

BASIC NEEDS AND CAPITALIST PRODUCTION IN PERU

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In the last 30 years Peru has seen a whole range of political and economic regimes. During the 1950's Peru was considered the best example in Latin America of an open and laissez-faire economy. Towards the end of the decade, emerging business sectors and professionals, some of them displaced from the political scene in the late 1940's, pressed for incentives and protection and obtained both to launch an import substitution industrialization process. As it happened in the 1950's with the investment in new mines, foreign capital was, from the beginning, a very important component of this industrialization path and of the cultural framework of the most capitalist and urbanized sectors of the country.

Growing social consciousness and rapid urbanization led gradually to more radical proposals as Peru left the 1950's and entered the 1960's. Peasant revolts during the same period made the need for an agrarian reform explicit. Belaunde's experience 1964-1968 showed to some sectors and the Armed Forces the need for truly radical reforms in order to solve some of the country's crucial problems and to impede further radicalization of the social and political process. A "non capitalist-non communist" military regime was installed in 1968 to continue and radicalize the reforms frustrated in the late 1940's, proposed during the 1950's, implemented in the 1960's and frustrated again in the late 1960's.

This radical reformism showed itself in several cases. The Agrarian Reform expropriated the rural oligarchy but benefited less than 20% of the peasants. The industry reform gave workers the legal possibility of progressively acquiring up to 50% ownership in the industrial enterprises. This was something businessmen did not like at all but the reform was never fully implemented, frustrating also workers ex-

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pectations. Private newspapers were also expropriated in favour of various sectors of the population but they never developed into an effective voice for the government-created peasant and industrial workers organizations. Actually these organizations did not have any significant influence on the policy of the newspapers. The military regime itself closed the windows that were being opened but not fast enough to recover the friendship of most businessmen.

The accumulation process was organized around State enterprises but the State investment effort was based on savings dependent upon private profits and foreign debt. Both debt and private profits grew to records levels but important proportions of them to a large extent were used for consumption expenditure. The distributive effect of the reforms was small and social expenditures by the State were extremely low. Defense expenditure grew enormously. The end result of all this was economic and political crisis. The stabilization policy pursued after 1976 increased poverty to unknown levels.

It is against this background that the following reflexions are set.

I. A Socially Frontier Country.

Peru is socially a frontier country -it is situated on the border of the world capitalist system, where the capitalist social order battles with the traditional one, flirts with it and commercially profits by it, squeezes it, corrodes it and, when this is permitted by the productive and political forces, destroys and replaces it. This competitive and complementary relationship between the two societies occurs within the world capitalist system and is part of the international and contemporary process of primitive accumulation. Violent migration, chaos and improvisation, the irrelevance of "law and order", etc. are all aspects of the national scene.

Peru's ailments are of a the triple economic nature. On one hand can be noted the maladies of the new social order, the capitalist one. This produces both poverty and insecurity as conditions of expanding progress. On the other hand, there are the maladies of the old social order: the remnants of rural and urban servitude, fatalism and the limited development of the productive forces. Finally, Peru's ailments are the results of the struggle between the new and the old. In this struggle, commercial capitalism extracts surplus from the rickety agrarian economy, making the countryside more and more incapable of supporting the population that it has itself produced. Temporarily or permanently driven off the land, the rural migrant is not given shelter by modern factories, by trade-unions or by western bourgeois legislation. In society's border land, capitalism's destructive function surpasses that of its constructive one, and generates millions of under-employed Peruvians, poorer and more insecure than those "decently exploited".

In Peru, the wage-labour sector of the economically active population (EAP) is still the smallest one and is even diminishing with the crisis. While, in 1975, the money-remunerated EAP constituted 41% of the EAP, in 1978 this proportion was reduced to 39%.

In the Peruvian countryside, the percentage of permanent wage-labourers is even lower -approximately 20% of the agricultural EAP- and one finds the majority of them along the country's coast. In the "Sierra" (highland countryside), the independent peasants predominate, but the land which they own is completely insufficient for their survival. A good part of them are therefore forced to work as occasional wage-labourers without the possibility of their ever becoming either self-sufficient farmers or permanent wage-labourers. The peasants' low incomes are accompanied by the instabilities of Nature, by those which stem from the functioning of the commodities market and by those which result from the anarchy of the labour-market. The family unit, staying on and working the land whilst its head seeks seasonal work as a wage-labourer in distant zones, sets itself up as the unit that attempts to guarantee survival -although at inhuman levels.

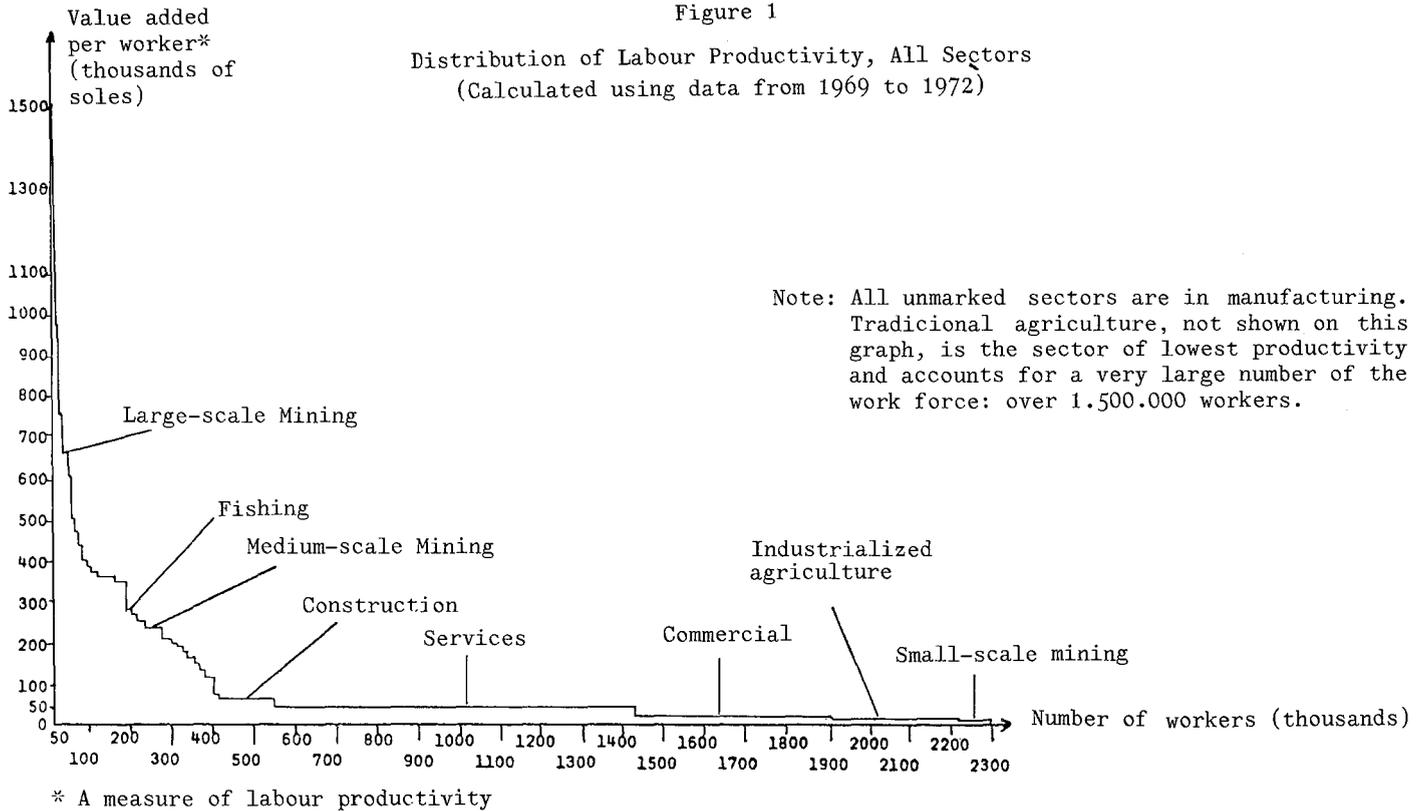
The following reflections, illustrated by statistics pertaining to Peru, are intended to present some of the problems, concerning concepts and social options, that it is necessary to clarify in order to confront realistically the task of rapidly and drastically resolving the problem of extreme poverty. For this reason I emphasize the conceptual and social problems that relate to the redistribution problem and put to one side the long-term productive tasks. I consider that a new point of departure is a fundamental necessity so as to avoid, as far as is socially possible, the labour-pains that accompany the process of development.

II. Physical Productivity, Ownership and Poverty.

The limited development of the average productivity is at the base of the difficulties of survival, but it does not explain the extension and profundity of misery. It is necessary to observe the specific form of socially distributing the productive resources in order to understand the distribution of poverty. Even then, the heterogeneity of productivity reinforces the impression that the cause of both poverty and poverty-distribution lies in the nature of the productive resources themselves and not in the social organization of production and distribution.

The heterogeneity of productivity can be observed with some degree of accuracy in Figure 1, where it may be noted that in general, the most productive sectors are those founded upon the exportation of products from the primary sector. To these one can add the branches of the manufacturing industry whose value added per worker oscillates between 100,000 and 2,428,000 soles per annum. So as to illustrate the quantities entailed, 250,000 soles was equivalent to 10 times the minimum legal wage in 1970 (during a year), and 5 times the amount needed to barely maintain a family of 6 people.

In a certain type of production, fundamentally agricultural production, low productivity survives competition at the cost of an extreme sacrifice in the peasants' standard-of-living. In manufacturing industry, low productivity, stimulated by the smallness of the internal markets, remains alive because of the existence of low wages (on an international scale) and protective import duties.



Source: Wilson, Patricia Ann, "From Mode of Production to Spatial Formation: The Regional Consequences of Dependent Industrialisation in Peru". Ph. D. Diss. Cornell University. August, 1975. p.97.

As the major part of the country's labour-forces is working at low productive levels, and as on the other hand, the quantity of the individual income corresponds with the quality of the productive resources in private ownership, the relationship between physical productivity and income immediately becomes obvious. In reality, it is the particular mode of the social distribution of the productive resources which determines the existence of this relationship (productivity-income). Social ownership would make the difference between the productivities irrelevant, and income would appear without any relation to the productivity of the individual work that is done.

Though conceiving things in terms of physical productivity and distribution of the product is incomplete, since it supposes that production is realized anyway, thus forgetting that in the capitalist society, it is only under certain rules of distribution between capital and labour that the agreement between the owners of the "factors", and therefore production itself, can be made. Not to take this into account would be to fall into a Stuart Mill picture of society (technical production-social production). The alternatives would thus be stated in an incoherent and incomplete way.

III. Capitalism, Poverty and Redistribution.

I have pointed out earlier how the relationship between individual productivity and individual income exists under a specific form of social appropriation of productive resources of differing qualities. To formulate and make operative a radical policy of redistribution requires some other elements of analysis. To begin with, the most productive resources are organized in a capitalistic way, and for this reason, it is not a question of redistributing incomes in general, or from "the rich" to "the poor" -these incomes have the form of wages and salaries, rents and/or profits.

The majority of the money-remunerated workers in Peru, earns a wage below the subsistence level. In Lima, the city with the highest average standard-of-living in the country, only approximately 20% of the wage-labourers received a remuneration over the minimum needed to only just maintain a normal family (6 people) in 1979. If we include the non-wage workers, the percentage of those that received a remuneration above the subsistence minimum is even less. The legal minimum "subsistence" wage is between one-half and one-quarter of the real subsistence minimum wage.

TABLE 1
LEGAL MINIMUM WAGE AND SUBSISTENCE WAGE (LIMA)
(soles per month)

Year	Legal Minimum Wage ^{a)}	Real Subsistence Wage ^{b)}
1973	2,400	4,858
1975	3,540	7,407
1977	5,400	11,206
1978	6,900	26,919

a) Ministry of Economics and Finances

b) Ministry of Agriculture and Alimentation

What low wages bring about is a greater number of employments per person and per family, rather than a greater number of families with employment. So, more work and more profit is achieved for the same quantity of family income.

The number of the country's unemployed increase, naturally enough, with the crisis (cf. Table 2) and have to depend on their relatives in view of the non-existence of unemployment benefits. Once again, the family assumes the responsibility that the individual alone is unable to assume, and that society as a whole does not assume: to guarantee individual life.

TABLE 2
RATE OF NON-AGRICULTURAL UNEMPLOYMENT (PERU)
(1969 - 1979)^{a)}

<u>Year</u>	<u>Unemployment</u>	<u>Year</u>	<u>Unemployment</u>
1969	10.6	1974	6.6
1970	8.3	1975	8.1
1971	7.7	1976	8.4
1972	7.3	1977	9.4
1973	7.1	1978	10.4
		1979	12.1

a) Ministry of Labour

In this way capitalism generates its own forms of poverty and of insecurity in the face of life.

In Peru, employment is supplied in units of very different productivities. These differences in productivity are greater than the differences existing in remuneration. Without any other intention than that of a merely conceptual approach to the problem, let us examine Figure 2. There and in the aforementioned is evidenced that:

- a) given its quantity and distribution, the type of income to be distributed is the entrepreneurial capitalist profit.
- b) the poor owners as well as the salaried should be benefited by a redistribution.

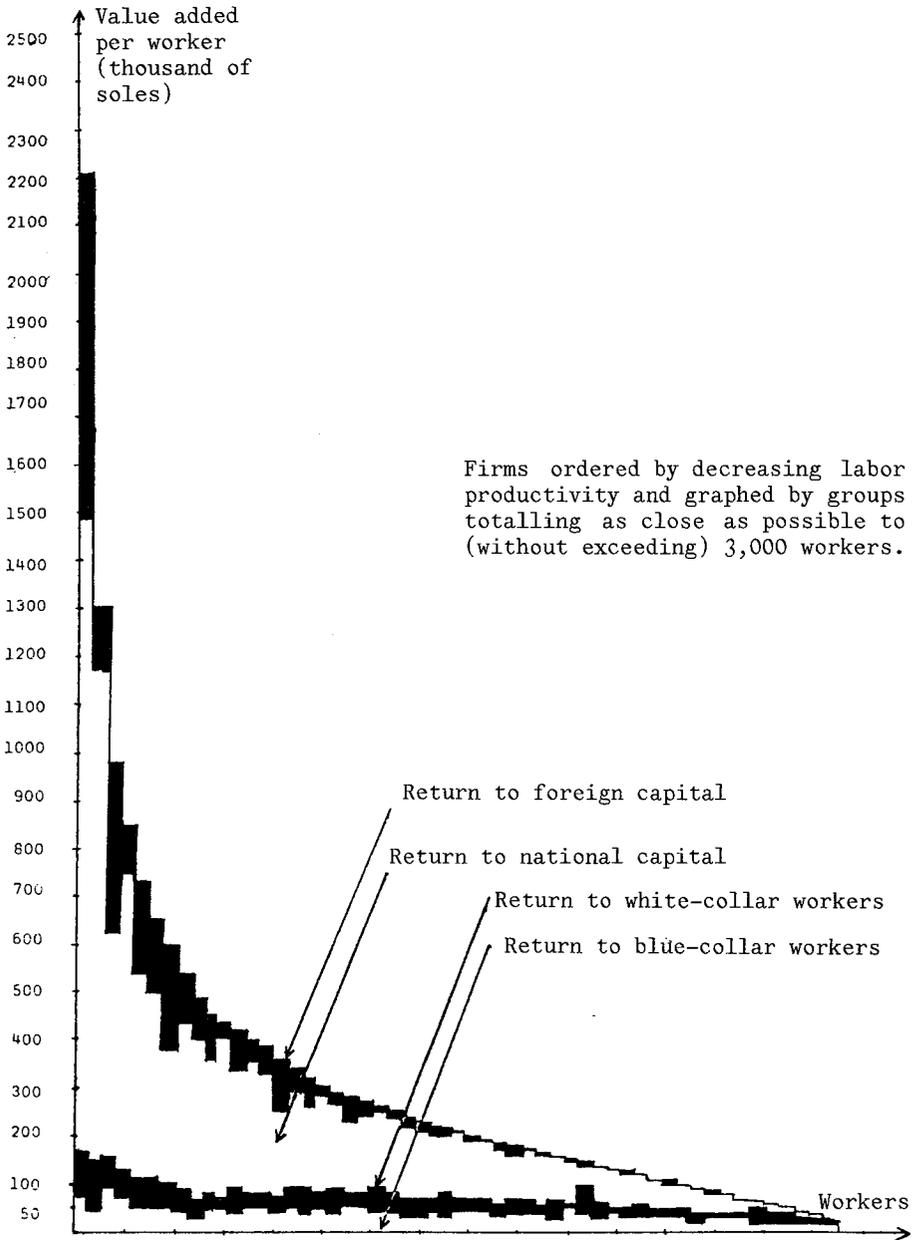
Furthermore, the Figure (and the statistics which back it up and which I have not shown here) reveals that these profits are, to a large extent, those of foreign capital and that the most productive establishments are those with a greater proportion of imported inputs and with a greater intensity of capital¹.

The aforementioned causes us to criticize a common tendency within, for example, the strategy of satisfying the "basic needs", to divide

¹ Wilson, P.A., op. cit., pp. 92-94

Figure 2

Distribution of Labor Productivity by Firm, Manufacturing Sector, 1971



Source: Wilson, Patricia Ann, "From Mode of Production to Spatial Formation: The Regional Consequences of Dependent Industrialisation in Peru". Ph. D. Diss. Cornell University. August, 1975. p.94.

the society into two groups: the "privileged" and the "under-privileged". In the first group one finds the capitalist as well as the permanent wage-labourer. The second group includes the poor, basically the "extremely poor". The problem to resolve is thus that posed by this last group.

As one of its problems, this way of viewing society does not clearly and sufficiently specify the particular form of the income desired to be transferred. Moreover it leaves to one side a social sector of wage-labourers, who though comparatively well-off, obtain an inferior remuneration and work in insecure conditions, etc. These problems should also be resolved.

This forgotten point is fundamental if one is to be able to convert the less radical versions of the "basic needs" strategy in a complementary way to the thesis of "the new international economic order", which is based on the exportation of industrial goods. In other words, the less radical versions of the "basic needs" strategy are compatible with the politics of disorganization of the trade-union apparatus, of social insecurity and of instability of labour for the industrial workers of the developing countries. After all, the elimination of the "privileges" expressed by an "advanced" social legislation, appears as a necessary condition to compete in the world market in those cases where there are not natural advantages.

The social division to which I allude has an important political connotation. It rationalizes the isolation between two sectors of workers -the one organized, the other poverty-stricken. This is related to the implicit political vision that predominates amongst those who are recently concerned with the "extremely poor". This type of vision is to take away from the definition of the problem, everything that could suggest the necessity of a global confrontation between capital and labour taken as a whole. But is this confrontation between classes necessary?

In the first place I want to emphasize the magnitude of the problem to resolve, by using conventional indicators. The percentage of dwellings without water facilities is 70%, 68% of the dwellings do not have an electrical supply and 62% have two or less rooms (33% only have one room), 52% of the families do not consume 90% of the necessary calories, 36% of the necessary proteins, 61% of the necessary calcium or 41% of the necessary carotin. The infant mortality rate is of 120 to 130 per thousand born alive. 77% of all the illnesses that cause the death of infants aged from 1 to 4 years are infectious or parasitical.² All this confirms that the problem of not securing the "basic needs" involves more than half of the Peruvian population, even in times of a high level of economic activity, since the above statistics refer to 1970, 1972 and 1974. Anyway it remains clear that the problem is not what we could call "sectorial".

It has been estimated that the poorest 30% of the country's

² Amat y León, Carlos, "La economía de la crisis peruana", Ebert-ILDIS, Lima, 1978, p. 74.

population receive 5% of the national income.³ Let us take this as an approximate reference. If we wanted to duplicate this income, then it would be necessary, in 1972, to make a transference of 12,274 million soles. This figure represents 34.7% of the enterprises' benefits after tax, and 64.1% of the benefits not distributed. It also represents a quantity equivalent to the total benefits after tax of the agricultural and manufacturing sectors taken together. Now the problem is far more extensive than that of the poorest 30%, and the duplication of the individual incomes of this sector does not guarantee the satisfaction of their "basic needs". The above also shows that it is difficult to imagine a minimumly significant income transference programme that would not imply a head-on confrontation with both local and foreign capital. The alternative of increasing the global income in the required proportion does not give great hope from the point-of-view of the "extremely poor" -to achieve the above mentioned duplication merely by economic growth would take 36 years at a rate of increase of total income of 2% per annum.

How can a substantial part of what constitutes today the capitalist profit be redistributed and, at the same time, the most productive nucleus of enterprises be maintained in function? To my way of thinking, the maintenance of the criteria of profitability and capitalist competition are incompatible with the transference of significant portions of the profits to society's "extremely poor" - for the simple reason that at the remaining levels of private profit the production would not be carried out and there would be nothing to transfer.

One must add other difficulties to this incompatibility. The basic one is that an aggressive policy of redistribution can only be the result of a great pressure by the potential beneficiaries of it, and this implies organization of the people, development of its awareness concerning democratic rights and an open fight for the satisfaction of its "basic needs". The social and political climate associated with such a process scares away capital. The "political elasticity" of capital is very high, and the least political instability generates the flight of capital.

From the above, the political change of the economic system becomes indispensable for the development of a policy that massively, rapidly and significantly could benefit the "extremely poor" of Peru. It is so because it would eliminate the fundamental social hindrance for the implementation of a policy of this nature, and because it would change the capitalist functioning rationality of the enterprises that generate the surplus to be distributed. Besides, it would approach to political power that sector which is directly interested in a redistribution policy, which is a condition of the efficiency of such a policy.

IV. Production, Employment and Productivity.

Peru's production relies upon a very small proportion of the

³ Figueroa, Adolfo. "Economía de mercado y pobreza en el Perú", *Marka* No. 137, Lima, p. 21.

enterprises -6% of the enterprises produce 75% of the country's gross income.⁴ How can a redistribution policy of the type mentioned in the previous section be made compatible with the functioning of this crucial nucleus of enterprises? Only enterprises which do not compete with other enterprises in terms of profit, whether nationally or internationally, can permit such an extraction of surplus and continue functioning. State ownership of the big productive, commercial and financial enterprises is, then, a condition for such a compatibility.

At the same time, redistribution cannot take just any form. For example, an 100% increase of individual wages, if it were possible, would collide with the need of maintaining the employment created by the less productive sectors functioning under the regime of monetary remunerations. Besides, this method of redistribution has the problem of only including a minor part of the poor and an even minor part of the "extremely poor", namely the money-remunerated part.

This suggests that the redistributive method cannot be such that the cost of the elevation of the standard-of-living falls on the small producers, whether in semi-factories or factories. The increase of real income for the individual has to take the form of consumption financed by the State. Guaranteed health facilities, education, etc., are part of this type of consumption. The guaranteed provision of a "basic consumption package" is, on the other hand, a condition for the elimination of the "rationing by money".

In the agrarian sector, a redistribution policy, apart from what has been mentioned above concerning consumption, would require a prices policy and a technical assistance policy that allows for the individual economic improvement of the peasant with the least possible pressure on the urban cost of living and that, at the same time, makes immediately productive the efforts in the fields of health and education. Paradoxically perhaps, I think that the elevation of the peasant's standard-of-living would permit a convenient acceleration of the way-out, for the peasants, from their micro lots of land; thus making possible the concentration of land necessary to raise productivity of the small agricultural units. At the same time, this way-out of the "minifundio" would have more possibilities of leading to other kinds of work (services, handicrafts, etc.) within the same region than if such a policy of increasing the incomes did not exist.

I am far from suggesting that the expansion of the most productive sector of the economy is not necessary. It simply appears to me that such an orientation, even if it is indispensable, must be posterior to the resolution of the most urgent problems of the poor of the country, and not the means to solve them.

The reasons for this transcend immediate humanitarian criteria. Essentially it is a question of making a convergence of the productive capacity of the majority of Peru's population with the scale and characteristics of the existing productive units.

⁴ Amat y León, Carlos, op. cit., p. 62.

Large-scale modern technology is alien to the Peruvian worker for four reasons: firstly, because it is not labour-intensive; secondly, because of its very quality of being modern; thirdly, because of its capitalist characteristics; and fourthly, because it is foreign. Each one of these features makes the management of production become concentrated, and the four features taken together, make it even more concentrated.

Supporting itself basically on large-scale modern technology for increasing production and productivity, would be to maximize the four alienations mentioned above. Notwithstanding, the mere nationalization and socialization of the most productive means of production -even if it is indispensable from the point-of-view of the redistributive requirements mentioned earlier, i.e. as a source of surplus to re-distribute- does not guarantee neither the convergence of productive capacity and existing technological characteristics mentioned in the previous paragraph, nor the long-term economic potential of the country. The present generations carry the responsibility of developing, to a maximum, the levels of productivity compatible with the scale of production that they today are capable of administering.

In a country with a large proportion of small producers, the worker's contact with the modern means of production has to be made initially via his/her cultural and physical development plus the technical improvement of the existing small productive units.

Moreover, as far as the power of successfully demanding a decent income depends on the capacity to offer products which are indispensable to the society, the increase of the productivity of the small producers is, at the same time, an increase in their political power. In this way, at the same time that the need of transferring real income from the most productive sectors is minimized, the social power of the poor of both the countryside and towns, as well as their capacity to continue demanding and obtaining the necessary productive and commercial support, are increased.

My proposal attains, in this way, a dynamic and productive character, underlining the importance of the redistribution, suggested as a first step in the direction of satisfying the basic needs.

(Translated from Spanish by Vivienne Pettman).