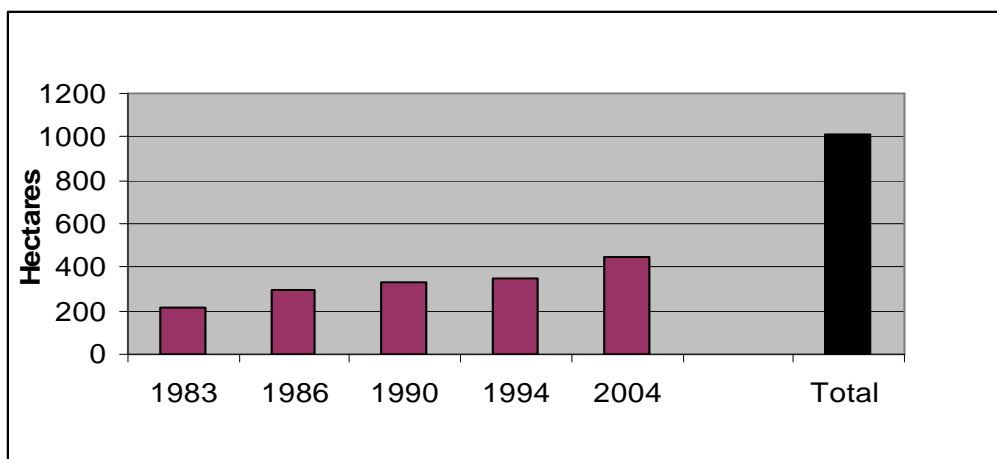


Figure16: Land owned by the top five owners, El Palqui, 1983-2004.

	1983	1986	1990	1994	2004
Land owned as a % of total (ha)	21%	29%	32.50%	35%	44.50%

Table 6: Land owned by the top five owners as a percentage (%) of total land, El Palqui, 1983-2004.

Similar to above, below figure 17 shows the amount of land owned by El Palqui's top nine and top five land owners in 2004 as compared to total land, the amount of land owned by growers with one plot and the amount of land owed by 'original' *parceleros*. But most importantly, it identifies which particular individuals or export companies make up El Palqui's largest land owners. The graph shows that, collectively, the top nine land owners control a massive 60% of all of El Palqui's agricultural land. In particular, one large family owned export company, Fruit Export, owns approximately 20% of the total land in El Palqui.

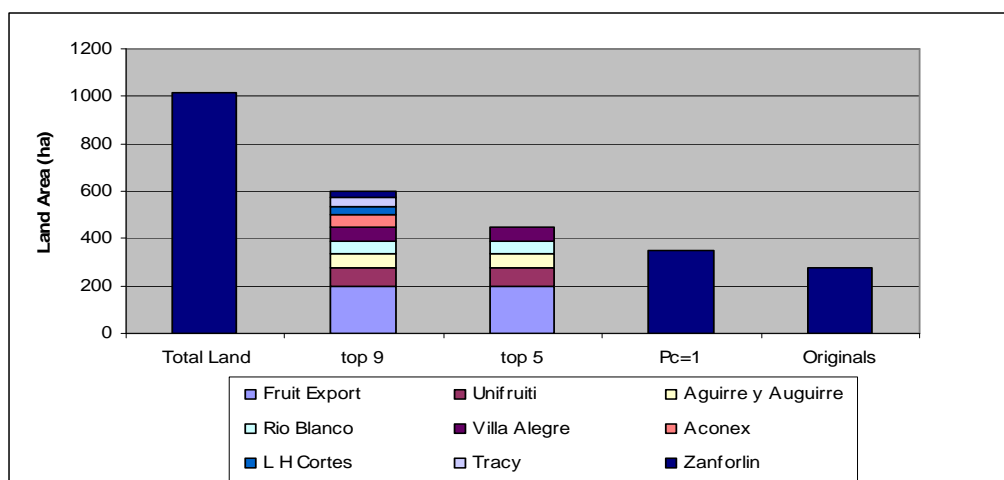


Figure 17: Land area (ha) owned by various groups, individuals, and export companies, El Palqui, as of November 2004.

By looking at figure 18, it is possible to trace the recent growth or evolution of El Palqui's top five owners over the last 14 years. During this time, Fruit Export more than doubled its holding between 1990 and 2004. Italian multinational, Unifruiti, on the other hand, has recorded steady growth since 1990 and remains a significant player in the local market. Likewise Aconex has grown considerably over the last ten years, as has Chilean multinational Rio Blanco. The only player to decrease in terms of hectares owned is LH Cortes.

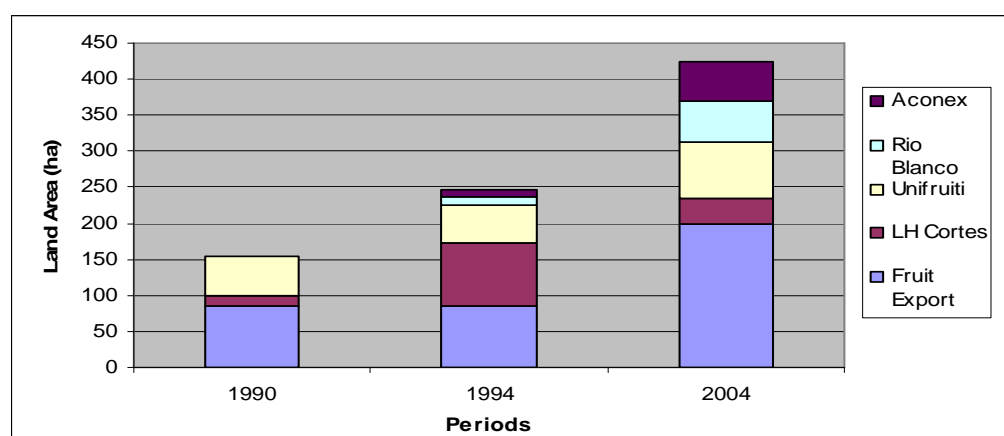


Figure 18: Land area expansion (has) of top five land holders as of November 2004 (from 1990-2004).

6.3. Part (a) Summary of Findings

According to the above findings, there can be little dispute that a considerable degree of land concentration and land consolidation has taken place in El Palqui since the time of Murray's original research in 1994. Overwhelmingly, it has been small-scale producers particularly those original *parceleros* who received their land during the agrarian reforms, who have been squeezed out and pushed aside. The main beneficiaries have been large capitalist growers (LH Cortes and Fruit Export), including a number of large export firms, in particular, Aconex, Rio-Blanco and Unifrutti.

But while these findings tell us the present distribution of land within El Palqui compared with previous years, and among which groups or companies the land has become concentrated, they do not tell us why certain individuals decided to sell their land. In other words, they do not tell the *parceleros*' stories. For this reason, one to one interviews are essential in order to uncover the motivating factors underlying such sales.

6.4. Grower Interviews, El Palqui, 2004

The following data is based on a series of interviews with past and present land owners within three of El Palqui's five, *parcelaciones*. The majority of interviewees were previously interviewed during Murray's 1994 investigation. The intention of the interviews is to try and shed light on, or derive causality for, the phenomenon which has seen approximately two thirds of El Palqui's original *parceleros* dispossessed from their land while larger growers and export firms have expanded in their place.

In 1994, of the 26 persons interviewed by Murray, 6 had already sold all their land by the time the interviews took place due to excess debt with export companies. Perhaps more concerning, of the remaining 20 growers, almost all had either precarious debt to land value ratios, were concerned about the continued expansion of export firms or expressed considerable pessimism as to the future role of *parceleros* as grape producers within the locality. In light of such ominous financial indicators and general grower pessimism, Murray (1997b) argued that without greater government intervention, many more *parceleros* would inevitably lose their land.

Regrettably, ten years on, this prediction seems to have been an accurate one. During the course of my field work I was able to personally interview 14 of the remaining 20 growers interviewed

in 1994, and was able to attain credible information for five of the other six (see methods for justification). As figure 19 demonstrates, from 1994–2004 the numbers of *parceleros* owning land has decreased in all three *parcelaciones* sampled. By far the biggest decline has occurred within the largest *parcelaciones*, SR, where only two of nine interviewees remain, and SA where only 2 of 6 originals interviewees remain. LL growers stand out with seven of an original 11 remaining, with only one complete *parcela* sale since 1994. Overall, for the three *parcelaciones*, only 58% of those interviewees still in possession of their *parcela* in 1994 remained in 2004, which is roughly consistent with the town-wide figure of 61.4% (48 growers). However, if we were to include the extra six who had already sold by 1994, this figure reaches 42% (remaining).

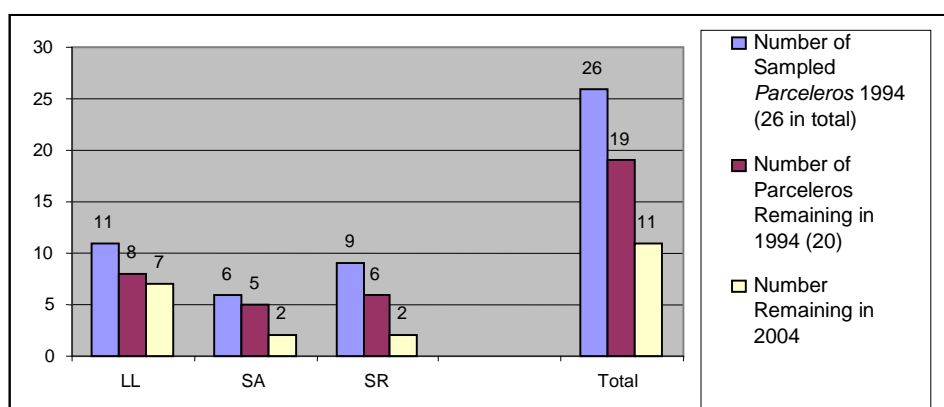


Figure 19: Number of parceleros retaining land, 1994-2004

Source: Field work, El Palqui. 2004

Note: SR (2004) contains one individual who at present owns his *parcela* but is currently in court defending his title against an export firm. On his own admission he expects to lose his land in the very near future. Thus, it was decided, for statistical purposes, that his land will be considered sold, as to count him as a current grower would suggest he has been successful. Furthermore, the figures for 2004 are derived from a sample of 19 growers even though 20 originals remained as of 1994. Unfortunately, one particular individual was not able to be contacted and I was not able to find out any information relating to his current status. For this reason, throughout part (b) a sample size of 19 will be used rather than 20.

As far as land concentration is concerned, these results represent just the tip of the iceberg. While figure 19 shows the number of ‘full’ *parcelas* sold, it does not, however, tell us to what extent semi-proletarianisation or ‘parcela shrinking’ has taken place. Thus, taking into account partial sales, as in figure 20, land concentration becomes even more pronounced.

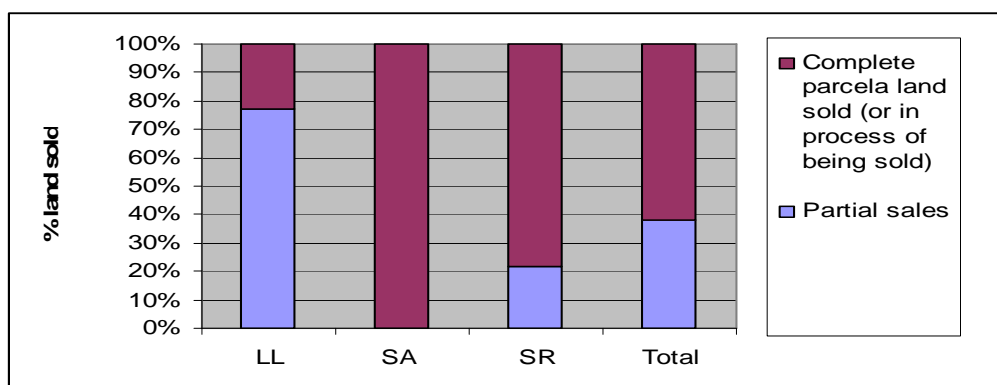


Figure 20: Complete parcela sales vs. partial land sales, in the three sampled parcelaciones, El Palqui, 1994-2004.

Note: Total sales include full parcela sales and partial parcela sales.

	Total sampled land (ha)	Partial sales	Complete sales	Total land sold
LL	82.05	26.2	7.8	34
SA	49	0	25	25
SR	30.32	5	17.8	22.8
Total	161.37	31.2	50.6	81.8

Table 7: Complete parcela sales vs. partial land sales, in the three sampled parcelaciones, El Palqui, 1994-2004

According to figure 20 and table 7, of the 11 remaining owners in 2004, six have at one time or another engaged in partial land sales, meaning that of 19 growers still present in 1994, 13 had sold part or all of their land by 2004. In fact, as shown in figure 20, 38% of ‘all’ land sold within the sample group stems from such partial sales; and interestingly, 84% of these ‘partial sales’ derive from LL producers, for whom 77% of land sales were of the partial variety (see figure 20). Thus, once again LL stands out from the rest.

There are a number of factors that might explain the LL peculiarity. Firstly, and consistent with the El Palqui wide findings, it is possible that LL growers’ comparatively late conversion to full-monoculture grape production may have helped them ease into grape production by learning from the mistakes of other growers. Furthermore, despite missing the ‘peak price’ period, the silver lining is that their late arrival may have allowed them to avoid (perhaps inadvertently) the credit borrowing bonanza of the early ‘fruit rush’ period.

However, it seems relative land endowments may have also played a crucial role. For instance, the average land size of those remaining within the LL sample in 1994 (e.g. prior to partial sales) was 10.1 hectares (ha). But by 2004 this figure was only 7.9 *ha* as a result of 5 LL growers selling a combined 27 *ha* of land. Thus, potentially, those growers in possession of larger plots may have been able to use their land as a financial buffer, selling off a certain amount of land to settle debt, invest in machinery or improve remaining land without having to take on excessive debt to begin with.

There is considerable support among *parceleros* for this theory. For example, grower 5, himself a LL grower, remarked;

We sold some land to invest and improve some other land of ours. We don't have big debts. [And somewhat paradoxically], we are fine as we are with a small piece of land.

Grower 8 also of LL, utilised a similar strategy;

We sold some, about 8ha of rocky land. It would have been very expensive to get the land ready to plant. A lot of people got into debt trying to get the [rocky land] land ok. We just have to look after our small piece of land.

Another LL grower, grower 3, mentioned that “before I used to have 12ha, but I sold 7 ha, because the water was not enough for that size land”. A further two growers from SR concur. Grower 6 mentioned that “some farmers do not want to get rid of their land so they have been selling their parcela little by little and do whatever they can to keep it like this”. Grower 7 is one such SR grower who sold 5 out of his 8.15 ha in 1997 “in order to pay the debt with Rio Blanco”. He now owns a bar and supplements his income by growing vegetables on his remaining 3.15 ha.

Thus, if it is so that land size has played a key role in helping some growers remain viable, this may explain why SR growers- with a comparatively smaller mean land size of 5.07 ha- have exhibited such high grower failure. The overall figures also support this hypothesis. As displayed in table 8, of a 19 grower sample, 11 remaining growers in 2004 had a mean land size of 9.72 ha, as compared to a mere 5.6 ha for the eight who have sold their complete *parcela*. The results are even more convincing if we include those six producers (bringing the sample size to 25) who had already sold by the time of Murray's visit in 1994. This raises 'complete' land sales by the time of 2004 to 14 out of a possible 25 growers (with an average land size of 5.6 ha) as compared to the

overall sample average of 7.21ha in 1994. In fact, of the 14 sales, only one grower had over 10 ha of land (11ha).

	Average land size of 26 pc sample	Average land size of 19 pc sample	Average land size remaining pcs	Average of land sold
LL	8.45	9.9	10.1	5
SA	8.4	9	10	8.3
SR	4.9	5.07	6.34	4.45
Total	7.21	8.13	9.72	5.6

Table 8: Average land sizes within LL, SA and SR.

Note: Numbers and words in italics are derived from the 19 person sample, which, as already explained, tracks those 20/26 persons who still retained their land as of 1994, less one individual for whom no details could be found.

At first glance this explanation does not appear to fit with the SA situation. Contrary to this theory, SA has a high mean land size but still records a high grower failure. Only one individual has part of his land; all others have sold their entire *parcela*. There is, however, one possible explanation for this discrepancy. As a *parcelación* SA has a higher overall plot size, in part due to the inferiority of the areas land. This could explain why SA has displayed such high grower failure, as although the plots are large in absolute terms, they are ‘effectively’ small in terms of their productive capacity. Thus, in the words of *Grower 8* (of LL) “a lot of people got into debt trying to get their rocky land ok”. Moreover, having arrived late to grape production it is feasible that LL growers might have learnt from the mistakes of SA growers, as alluded to by the three LL growers above.

Of course the above discussion is based on average land, which given the high diversity of land sizes within the sample and the relatively small sample size within each *parcelación*, most likely skews the data. To some extent this bias can be avoided, by breaking the data down into size categories ≤ 5 , $>5 < 10$, and ≥ 10 (as owned in 1994). By using this method we see that of 19 growers still owning land in 1994, six received ≥ 10 ha, and of this six five remained in business in 2004. Yet, of the eight growers owning ≤ 5 ha- only 3 remain economically viable. And of those 6 owning $>5 < 10$ ha only three remained in 2004. If we include the six other producers who had already sold land by the time of Murray’s initial investigation, four of the six had ≤ 5 ha, and the other two had 5.6 and 8 ha; in total an average land size of just 5.02 ha. Therefore, despite the

data's many qualifications, it would seem that land endowment has to some extent played a part in determining the successes of small-scale growers within the sample population; again several growers tend to concur;

The small farmer cannot compete with a big farmer that has 7 ha for example (Grower 9).

I had to sell...my land was too small. With only 5ha I couldn't afford anything (Grower 10).

I think for it to be profitable you need over 10 ha (Grower 11).

Still, the fact that at least two growers with 3.6 ha and 4.5 ha of land respectively have remained viable producers tells us that there are other important forces at work. The following offers some insight as to what those factors are.

6.5. The El Palqui 'Debt Crisis'

If relative land size is a critical factor determining the viability of small-producers, the mechanism in which this limitation is most likely to be felt by growers is through its relationship with debt levels. The reader will recall, that the majority of small-scale producers in El Palqui have managed to reconvert only by borrowing credit from export firms to fund the initial set up costs (*reconversión*) and any additional running costs (including chemical inputs, labour, technical support and advice, commission on exports, and interest payments). Thus debt, albeit temporary debt, as with most financial ventures, is an integral and expected part of the *reconversión* process. It can, and does in many instances, provide opportunities for investment and growth. Of course, it is when returns consistently fail to cover credit and charges (as was the case in El Palqui during the 1990s) that debts begin to spiral out of control and reach unsustainable levels. In this context, a person with a larger endowment of land has a number of advantages over smaller land holders.

Firstly, although it generally cost more to improve and prepare larger areas of land, many investment costs (especially one off investments, such as the purchase of land, machinery or an irrigation system) are scale sensitive. That is to say, a *parcelero* with a larger *parcela* may

achieve economies of scale because he or she is able to lower their ‘average costs’ by spreading ‘fixed costs’ over a greater number of units (e.g. costs per unit (ha)) (Gwynne, 2003). Larger owners may also benefit from greater negotiating leverage when establishing contracts and in terms of the procurement of inputs such as fertilisers and pesticides. Also, having a larger plot can allow for greater diversification, reducing ones exposure to market fluctuations (see table 9 below).

Secondly, owning a larger piece of land, to a certain extent, offers a financial buffer in the sense that a larger holder in financial difficulty may be able to sell part of their land to bring debt levels down to a manageable level. Thus, owners of smaller plots are essentially more vulnerable to external conditions – although this is not necessarily so if the land is of poor quality and takes a lot of money to bring up to productive standard or if a grower takes on more debt simply because he or she believes they have a larger productive base.

In his 1994 field work Murray (1997b), uncovered disturbingly high debt levels among many growers, with six individuals having already sold due to debt with export companies. In addition, at this time 24/25 (who grew grapes) admitted to being under financial strain due to low prices; 10/26 specifically mentioned they were worried about debt; 14/26 were concerned about either the expansion of firms or the lack of transparency in contracts; and 3/20 unfortunately predicted, correctly, that they would eventually have to sell (Murray, 1997a).

Given the level of debt and the high degree of pessimism among growers during the mid-1990s, it is not all that surprising then that *parceleros* have continued to face the same financial constraints. According to the 2004 data, of 13 *parceleros* who had either sold half or all their *parcela*, when asked what motivated them to sell land, all 13 mentioned financial difficulties of some kind; nine specifically mentioned excessive debt; three stated scale difficulties (i.e. insufficient funds to improve land, water shortages, high interest payments relative to the small size of their plot and two of the three said producers needed at least 10 hectares to remain economical); and one simply stated “*he needed the money*”. Combined with the six growers who lost their land before Murray’s field work in 1994; this constitutes 19 out of 26 growers who have either sold all or part of their land (13 having sold their entire *parcela*). And of this 19, most recorded facing financial difficulties of some kind, 15 of whom specifically mentioned debt.

Also of concern is the apparent lack of expansion or entrepreneurial dynamism among *parceleros*. While on the one hand, 11 of the original 26 producers have managed to hold on to their *parcelas*, it is not as if they are in a position to expand. Of the 11 interviewed who still owned their land, only one individual had bought more land (4 ha), and holding 13 hectares to begin with; this particular person can hardly be considered representative of the overall sample.

Finally, few have had the means or the wherewithal to diversify their productive base and reduce their exposure to market risks. For example, as seen in table 9 below, of the 11 remaining growers in 2004, 54% only grew grapes, 25% only grew vegetables and another (27%) grew both grapes and vegetables. Most alarming, however, was the lack of diversity among grape growers. While 2 individuals grew 3 or more varieties, 45.5% grew just one variety, and 58% grew no more than two varieties. These figures change little when the extra 4 interviews outside of the longitudinal study are included. As might be expected, the largest growers show the greatest degree of diversification. In fact, the average land size for those growers producing only one variety of grapes was just 6.4 ha compared with 15.6 ha for those growing one or more varieties. If we include the extra 4 non-longitudinal interviews, again these figures change little at 6.5% and 16.6% respectively.

production	Growers from 1994 remaining in 2004	Including extra 4 interviews
grape monoculture	6	8
1 grape variety	5	6
2 grape varieties	2	4
3 grape varieties	1	2
4 grape varieties	1	1
grapes and vegetables	5	5
vegetables	3	3
total growers	23	28

Table 9. Level of diversification among *parceleros*, El Palqui, 2004

Note: Right column includes the extra four interviews formed in addition to the longitudinal survey.

6.6. From Land Concentration to Land Stabilisation?

Since 1994, it is clear that land concentration has persisted within El Palqui, such that, today, only around a third of El Palqui's original small-scale growers remain. It is difficult to say for certain what will come of the remaining third. However, there appears at least to be some signs that the land market (or land concentration) is beginning to stabilise. There are a number of reasons that may explain why El Palqui looks to be approaching stabilisation

- ***'Economic selection' over time***

Over the last two decades many- but certainly not all- small-scale growers have attempted to reconvert and failed. Thus, those still in business at the time of my field work are likely to have been in business for some time. In an 'economic-darwinist' sense, one might say that they represent those growers who have been economically 'selected' for their relative efficiency and business acumen (Murray, 1997a). If this is so, we would expect to see land sales begin to decelerate after a peak period. Indeed, *grower 12*- a medium sized producer (with 24 ha), packing plant owner and employer of 16 persons - referring to land sales, commented, that he expects "*that things are going to be stabilised in about a year*"; although as discussed later not all growers are this optimistic.

- ***Structural changes***

It would also seem that there has been a number of important structural changes that have taken place within the *pueblo* that have helped empower small-scale farmers in terms of their dealing with the export companies. Particularly noteworthy, has been the evolution of a more competitive credit market (relatively speaking). The reader will recall that in the past, most credit could only be attained from the export companies and it usually came with rather strict borrowing conditions (Gwynne, 2003, Murray, 2002a). Yet, today, it would seem some banks are offering an alternative credit source which is to some extent reducing grower dependence on the export companies and helping to break down the asymmetrically skewed power relations that have for so long characterised small-producer /exporter relations in El Palqui.

During the course of the interviews, a number of growers indicated –often with a sense of pride and accomplishment – that they no longer relied on the export companies for credit. For instance, of 12 grape growers for which information could be attained (as this is not part of the longitudinal study I have included the other four interviews in my sample population), only three (25%) were

in debt to companies (another 4 did use some short-term company credit, but did not consider this to be debt⁷⁰), 8 (66%) utilised bank loans (7 of which exclusively), and 2 also had INDAP loans (but for horticultural production only).

Grape Growers	Debt With				Chemical Inputs		Buyer
	debt	company	INDAP	bank	Use	financier	export method
Grower 8	yes			yes	yes	high purchase	highest bidder
Grower 17	yes		sometimes		yes	himself	highest bidder
Grower 15	yes	yes	yes	yes	yes	independent dist	contract (CCC)
Grower 3	yes			yes	yes	bank	highest bidder
Grower 14	yes	yes			yes	company	contract (CCC)
Grower 1	yes			yes	yes	company	contract (CCC)
Grower 13	yes			yes	yes	bank	highest bidder
Grower 18	yes			yes	yes	company	contract (CCC)
Grower 19					yes	company	contract (CCC)
Grower 12	yes			yes	yes	himself	contract (CCC)
Grower 4	yes			yes	yes	himself	highest bidder
Grower 2		yes			yes	company	contract (CCC)

Table 10: Credit/debt sources and grape produce buyers, El Palqui (2004)

Note: The following graph includes only those growers in 2004 that grew grapes not those growing horticultural products. .

Still, it seems only a select few of the sampled population (5 of 12 interviewed who grew grapes) have been able to completely free themselves from the notorious CCC system so they can sell their produce (either on the vine or off the vine) to the 'highest bidder'. In terms of the wider *pueblo*, it is difficult to say for certain how many growers are currently selling to the highest bidder- although one *parcelero* put the figure at a mere 10% (*Grower 13, 2004*). This is unfortunate as selling to the highest bidder confers a number of advantages, as *grower 13*, (who bought his 15 ha of land in 1982), explains;

[I]n the past a lot of people got loans from the companies then couldn't pay them back so they lost their land...that is why we get a loan from the bank so I can choose the buyer. I don't give grapes on consignment...if you do that they just tell you tales". They [the export companies] are not healthy....they are not honest.

⁷⁰ Company annual credit advances are only considered by growers to be debt if following the resolution of liquidations there remains outstanding payments to firms. Thus, although some growers record using company credit this does not necessarily mean (in the eyes of growers) that they are in debt to the companies.

Grower 18 agrees;

As you know the loan comes with a tie to them (e.g. the company loans) and then we lose the parcela. I prefer to pay the bank interest” [because then] “the buyer comes and offers a certain amount and we sell it to the best buyer.

Thus, growers that are able to sell to the highest bidder, not only achieve a greater degree of producer autonomy, but also receive prompt payment and absorb fewer risks than those who rely on the traditional CCC system. As grower 14 explains,

We used to sell on consignment so if anything went wrong with the fruit and it was not sold they didn’t pay me.

What’s more, indebted producers are restricted to selling their produce to the same company to which they are indebted, even when offered a better price elsewhere; *It’s all the production for them or nothing” (Grower 15).*

▪ **Alternative strategies**

While only 5/14 growers have fully liberated themselves from the CCC system by selling to the highest bidder, another two have in effect broken free by leaving grapes and returning to more traditional and arguably less volatile horticulture based agriculture. As grower 16, describes;

we took the grapes out [in 1998] when things started to get bad...the export business became bad and the debt started to increase...it was never a good price...We planted cucumbers, tomatoes and green beans.

Another grower, grower 17, similarly sold five out of 8 ha in 1997 to pay off debts and moved into vegetable production. Grower 9 has employed this low-return, but low-risk, strategy from the outset and credits this with helping him maintain control over his land. In his own words, he describes his reservations towards the exportation of grapes;

“I don’t like to grow grapes because I would have to sell to the export companies or do business with them. This has made a lot of farmers lose their parcelas. I don’t want to run

the risk. It's safer with tomatoes and beans...the small farmers always end up exporting with companies because they cannot export by themselves. If they could I would probably grow grapes"

▪ ***Institutional learning and grower attitudes***

Even for those producers who are still reliant on the CCC system, however, there seems to be a number of other positive improvements within the locality. One such improvement relates to the attitudes of the *parceleros* themselves. No doubt, having witnessed the many follies and failures of the past when many “who had land...couldn't even read or write sometimes”, and the ruthlessness in which the large export companies have acquired land, growers are now understandably cautious and wise to the practices of the export companies; “now people know what to do” (*Grower 3*). In the past, around half of the 26 growers interviewed voiced concerns about the transparency of the export firms' contracts and the liquidations and 2004 was no exception. In 2004, *grower 6*, who sold in 1998 to Rio Blanco, told me; that in the beginning the companies set out to “conquer” the small farmers;

It all started with the agrarian reform. The big pieces of land were divided and the small farmers were given the opportunity to have land. The rich...well I don't want to sound as if I consider the rich the enemy- no- people always talk....[but] maybe the rich thought 'well, now we give them the land but one way or another we will get it back in the future' and they did

They did this by getting the producers into debt by giving us bad returns...they came here with a document with a price saying that this was the price of the fruit,...and the price of the packaging and processing [but]...what was supposed to be profitable wasn't so...there was no way that this information was true...I will always state that the returns that they gave us were always lower than what they used to get in the US for example. If this had been different, one year we could have done bad and the next year one could have recovered...I'm just speaking for myself. I never wanted any company to fill my pockets; I just wanted what I needed at home to keep my family and pay for my children's' secondary school expenses...I was always getting negative results even with a good production...I was sinking...I sold my parcela before they took it away from me

Others indicted a similar lack of regard for the practices of the export firms⁷¹. For example, grower 13, (who now sells to the highest bidder) remarked that “the export companies tell you tales...they are not honest”. Grower 14 knows first hand what this can mean for growers;

One didn't know anything about prices...the companies just came and brought the liquidation and showed the debt in the liquidation. I've already had to sell everything; my tractor, my machinery. I've got nothing and I've worked so hard. And now I'm old... (He cries)...they don't leave you in peace until they get your land.

▪ **Technological empowerment**

There is now some evidence that modern technology, namely the Internet, is helping to empower small-farmers operating within the global market place. During the course of my field work, several interviewees mentioned that in the past they had almost no idea what prices their grapes were fetching in overseas markets and suspected the export companies of manipulating prices to their advantage. Yet, on two separate occasions, growers told me how the internet is “*making it easier to stay in touch and check prices*” (Grower 14, 2004), helping break down information asymmetries and hold the export firms to account. Although, over time one would perhaps expect that growers become wise to such price manipulation, particularly as the more vulnerable, ignorant, growers exited the market.

▪ **Legal changes**

In the past Murray (1997b) identified the lack of legal redress open to *parceleros* (due to costly legal fees) as a key hurdle to attaining a better deal for *parceleros*. In 2004 grower 6 indicated this problem still exists;

there used to be some private lawyers offering advice because they knew there were problems here, but I suppose they wanted to make some profit...like everybody else. It is difficult for the government to intervene when it is only private companies.

Although, one grower, grower 14, told me that “*now with this government things might be different. I have a state solicitor. If I win I pay 10%, if not, I pay him nothing*”. Unfortunately, I

⁷¹ Such a lack of transparency in CCC contracts is not unique to El Palqui, however. Jarvis (1994, in Gwynne, 2003) recorded similar quasi-legal practices being used by transnational fruit export firms in other parts of Chile.

was not able to establish just how wide-spread the practice of using state solicitors is. But in principle, it could be critical in helping to hold the export firms to account.

Overall, therefore- at least when compared with the past- there seems to be a greater sense of optimism among grape producers within El Palqui. While most growers continued to express how difficult it was for small-farmers, and all but one were unhappy about how the prices have evolved, most accepted that farmers were better off now than in the past and said there is generally more work available. Overall, there was little mention of debt or the prospect that they may lose their land. Of all the interviews, only one grower was heavily indebted to the export firms and faced the immediate and imminent threat of losing his land.

A good number (6 of 12) had every intention of growing grapes in the future. For those who wanted out, it was not so much due to debt but rather a desire to free themselves from what most agreed to be a constant struggle to stay afloat. At least two growers were considering growing alternative crops. Only one mentioned he would like to expand; “we would like to buy more land and we’ll see if we can get some citrus fruit- probably apples. But the grapes are the best (*Grower 1*)”. Several mentioned the government’s free trade agreements, and were hopeful that these agreements would improve external markets conditions;

Lets’ hope that the new free trade agreements may help...they think it will be better...we talk about these things at the bar sometime.

Grower 16;

The future of the export business “looks good, especially due to all the trade agreements that they are signing.

Another two indicated that they would like to grow grapes if it meant they did not have to rely on the export companies.

6.7. Contested futures

Despite some of the positives discussed above, looking to the future, there appears to be no consensus among *parceleros* in regard to their role as producers within Chile's ever dynamic fruit-export sector. For instance, when asked, a few growers were very optimistic "the future is very good for the exporter" (*Grower 2*); "the future looks good, especially due to all the trade agreements they are signing" (*Grower 16*). Others, however, were far more pessimistic; "the small farmers are going to disappear" (*Grower 4*); "I see it bad for small farmers" (*Grower 9*). Yet, in general, the majority agreed things were tough and highly uncertain but held on to some hope; "it depends on the prices" (*Grower 13*); "It is uncertain, we never know what its going to be like" (*Grower 8*). Several growers mentioned how costs are increasing while prices remain the same. "The problem is that, everything; the labour, pesticides, etc, goes up except the prices" (*Grower 15*).

Still, from an outsider's perspective, one sees a group of small-farmers who are still very much dependent on large export firms, and precariously reliant on one single crop species (grapes) with limited diversification occurring. Thus, in light of this chapter's findings, perhaps the only certainty is that the international economy can be a merciless place for small players. And if one thing is for sure, in the absence of any government assistance, whatever happens to El Palqui's growers is likely to be beyond their immediate control.

7. Discussion and Conclusions

Having already established the contextual background underpinning and motivating my research, and having outlined the results in the previous chapter, it is now timely to consider these findings in light of my research's central question and sub-questions. Throughout, I will also seek to clarify my position through the use of selected quotes from the growers themselves.

7.1 Central Research Question Revisited

(1) How has land tenure transformed in El Palqui since the mid-1990s, and to what extent has land-concentration⁷², semi-proletarianisation and full-proletarianisation continued to characterise the region?

Although land transfers have slowed marginally in absolute terms, they have increased in a relative sense (e.g. as a percentage of the number of owners and plots still remaining in base year 1994). Overwhelmingly, the largest number of transfers have occurred among those growers owning <10 hectares. Yet small-grower to small-grower transfers have been few and far between (horizontal transfers). The vast majority of transfers have taken place between small-growers (*parceleros*) and comparatively large Chilean owned and foreign owned fruit export companies and a select number of large capitalist farmers (vertical transfers/or vertical accumulation).

This pattern is observed both among the population as a whole and within the three sampled *parcelaciones*. Thus, we can conclude that- as a direct consequence of vertical transfers within the locality – land has indeed become more concentrated among a minority of larger players, meaning there are now fewer land holders overall compared with 1983 and 1994. There is no consensus among *parceleros* as to when this process of land concentration will plateau. Although given the vulnerability of small farmers within the grape export sector, there is good reason to believe that in the absence of concerted government assistance, land concentration will persist.

⁷² Land concentration is defined as: the process whereby a minority of- usually larger land owners- due to various reasons- progressively acquire greater and greater amounts of land over time, often at the expense of smaller growers.

7.2. Sub-Questions Revisited

7.2.1. Sub-question (1)

(1) What factors explain the continuation or discontinuation of land concentration; and what structural barriers may have inhibited small-scale producers from taking full advantage of the fruit export boom?

A central component of neo-structuralism is a concern for and an acknowledgement that diverse individuals, social-groups, classes, communities, regions and nations face different structural barriers which may reduce their ability to equally participate economically, socially or politically, both domestically and internationally. Neoliberalism on the other hand, with its tacit assumption of policy neutrality, tends to be ahistorical in nature and therefore generally indifferent to the many complex histories, different geographies and underlying structural constraints faced by different genders, socio-economic groups, cultures and communities. As already outlined, this thesis rejects neoliberalism in favour of neo-structuralism, thus accepting that there are indeed structures that have a conditioning influence (although not a full influence) over various individuals and groups living within different geographical spheres.

In the El Palqui context, it is clear that due to successive Chilean governments' unbridled faith in free market resource allocation, policy makers have neglected to appreciate and address the many structural constraints facing small growers. Such barriers include physical capital constraints, socio-economic constraints, legal constraints, social capital constraints, socio-psychological constraints and economic constraints. For clarity these are considered discreetly below. Although in reality these constraints intersect and interrelate constantly.

- ***Physical structural constraint (e.g. inadequate land endowment and scale limitations)***

Prior to *reconversión* most *parceleros* had inadequate land to effectively compete with medium to large scale producers who have been able to reduce their per-unit costs by spreading their fixed costs over a greater productive base, and through greater bulk buying power. Yet, scale factors have also been important between *parceleros* and within the separate *parcelaciones*. During the creation of individual *parcelas* an attempt was made to rationalise the 'parcelisation' process by

dividing land according to its productive potential rather than its physical size. This resulted in considerable size variation between plots. Anecdotal evidence suggests this process was not always carried out accurately, with some growers maintaining that a handful of growers received a lucky draw.

On balance the evidence suggests having a larger plot confers certain benefits but only in so far as one combines this with a prudent management strategy; after all, a number of growers went into debt trying to improve the bulk of their larger sub-standard land (e.g. San Antonio growers). Used properly, however, owning a larger *parcela* can act as a financial buffer in that part can be sold, so long as debts do not reach a critical level. Interestingly, it appears this strategy is not peculiar to El Palqui but has been employed among apple contract farmers in Curicó, Chile, where larger average land sizes have allowed some growers to “trade-off land in order to settle debts” (Murray, 1997a, p.293). It seems those El Palqui growers who arrived late to grape production but owned considerable land were able to do just this (e.g. Los Litres growers) partly as a consequence of witnessing the problems faced by San Antonio growers, who despite having large land reserves, made the perilous mistake of trying to improve the bulk of their inferior land.

- ***Socio-economic structural constraints***

Owning physical capital is just one ingredient for the successful management of one’s productive assets. One must also possess the know-how, expertise and motivation to get the best out of their physical resources. Such ‘human capital’ is not innate but learnt through formal education and throughout one’s life experiences. Most of El Palqui’s growers grew up with little formal education, were barely literate (either written or financially), and knew virtually nothing of managing grape production let alone exporting in the global market place. Yet these individuals were somehow expected to arrive at fair terms with companies with far superior information at their disposal (Gwynne, 2003).

These types of power asymmetries are not unique to El Palqui, however, but are a feature of contract farming throughout Latin America. According to Clapp (1988) for instance, in Latin America a “contract is typically his/her first experience of vertical integration in the agricultural sector” (p.13). This makes growers, as in El Palqui, particularly vulnerable to exploitation from more knowledgeable agents like export companies (Clapp, 1988). Thus, it is possible that the growers of El Palqui did not truly appreciate the risks associated with selling in the volatile international market place, and may not have fully understood the one sided nature of the

contracts they ‘voluntarily’ agreed to. After all the companies were not only selling an idea but a potential future of hope and prosperity; the following picks up on this point in more detail.

- ***Socio-psychological /cultural constraints and grower myopia***

In addition to exploiting the knowledge differential between grower and company, Clapp (1988, p.13) argues that psychological factors may help to explain why growers may even ‘freely’ sign contracts “even if it was to his or her immediate disadvantage”. Referring to the phrase “the magic of the modern”, Clapp argues that throughout Latin America growers are often seduced by the prospect and associated status of being ‘progressive’ ‘modern’ farmers. It is certainly possible that these forces were at work in El Palqui, and may help to explain the extraordinarily rapid conversion to monoculture grape production.

- ***Legal constraints***

Despite the clear information disparities between El Palqui’s *parceleros* and the export companies, few- if any- legal lines were open to help growers attain better bargaining positions and negotiate better terms. This is both a concern when initially signing contracts, but is just as important come liquidation time. A number of growers, both in 1994 (Murray, 1997a) and 2004, were concerned as to the transparency of the ‘liquidations’ (accounts) and suspected the firms of ‘inventing’ certain costs. Others such as Jarvis (1994) have recorded similar practices being used by export firms in Chile. One cannot say for sure if and how such illegal practices took place. Yet given the vastly superior information flows available to the export companies and the lack of legal channels available to growers, one might argue that there is at least considerable room for such practices to go on with little threat of impunity. Regrettably, there is some evidence to suggest that the legal profession itself has to some extent also taken advantage of small-growers. One grower in 1994 told Murray (1997a) that he had to pledge one third of his land to have his case defended in the courts.

- ***Barriers to harnessing social-capital and cooperation***

Social-capital refers to those links and relationships that exist among groups, communities or even nations which can help to bring people or groups together for mutual gain, and an important aspect of social-capital is cooperation. Murray (1997a) found in 1994 that compared with other fruit growing regions (e.g. Curicó), El Palqui growers tended to be particularly individualistic and as such relied less on cooperative arrangements; although it certainly does not help that at the

national level there has been little regulatory support, institutional guidance or economic incentives for such collective organisations (Gwynne, 2003). Thus, by failing to organise collectively, El Palqui farmers, like many Chilean peasants, have not capitalised on the improved economies of scale (in terms of the procurement of inputs and attracting finance capital), or improved bargaining positions that such cooperation can bring.

▪ ***Economic structural constraints***

Perhaps the most notable constraints faced by growers stems from the lack of credit facilities open to El Palqui's small-producers. Once again this is not uncommon in rural areas throughout Latin America where informal credit lending is usually characterised by exorbitant interest rates, and institutional credit is often hampered by a perception that repayment is hard to enforce from smallholders while "the seizure of land or animals offered as collateral is problematic" (Binswanger and Rosenzweig, 1984, p.15). In El Palqui's case, *parceleros* lack of experience in viticulture and low asset base would certainly not have helped their risk profile. After all setting up grape production is a costly, risky and technical business, especially when working under a 'neoliberal regime' where "government intervention is normally restricted to micro-scale farmers...and subsidised credits are rarely available to small-scale commercial farmers..." (Gwynne, 2003, p.316). Thus, in the absence of alternatives, essentially those El Palqui growers wishing to reconvert had little choice but to embrace 'dependent capitalisation' (Korovkin, 1992, p.249) by relying on large fruit export companies.

In sum, El Palqui's *parceleros* have faced a myriad of structural constraints which have conditioned the nature of their insertion into the global economy. Importantly, many of these structural constraints are not unique to El Palqui, or Chile for that matter, but are common throughout Latin America among peasants wishing to take part in the non-traditional agricultural export sector. For instance, Carter, Barham and Mesbah (1996) found similar 'structural impediments' (e.g. credit scarcity, low relative access to information and poor training) affecting small-scale growers during their investigation into Guatemala's agro-export boom.

Furthermore, new dangers are just around the corner. In the future as labour costs increase Chile is going to have to learn to compete more and more in terms of quality. In 1994 the 10 largest firms put in place standardisation procedures so to some extent this process has been underway for some time (Murray, 1997a). The plethora of bilateral and multilateral Free Trade Agreements

(FTAs) are likely to aid the sector by facilitating greater market access⁷³. Yet, often such agreements come with stricter phytosanitary and environmental requirements, which means growers often have to invest in new technologies and standardisation procedures which are not scale neutral. As one interviewee remarked;

There's a lot of talk about the new code of agricultural practice [whereby] they [the companies] demand that the producer has a tidy parcela with more elegant packing stations, with the latest technology etc. The prices are the same as 10 years ago but the production costs keep going up. Another grower told me, "companies are asking us to do this [certify the land and employ the code of agricultural activity] due to the free trade agreements, especially the one with the US.

In addition, as Kay (2002, p.490) points out, with greater international integration "the size of the farm and its level of capitalisation is going to become even more important as new technologies and new economies of scale favour large enterprises". Thus, FTAs are likely to have disproportionate costs for small growers, and paradoxically, may even reduce 'market access' for *parceleros*; not to mention the effects even cheaper food imports would have on the already beleaguered traditional crop sector.

7.2.2 Sub-Question (2)

(1) What roles have export companies and their contract systems played in El Palqui?

As outlined above, *parceleros* insertion into the global economy came to be completely dependent on large export firms for credit, technical expertise and market access. By signing such contracts growers relinquished considerable autonomy for the opportunity to export their produce internationally. Working on a consignment basis (whereby growers only received payment following the sale of their produce in foreign markets) this entailed absorbing the lion's share of economic risk (Gwynne, 2003). In the words of *grower 14*, under consignment "if anything went wrong with the fruit and it was not sold they didn't pay me".

⁷³Under successive *Concertación* governments Chile has negotiated numerous strategic bilateral (e.g. Chile-U.S. FTA) and regional free trade agreements (e.g. P3: Pacific Three Agreement, with New Zealand, and Singapore) and economic cooperation agreements (e.g. MERCOSUR) with various nations. More recently, in August 2006 President Michelle Bachelet signed a free-trade agreement with China and in November with Colombia (Pro Chile, 2006).

Conventional economic theory would predict that a supplier would only willingly internalise such risks if the expected returns were considerable. However, this is based on the assumption that there exists alternative supply arrangements for growers (as is usually the case with contract farming in 'developed economies', where even contracting itself is just one of many options available to growers e.g. auctions, spot markets etc), or in other words a competitive functioning buyers market. Ordinarily, when competitive condition exists, the buyer (or exporter)- who seeks from a contract a steady predictable supply of produce at a pre-specified standard of quality, and the grower, who seeks a guaranteed buyer, will engage in a bargaining process that results in both parties sharing a fairer distribution of the risks. If the buyer were to try and transfer too many risks onto the supplier the supplier would simply look elsewhere and vice versa.

Normally, where competitive conditions exist, such a one sided contract- where one of the parties involved absorbs a far greater proportion of the risks without being dually compensated with higher potential returns- is only likely to exist in the 'short run' due to firms exploiting a growers ignorance or poor business acumen. In the long run, however, such a contract can only be sustained if one or another section of the industry holds a monopoly position

In the case of El Palqui, the absence of alternative credit facilities (e.g. 'working capital') and grower 'ignorance' has indeed created a situation whereby growers absorb a disproportionate share of the risks in exchange for low returns. But more importantly, this contractual relationship has persisted over the 'long run' due to the CCC systems 'lock in clause' which specifies that a grower must sell exclusively to his/hers creditor until all debts are settled. Thus, despite on the surface appearing as if there are several export companies competing with one another for suppliers, in reality, this restrictive clause has enabled firms to manufacture market failure achieving not only semi-permanent monopoly positions but semi-permanent bi-lateral monopoly positions.

There are parallels here between the CCC system and that of 'debt-peonage' which was often employed by estate owners under the *hacienda system* (otherwise known as 'debt bondage'). Exploiting the short term needs of largely poorly paid workers, in the past estate owners would encourage debt (usually through advances) as a way of bonding labour to the land. Given that payment was usually in-kind, the system also worked to lower the owner's market risks by creating a captive market for produce grown on the estate (Bernstein, 2000; Newson, 1996; Sachs, 2005). In El Palqui export firms use a similar technique to bond suppliers and reduce their

risks by offering generous credit to growers (for both off farm and on farm purposes) and specifying that growers buy inputs through the firm (chemical inputs and even contract labour)- often above market price.

For Clapp (1988) and others (Davis, 1980; Kloppenburg and Kenny, 1980), arguing from a Marxist perspective, this constitutes a form of ‘disguised proletarianisation’ in the sense that growers in effect lose their control over “the means and the mode of production”. The firms “secure the farmer’s land and labour, while leaving him with formal title to both... [thus] the farmer’s control is legal but illusory”. This represents the ultimate position for a firm as the “propertied labourer [is] on the one hand a landlord, and on the other a labourer who cares for corporate plants” (Kloppenburg et al, 1980, p.23 [point also supported by Kay, 1981). As is the case with banks, Clapp (1988) argues that firms will have an interest in ensuring that indebted farmers neither repay nor default. The intent is to ‘perpetuate the debt’ which the firms consider a small price to pay for a steady supply.

This analysis has application- albeit, not full application- in the El Palqui context, where it seems the companies have not only used debt to entrench supply lines, but also as a means of usurping the means of production. For instance, if a grower took on debt and managed to use the capital to become a viable producer then the firm would benefit from a good supplier. If, however, the grower was unable to pay back the debt, so long as the debt did not exceed the value of the debtor’s asset base (e.g. land), then the firm could recoup its costs and expand its production by forcing the sale of its supplier’s land.

To what extent this was a conscious and planned strategy by firms operating in El Palqui is unclear. A representative from Unifrutti told me that the companies “*never had any intention of owning land*”, but were essentially forced to buy the land due to farmers “*imprudent spending practices*”. Perhaps this is true of the early years when, despite the military government’s grip on power, the spectre of expropriation still loomed over the countryside (Korovkin, 1992). More recently however, if it is true that the export firms never intended to involve themselves in production, why have they insisted on maintaining their lands rather than putting them up for resale?

While it seems there are credible concerns regarding the transparency of contracts, information asymmetries, lack of legal redress available and grower ignorance, speculating on the firms’

motives is far more problematic. To what extent the firms purposely used illegal practices or intentionally exploited small-grower ignorance is far more controversial. Let us assume that all dealings between grower and firm were in accordance with the rule of law then; did the growers not decide to sign contracts, receive advances and reconvert their *parcelas* of their own free will? According to Clapp (1988) this is generally the attitude of agribusiness writers who “are content with a very narrow legal conception of autonomy” whereby the contract “appears as an uncoerced and mutually beneficial agreement between two free and equal agents” (p.8).

Writers of a libertarian persuasion, such as Nozick or empirical libertarians such as Hayek and Friedman would likely concur. As to Hayek “the market is an impersonal force like ‘Nature’, akin to an economic game with winners and losers, whose outcomes can be good or bad, but never just or unjust [or indeed ethical or unethical]” (Hayek, *in* Barr, 1993, p.46). Thus, they would most likely say to a grower, no body forced you to sign this contract, you did so in accordance with your own free will, you have benefited from your misguided short term consumption, you may have miscalculated the risks but nonetheless you must be held responsible for your actions. Natural rights libertarians like Nozick are likely to take this even further, maintaining that any intervention from a higher authority to try and prevent a particular person or group from borrowing money (or borrowing a certain amount) is belittling, discriminatory and reeks of the kind of paternalism which violates the sanctity of personal sovereignty (Barr, 1993).

The above kind of thinking tends to take a very narrow conception of human society, however. For those who at least accept the premise that relations between different individuals, classes and institutions are underlined by power asymmetries, will more than likely accept that creditors must also take some responsibility in their lending and this includes following certain ethical guidelines. After all, not all individuals are equally financially literate. Indeed, on their own admission, many *parceleros* lacked formal education, many could not even read or right, and few could afford assistance from lawyers and accountants to help them negotiate contracts and manage their funds more efficiently. Such was the exuberance of the moment that it must have been psychologically demanding for growers- usually accustomed to a rather austere life – to resist the temptation to increase their material wealth and social status as exporters (e.g. the ‘magic of the modern’). The firms’ apparent willingness to lend such large sums of money no doubt contributed to the perception among growers that such debts were sustainable. To be sure, under the CCC system companies maintain a very close watch over production, monitoring crops and advising growers what, when and how to plant as well as which inputs to use (Gwynne,

2003). Thus, given their close interaction with growers, if growers were on occasion spending unwisely, why then did the export companies not take steps to halt the spiral of debt?

I would argue that the firms must take considerable responsibility for their frivolous lending. Yet interestingly, among various *parceleros* there is no consensus on this issue. When asked to explain the reason for such high grower failure among *parceleros*, a number of growers blamed poor returns and accused the companies of acting dishonestly and manipulating the accounts to their advantage (*Grower 13, Grower 15 and Grower 6*, chapter 6.6) In contrast however, others such as *grower 1* said;

The parceleros are the ones to blame really". One has to be a good manager...if the company gives me money I have to use it to work not to party and drink. Sometimes we had to go to Ovalle to cash checks and other grower-friends were in town and asked me if I wanted to stay but I said no I have lots of work to do.

Another three growers- all of which are still viable producers- were less critical but agreed with grower 1. *Grower 8* told me "I think its bad administration on their part", *grower 5* said "It all depend on one's hard work", and *grower 15* believed "it's about good administration, hard work and having good friends".

Generally speaking those who had lost their land due to debt tended to be the most sceptical and critical of the export firms, although this was not necessarily always the case. One successful grape grower, *grower 13*, who refuses to work with the companies (as already mentioned earlier) remarked quite candidly;

I don't give grapes on consignment...if you do that they just tell you tales...they [the export companies] are not healthy...they are not honest.

Another, *grower 9*- who mistrusted the companies from the beginning- continues to specialise in horticultural crops because;

In order to grow grapes I would have to sell to the export companies or do business with them and this has made a lot of farmers lose their parcelas.

7.2.3. Sub-question (3)

(3) To what extent might past and present structures at the national level – particularly neoliberalism - have contributed, influenced or conditioned the present state of affairs in El Palqui vis-à-vis land ownership, socio-economic differentiation and the role of the fruit export sector?

Whether the firms acted irresponsibly in their lending or whether the growers are guilty of imprudent spending is perhaps not the issue. The real issue is why such a situation was allowed to transpire in the first place – and for this the Chilean government needs to take responsibility for allowing such dramatic and rapid socio-economic differentiation to continue unchecked and for so long.

Arguably, the role of government should be to protect and promote the wellbeing of all its citizens. This means pursuing development policies and maintaining a socio-economic environment which provides opportunities for all citizens, not just a privileged few as has been the case under neoliberalism. In the context of El Palqui, and from a neo-structuralist point of view, had the Chilean government- both under military rule and various successive democratically elected governments- not harboured such a dogmatic anti-state, anti interventionist bias, then the government may have been able to regulate and mediate relations between the two contractual parties in a way that precipitated a more socially equitable fruit export boom.

7.3. Reconversión Revisited and Reassessed

Chile's fruit export boom has been criticised for favouring medium to large producers over the likes of *minifundistas* and for facilitating the 'casualisation' of labour relations within the Chilean countryside (Kay, 2002). However, as this thesis is primarily concerned with the fruit boom's effect on *parceleros*, this group takes centre stage. Suffice to say, however, that *minifundistas*, due to their very small land holdings and various other structural constraints, have been almost entirely excluded from participating directly in the 'boom' as producers (Kay, 2002)⁷⁴. As Collins and Lear (1995, p.200) explain;

⁷⁴ Although it is likely that many *minifundistas* supplement their incomes by working as part time workers within the fruit industry (e.g. 'semi-proletarianisation').

[the fruit industry's] expansion has been limited largely to the better educated and economically more sophisticated growers...Chile's small-farmers, including the remnant of land-reform beneficiaries were largely precluded from the fruit boom, mainly because they were insufficiently large and lacking the resources to gain access to technology and technical assistance offered by the fruit exporters, banks, and consulting agronomists.

Thus, for Collins and Lear (1995) the focus tends to be on those structural barriers that prevent growers from embracing *reconversión* in the first place, in particular the lack of access to agribusiness's financial and technical infrastructure. This implies that if growers were perhaps able to tap into this supplier/exporter nexus, then they would have the resources and means to take advantage of the fruit industry's expansion. However, as I have shown in this thesis, the ability to reconvert and the ability to remain viable in the long run are two separate matters. In El Palqui, despite receiving on average nine times as much land as most *minifundistas* (Kay, 2002) and been large enough to attract considerable interest and capital from agribusiness, nearly two thirds of the locality's small-farmers who reconverted have failed to remain viable in the long run. In fact, paradoxically, it could be argued that their involvement with the fruit export firms (and access to company credit), rather than their lack of involvement, has been the primary mechanism generating debt, proletarianisation and socio-economic differentiation within El Palqui⁷⁵. This is consistent with Gwynne's (2003, p.311) argument that;

In those spaces that have become more embedded into global capitalism (through production, exchange, investment and technology flows) higher rates of growth...can reinforce the strongly differentiated nature of dependent capitalism and the tendency for economic development to be concentrated in the 'upper circuits' (linked to TNC in particular) with little trickle down to the 'lower circuits' (such as small-scale farmers)

Indeed, it is certainly feasible that had they not converted their land to grapes in the first place, like grower 9, many growers would still retain ownership and control of their land. This appears to be the case in other parts of the Guatulame Valley, where micro-farmers - too small to attract the attention of large TNC - have "survived and even prospered in the Valley" (Gwynne, 2003, p.319).

⁷⁵ Other research tends to support the idea that grape contract farming with agribusiness (Korovkin, 1992) and tomatoes cultivation under contract (Peppelenbos, 1996) tend to result in proletarianisation and the socio-economic differentiation of the peasantry.

It is argued, therefore, that post-*reconversión* structural constraints are every bit as important as pre-*reconversión* constraints. However, this is not to imply that *reconversión* per se is a completely flawed concept. But rather that ‘market-led’ *reconversión* alone is no panacea for rural development: that is of course assuming that the aim of the Chilean government is not just to generate growth but to foster ‘growth with equity’, as it frequently claims (Kay, 2002).

7.3.1 Reconversión into the future

It is time to consider both new ideas and draw on past lessons. The way *reconversión* has been pursued to date requires alterations. Critics of state intervention need to be reminded that the Chilean fruit export sector was not born entirely of the ‘free market’, but owes considerable thanks to past government interventions, most notably Frei’s fruit plan of 1968 and Allende’s extensive land reforms (see chapter 5.4.- 5.7.). As Kay (2000, p.465) argues, “this does not mean [however] a return to the centralised type of state intervention of the populist period before 1973”. Although, it does mean that from a neo-structuralist perspective, there is no reason why government intervention cannot continue to play an important enabling role in the industry to ensure the “benefits of growth and modernisation” reach those groups marginalised or excluded during military rule (1973-1989) (Kay, 2002) and thereafter. It is argued that had the Chilean government taken a more active role it could have help offset some of globalisations more regressive aspects, perhaps averting such rapid and wide spread grower failure.

Unless operating under a command economy, however, governments cannot generally prevent someone from selling their own land, force them to spend their money carefully, or force them to work hard. That said, however, states can help provide certain individuals or groups with the right tools to help protect them from extra-economic exploitation and provide for a degree of equality of opportunity. A number of policies could have been used, and still have relevance for those *parceleros* remaining today. They generally relate to the specific structural constraints outlined under sub-question two.

- ***Opening legal channels***

Short of a new round of politically volatile land reforms and turning back the clock, there is little that can be done to directly alter existing land endowments and educational attainment among older growers (yet not their children of course). However, they offer important clues as to where

intervention can be useful. I would argue that the central barrier to small-scale farmers has been the almost entire reliance on the export companies (which is of course indirectly related to their small-size). A degree of accessible, and most importantly, impartial, legal advice (state funded or subsidised) prior to signing contracts and following the resolution of the liquidations may have helped prevent export firms from exploiting grower ignorance and potentially 'inventing costs'. Fortunately, there is some indication that the state is beginning to take a more active role with one grower (*Grower 14*) telling me of a state solicitor who is helping him defend his land in court. How widespread and accessible such support is, however, unclear. More research needs to be done into this area. But it certainly appears to be a positive.

Besides legal assistance, however, a number of other growers mentioned how the internet is making "it easier to stay in touch and check prices". Although it also has the potential to help growers make better informed investment decisions. The degree to which the internet and other technological breakthrough are helping to empower growers vis-à-vis trans-national companies in El Palqui and indeed throughout the Latin American continent is also unclear, although it is certainly an interesting question worthy of deeper investigation.

- ***Fostering cooperation***

Another way the government could have assisted growers is by fostering cooperatives among growers to allow for scale benefits and greater bargaining power with export firms. Korovkin (1992, p.247) describes how small-scale grape producers in Rinconada formed such a collective (the Orolonco Society) which "served as an intermediary in their relations with the fruit corporations" helping to protect them against 'unfair' contracts and receive better prices for their produce. Yet, despite having been once part of cooperatives, *parceleros* in El Palqui exhibit a comparatively high degree of individualism which has led to a sub-optimal level of cooperative organisation. Thus, providing economic incentives is one way the state could encourage such organisation- although merely helping to set up the 'regulatory framework' (Gwynne, 2003), provide advice and institutional capacity is a crucial first step in sparking such mutually beneficial arrangements.

- ***Providing alternative credit or subsidised credit facilities***

I have all ready described in earlier chapters how a number of farmers have more recently wrested themselves from the export companies by taking on bank loans (once only the privilege

of large farmers) (Gwynne, 2003) which offers them far greater autonomy, fewer risks and higher returns as they are able to sell to the 'highest bidder'. Moreover, although it is difficult to measure, throughout the interview process it was discovered that those growers who had achieved this level of independence from the firms (as opposed to 'disguised proletarianisation') displayed a certain sense of pride and accomplishment that from a wellbeing perspective, should not be understated.

Had the government provided either subsidised credit or simply alternative credit (either direct or through a private/public partnership with the banks) to growers this would have likely achieved similar multiple aims. First, it would have reduced the power differential between grower and firms. As with contractual relations in most economically 'developed' nations, growers could have negotiated terms with any number of firms which would likely result in a more equitable sharing of the risks and returns whilst still conferring technological benefits to the grower. Not able to utilise 'lock-in' clauses, any attempt by firms to invent costs would simply result in companies losing their suppliers to rival competitors. It would be in the firms' interest therefore to support growers rather than exploit their ignorance. Second, growers would have greater choice in terms of where they bought their inputs which is also likely to save them money⁷⁶. Thirdly, with no potential conflict of interest (i.e. to usurp growers' land), the government could have 'rationalised' the credit/advances process, including checks and balances and monitoring to ensure credit was used prudently- which would have avoided the myopic credit bonanza of the early years⁷⁷.

Such policies go beyond creating a more equitable distribution of the 'fruits' of the fruit export boom, however. They also have an important secondary function in the sense that they are likely to contribute to the political sustainability of *reconversión*, and ultimately the integrity of the export model and the capitalist system itself. Yet one major caveat remains: given that firms were attracted not just to Chile's natural comparative advantage but also its human engendered competitive advantage (i.e. the liberal labour repression model), it is questionable that firms would have invested in the Chilean fruit sector to the same degree had they not been able to

⁷⁶ That said, it is not uncommon in contract farming- especially given the specific quality standards, environmental standards and phyto-sanitary requirements of many markets- for buyers to demand that certain types and levels of inputs are used by growers.

⁷⁷ It is not lost on the author that such state credit could engender a degree of 'moral hazard' (e.g. in the credit context, irresponsible borrowing) if growers believe the government is likely to go soft on repayment and growers begin to see such support as a right as was the case with the '*anticipo*' (advance) given to reform beneficiaries under the Allende government (Kay, 2002).

utilise their superior power position and information flows to exploit both growers, labour and the environment.

7.4. Final Remarks and Conclusions

In chapter (2.3.) it was explicitly stated how I intended to take a political-economic approach to my analysis. This compels us to view the changes in El Palqui as intimately linked to the wider political-economic struggles that have taken place and continue to take place in Chile. In this context, grower failure of *parceleros* and consequent land concentration is not merely a 'natural' process in the evolution of the Chilean economy, but rather can be traced back to the military government explicit, and to a lesser degree the *Concertación* governments' tacit, anti-state, non-interventionist bias.

Indeed, since the initiation of land reform under Alessandri, then Frei and Allende, Chilean farmers- particularly *parceleros*- have been caught up in ideological battle between the forces of socialism on the one hand and neoliberalism on the other. Most recently they have been the victims of the assumption-ridden totalising neoliberal model: a model which tends to view development in a very narrow sense, where the 'wellbeing' of a nation is crudely assumed to correlate to, and improve with, a rise in a number of broad macro-economic indicators which are often indecipherable to the majority who feel their effects. In achieving its ends, neoliberalism shows little mercy. It has little patience for, or at least turns a blind eye to, the many complex histories, different geographies and underlying structural constraints faced by different genders, socio-economic groups, cultures and communities. Stripped of history, and in the eyes of neo-liberals, everyone is essentially the same in terms of their barriers, hopes and desires. Those who fail economically (e.g. *parceleros*) thus only have themselves to blame. Besides, are not the economy and the country better off as a whole to be cleansed of such inefficiencies anyway? Is this not simply the natural order of things? From this perspective grower failure is not necessarily something to be lamented but is merely a method of separating the weak from the strong, the efficient from the non-efficient, or to use the language of Chilean policy circles- the 'viable' from the 'non-viable' (Korovkin, 1992, p.239).

It is attitudes such as these that the growers of El Palqui had to face under the military regime's neoliberal agenda and its continuation under the various democratic regimes since 1990. Thus, given the high degree of policy continuity throughout the democratic transition, it is perhaps

unsurprising that *reconversión* remains a key centre piece of the Chilean government's agricultural policy. Continued growth in the fruit export sector, particularly in table grapes, has helped to sustain the predominance of this policy. But despite the emergence of a new entrepreneurial class, proletarianisation, land concentration, and social differentiation continues to take the shine off what has undeniably been a truly remarkable reinsertion into the global economy (Kay, 2002).

Certainly in the case of El Palqui, in the wake of continued land sales since 1994, *parceleros* are rapidly joining the ranks of 'semi-proletarianised' *minifundistas* or 'fully proletarianised' wage labourers, while those who retain land (excluding those 'few' who have been able to sell to the highest bidder) represent little more than a 'disguised proletariat'. In light of this reality, it is argued that the Chilean countryside is developing a neo-biodalist character, coupled with a new form of 'debt-peonage', which is gravely reminiscent of Chile's pre-reform- arguably semi-feudal- *hacienda* system. Only today it is not large inefficient estates which dominate the countryside but medium to large, highly capitalised, capitalist farmers and agribusinesses. Which begs the questions, is 'market led' *reconversión* the most desirable model? And if not, what alternatives may there be, and which groups ought to drive these initiatives (e.g. markets, governments or non-governmental organisations etc.)?

There is already some indication that the Chilean government, under Bachelet, is reassessing its role vis-à-vis the economy and is poised to take a more active role in steering Chile towards a new stage in its economic development. In what is perhaps the closest to a neo-structuralist approach yet, the Bachelet government has openly declaring it's intention to take a more supportive approach towards the rural economy, by promoting "public policies for quality control, public-private cooperation and a change in the productive focus [towards value added products in particular]". But perhaps most importantly, while international integration and export-led growth remains firmly on the agenda, Bachelet has explicitly stated that all policies will need to be 'inclusive', and must provide opportunities for all Chileans, with a particular "emphasis on small-scale family farming". These 'inclusive' ideals are encouraging, but we will have to wait and see if the Bachelet government can deliver on these goals.

7.4.1. Some Research reflections

Earlier on in this dissertation I stated that it is not the explicit intention of this thesis to offer the final say as to the merits of neoliberalism in El Palqui, in Chile or indeed in Latin America as a

whole; and this position still holds. I have, however, been able to uncover continued land concentration in El Palqui since 1994 thus confirming Murray's (1997) earlier predictions that in the absence of government intervention "the economic decline of the peasantry is unavoidable" (Murray, 2002b, p.220). I have also shown how such land concentration has for the most part occurred due to small-growers accumulating excessive debts with fruit exporting companies whose ubiquitous presence throughout the Chilean countryside is in itself a direct result of the government's conscious effort to court foreign investment and allow the market to allocate resources, which is in turn all part of successive governments' wider neoliberal agenda. By focusing on a specific locality with specific actors, it has been possible to paint a more detailed and relevant picture of how the 'global' conditions the local; a focus which cuts through the often polarising and assumption ridden debates which surround globalisation and neoliberalism at the national or international scale.

Whether this rural transformation can be said to be good or bad, or just or unjust, however, is beyond the direct scope of this thesis. All change requires adaptation and the adoption of new ways of living, creates new opportunities and carries with it new threats. Ultimately the final say as to the merits of neoliberalism ought to be decided upon by the community at large – not merely the perspective of the *parceleros* who are but one – albeit important- part of the local community. For instance, during my stay I made the comment to a very helpful local resident- himself the son of a *parcelero* who had only recently been forced to sell his land- that 'it must be sad that so many have lost their land?', in which case he responded, "perhaps, but it has not affected employment". Indeed, on the positive side, El Palqui, and indeed Chile as whole continues to enjoy success in non-traditional exports and this has lowered the nation's hitherto precarious reliance on volatile copper exports. In El Palqui at least, the fact that firms have bought land and are now directly involved in production as well as exporting indicates that they intend to stay for the long haul and cannot merely up and leave should markets conditions take a turn for the worse. This gives them a stake in El Palqui, and despite fewer individuals owning land, locals are still likely to benefit from the flow of technology and techniques, employment and economic multipliers which together help to retain the local population and maintain the integrity of the *pueblo*⁷⁸. That said, more research needs to be done to paint a more complete picture of El Palqui's agrarian change under neoliberalism, particularly in relation to economic multipliers, wage rates, job security and working conditions. But perhaps most importantly, more work must

⁷⁸ Gwynne and Ortiz (1997) in Kay (2002) found that despite land concentration, the fruit boom, especially given the labor intensive nature of grape production, has at least helped maintain the local population. Anecdotal evidence suggests this is still the case, although more research is necessary to say for certain.

be done to illuminate the opinions, attitudes and perceptions of the locals that have actually lived this dramatic and tumultuous transformation.

7.4.2. Conclusion

In Conclusion, there is little doubt that, in purely economic terms, Chile remains one of the most successful examples of non-traditional agro-export led growth in Latin America (Collins and Lear, 1995). In 1975, non-mineral exports made up just over 30% of total exports, whereas now they account for about 60% (US Dep of State, 2006). But rural poverty, despite improving under *Concertación* leadership, remains high at one quarter of the rural population while land concentration, socio-economic differentiation and poor and precarious working conditions continue (Kay, 2002). Moreover, some question the long term environmental, economic and possibly political sustainability of a growth model dependent on the exportation of low value primary products (Barton, 1998; Murray, 2002b)⁷⁹. As Barton (1998, p.16) points out “In many ways, Chile’s natural resource dependence has not changed considerably, merely shifted from mineral resources to the exploitation of other natural resources...exposing Chile to issues of long term economic insecurity and instability”. Furthermore, the myriad of FTAs Chile has already signed and are actively pursuing may create opportunities for medium to large producers, but pose difficulties for small farmers, not to mention the fact that their strict legal conditions will reduce the ability of governments to ‘favour their own nation’. Regarding employment, if land concentration persists and average land sizes increase there is the added danger that labour may be substituted for new labour saving technologies (Carter et al, 1996).

Thus, in light of my research’s findings and the ‘future threats’ outlined above, this thesis argues that the Chilean state ought to have taken, and should still take, a more active role in addressing those structural limitations faced by diverse groups within rural Chile. As only through targeted state intervention can Chile’s tremendous macro-economic success be harnessed in such a way that benefits all Chileans and for which secures the future viability of the Chilean peasantry.

⁷⁹ For instance, according to Barton (1998, p.15), Chile’s “perennial dependence on its natural resource base” has changed little with the expansion of non-traditional exports with over 80% of the nations exports earnings still coming from natural resource extraction.

Appendices

QUESTIONNAIRE

1. General

1a. Name?

1b. What is the size of your parcela?

2. Production and output

2a. What crops did you have planted on your parcela last year? What was the land area occupied by each of these crops (please treat each different variety of grape separately)?

2b. Five years ago?

2c. Ten years ago?

2d. What was the output for each of these crops last year (please treat each variety of grape separately)?

2e. Five years ago?

2f. Ten years ago?

3. Tenancy

3a. Are you the owner of your plot? y/n

Landowners

3b. If the response to the above is yes, since when have you been the owner?

3c. How did you come to own the land?

3d. Since you came to own the parcela have you purchased any additional land? y/n

3e. If the response to the above is yes, what was the quantity purchased and when did the purchase take place (please detail each individual instance of land purchase you have been involved in)?

3f. From whom did you buy the land in each instance?

3g. How much did you pay in each instance?

3h. How did you raise the money to fund this purchase?

3i. Since you came to own the parcela have you sold any part of it? y/n

3j. If the response to the above is yes, what was the quantity sold and when did this sale take place (please detail each individual instance of land sale you have been involved in)?

3k. To whom did you sell the land in each instance?

3l. How much did you receive in each instance?

3m. What was the reason you sold land in each instance?

3n. Do you rent any land on top of that you own?

Non-landowners

3o. If you are not the owner of your land, from whom do you rent it?

3p. What is the annual payment for this?

4. The market for grapes

4a. To whom and in what proportion did you sell your grapes last year?

4b. Five years ago?

4c. Ten years ago?

4d. What price did you receive per box last year?

4e. Five years ago?

4f. Ten years ago?

4h. Are you satisfied with the way prices have evolved? y/n

4i. With which of the above mentioned buyers (if any) do you sell your grapes under contract?

4k. For what period of time are you contracted to sell grapes to each purchaser with whom you have a contract?

4l. Would you please detail the general nature of this contract and detail any specific conditions which you think are of interest?

5. Credit

5a. Have you used credit in order to meet the running costs of your parcela over the last ten years? y/n

5b. Can you give some examples of what this credit was used for?

5c. Have you taken credit from export companies responsible for the purchase of your grape production?

5d. What has been the rate of interest with the various companies?

5e. How much time do you have to repay this credit?

- 5f. Are you in debt with any of these companies or any other institution? y/n
- 5g. What is your current level of debt with each of the above?
- 5h. When did this debt begin with each of the institutions/companies to which you are indebted?
- 5i. Do you plan to obtain more credit in the future?
- 5j. For what purpose?

6. Investment and technology

- 6a. What types of machinery do you use on your parcela?
- 6b. If yes, when did you buy each of the machines mentioned?
- 6c. How did you pay for each of these machines?
- 6d. Do you share any machinery with other farmers near to you?
- 6f. Do you use fertilisers on your grapes? y/n
- 6g. If yes, when did you start use of fertilisers?
- 6i. How do you pay for the use of fertilisers?
- 6j. From where do you purchase your fertilisers?
- 6k. Who informed you of the type of fertilisers that would be best for use on your parronales?
- 6l. Do you use pesticides or herbicides?
- 6m. If yes, when did you start use of these?
- 6n. How do you pay for pesticides/herbicides?
- 6o. From where do you purchase your pesticides/herbicides?
- 6p. Who informed you of the type of pesticides/herbicides that would be best for use on your parronales?
- 6q. How do you pay for your pesticides/herbicides?
- 6r. What irrigation method do you use for your grape production?
- 6s. If you use goteo when was this installed?
- 6t. Do you think your water supply is sufficient to maintain production over the coming years?
- 6u. Do you have any investment plans for the future? y/n
- 6v. If yes, what are your plans?

7. Labour

- 7a. Who works on your parcela full-time?
- 7b. Do you have to employ extra persons at any particular time of the year?
- 7c. If yes, at what times is extra labour employed and how many are employed?
- 7d. Where do these workers come from?
- 7e. Do any members of your family work off the parcela at any time during the year? y/n
- 7f. If yes, when do they work off-farm and in what type of job?

8. The future

- 8a. Do you intend to continue cultivation of the grape in the future?
- 8b. Do you wish to reduce, maintain or increase your level of grape production?
- 8c. How do you see the local market for grapes and the situation for farmers of similar size to yourself over the coming years here in Los Litres?

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