

PEASANT MARKET PLACES AND ECONOMIC DEVELOPMENT IN LATIN AMERICA

By Sidney W. Mintz

HARDLY A DAY passes without a story in the daily press on the development needs of the peoples of the "underdeveloped" or "less developed" or "economically backward" world. It seems to be generally accepted in the United States that our international obligations require a policy of economic aid to less developed countries, perhaps particularly those of the Western Hemisphere. In the view of some, our practical and strategic necessities dictate this course. No attempt will be made here to assess such a thesis. It is enough that it represents at the moment the explicit position of this country, as expressed in official statements and in publicly acknowledged commitments. Hence, it will be treated here as a given: the United States is officially undertaking to raise the productivity (and, hopefully, by this means the living standards) of the economically retarded countries of Latin America, and is doing so deliberately, and professedly in its own best interests.

The immense concern with economic aid for development in recent years has led to some very thoughtful questions. Thus, for instance, it has been asked whether the experiences of the underdeveloped countries, as they change, will repeat to any extent those of the countries of western Europe at an earlier time. This question is a fascinating one. In the sixteenth century, western Europe itself was economically backward; it might even be argued that some of the underdeveloped lands of today stand roughly in the same place which the nations of western Europe occupied at that time.

But such a view may justifiably stir skepticism.¹ The West, after all, did not develop in a vacuum; its lands and peoples had specific and involved economic relationships to the non-Western world around it. This was true even before the sixteenth century, of course, and it would be confirmed much more strikingly after the eighteenth. From the Crusades onward, the contacts grew. After the discovery of the New World and of the sea route to India, there was a rapid increase in the outward probing by Spain and Portugal; and northern Europe was not far behind. The Europeans "discovered" and conquered non-Western peoples ranging in scale and in political complexity from tiny migratory hunting bands to great literate civilizations. In spite of occasional political and military setbacks, the history of the West from

tween the Western countries and the lands they dominated were based on the military, political, and economic mastery of the West; the nature of these relationships meant that the *primary* uses to which the non-Western lands and peoples would be put would be in the service of the Western world.

In contrast, today's underdeveloped nations do not have a large "external" world to explore, conquer, and make use of, almost at will. Nor were today's underdeveloped nations—yesterday's colonies, in many cases—merely peripheral to the West's economic development. It is not that they have stood still since the sixteenth or since the eighteenth centuries; instead, they were themselves transformed, and in the ways which the West found to its liking.

But there is one sense, at least, in which the economically backward nations do resemble western Europe in earlier times—and one regard, at least, in which they must expect to parallel that past. Western Europe, before the rise of capitalism, was capital-poor; it lacked pooled wealth. Even more, it lacked the means by which pooled wealth could be thrown into use so that development could result. The underdeveloped countries of today appear to lack the basic aggregation of capital required to make self-sustained economic growth possible; and they, too, lack the means to employ effectively such wealth in achieving rapid economic growth.² What devices exist for making possible capital aggregation in underdeveloped societies is of course a crucial question. Yet one thing is certain: *without* effective capital accumulation, the expected and sought-after development will not come. To put it crudely, there is no "easy way" to economic development—only where orchards provide a salable crop, the returns from which are saved, can capital be said to grow on trees. Whether it be aggregated by decree—that is, through governmental authority and control—or through the operations of the open market—that is, through the gains and savings of free enterprise—there must be a means to engender the accumulation of wealth for investment in growth. Bailey writes:

"The only way to develop the economy of any country is through the formation of capital. There is no other way. It does not matter if the country is nominally communistic, socialistic, statist or entrepreneurial, the process is the same. Only the means differ. This point cannot be emphasized often enough or strongly enough."³

But such medicine is hard to swallow. Its harshness inheres in the lack of alternatives with which it confronts the planner, and the bitter promise it may betoken for those who feel they have too little already. Barbara Ward puts it just as sternly:

"A developing society must at some point begin to save,

The author is Professor and Acting Chairman, Department of Anthropology, Yale University. The paper is based upon an address presented at Vanderbilt University, April 9, 1964, under the auspices of the Graduate Center for Latin American Studies. 1500 to 1900 was one of progressive territorial expansion, so far as the outside world was concerned. The relationships be-

even though it is still poor. This is the tough early stage of growth which Marx encountered in Victorian England and unfortunately took to be permanent. It is a difficult phase in any economy—so difficult that most societies got through it by *force majeure*. . . . No one asked the British laborers moving into the Manchester slums whether they wanted to save. . . . The Soviet workers who came to Sverdlovsk and Magnitogorsk from the primitive steppes had no say in the scale or condition of their work. Nor have the Chinese in their communes today.”⁴

In other words, economic development requires that each underdeveloped society devote some part of what its people would otherwise consume to saving; it is this saving which makes possible the establishment of the economic “plant” which must underlie further development. Some part of the “saving” may actually come in the form of foreign aid, and this can be of considerable importance because it is *available* for particular forms of capital-creating investment. Some may come from the operations of local capitalists who “economize” in order to reinvest on a larger scale, or in new enterprise. But more is very likely to come out of what the poorest segments of the population need—and will not get.

On the whole, the needed saving or capital-building which today’s economically backward lands must undertake is likely to be a much more centralized and governmentally-sponsored process than was ever true in the history of western Europe. The likelihood of greater reliance on “forced saving” (command), rather than on the operation of the market for this aggregation of capital will probably not diminish, even in the face of United States unenthusiasm or displeasure. Governmentally-exacted saving will mean, in turn, that investment in development will also be much more a governmental matter than was true in the history of western Europe. All the more reason, perhaps, why North Americans may well reflect on opportunities to assist development in ways which seem consonant with the United States’ proclaimed ideology of free choice, the open market, and the moral and economic superiority of private initiative over centralized planning.

AS background to such reflection, it may be useful to review very briefly the rise of Western industrialism, and the growth of capitalism which underlay it. Thus one can prepare to ask again, perhaps more pointedly, whether the underdeveloped lands of Latin America, may possibly repeat in any regard the economic history of western Europe.

The economic growth of the modern Western world was difficult and painful. It was not a gradual, pleasant, and ever more satisfying climb out of medieval bondage and poverty, ending triumphantly with a chicken in every pot, a Renault in every garage, and a secret ballot for every citizen. In fact, those who defend the Western way of life by romanticizing the history of capitalism and industrialism do their societies a serious disservice. By implying that hard work, mechanical ingenuity, and will power are all that are needed, they run the risk of dangerously deceiving those who would emulate the Western past. The spread and consolidation of an economic system which tore asunder the traditional restrictions on economic activity established by church, guild, feudal aristocracy, obligations of kinship, and powerful local traditions, resulted in an entire transformation of the societies within which it occurred. Relationships among men, among the groups which claimed and exercised power, and among whole peoples, were completely remade. The serfs were driven violently from the land; the craftsmen were separated from their tools; customary prices, conventional standards of

quality and workmanship, and the traditional and religious barriers to completely untrammelled economic activity were crushed. Step by step, the forces which had confined runaway economic change or growth, and which had also maintained the ancient protections of the European peasantry and artisans against the open market, were driven back. And all of these steps, as Marx, Dobb, Polanyi, Heilbroner, and many others have dramatically recounted,⁵ were in the direction of making the Law of Supply and Demand—that is, the law of the self-regulating market—the economic law of the land.

So far as the common man was concerned, the immediate effects of these changes were disastrous. The Acts of Enclosure—of which everyone has read, even if their significance in European economic history is too little reflected upon—are but one part of the convulsive changes by which emergent capitalism strangled European feudalism. Countless thousands of rural agricultural folk, secured in their tenure on the land by centuries-old feudal rights, were driven off at spearpoint, to wander the roads or to collect in the newly-forming towns and cities, starving, defenseless, untrained, psychically destroyed. The alienation of man from the land; the conversion of land and labor into commodities; the enshrining of impersonal, market-determined price as the sole determinant of what should be produced, and how much—each step was part of a lengthy and profoundly disturbing metamorphosis.

But the growth of European capitalism, and later, industrialism, had its other side as well. The most emphatic critics of capitalism, the Marxists, were equally emphatic in their assertion that the capitalist system and unfettered economic endeavor had made possible levels of production unmatched in the entire record of human society up to that time. Thus, for instance, Marx and Engels in the Communist Manifesto itself: “The bourgeoisie, during its scarce one hundred years, has created more massive and more colossal productive forces than have all preceding generations together.” And the economic gains, secured at such enormous human cost, were accompanied by a growing spirit of economic and political reform which eventually resulted in political freedoms of a kind entirely new in human history.

These reforms and new freedoms were confined on the whole to the western European countries themselves. They were not extended to the non-Western peripheries—today’s underdeveloped world. In fact, the colonies existed as such precisely because they could serve as arenas of Western action. Yet such reforms and freedoms did continuously and significantly alter the character of economic and political life in western Europe; and they were part of the same over-all transformation through which capitalism, and later, industrialism, could mature. The progressive gains in political freedom of movement, in other words, both advanced and resulted from the growth of a new kind of economic society. And the *interdependence* of economic and political phenomena is an especially important reason why the history of the West may profitably be kept in mind when contemplating the future of the underdeveloped countries of Latin America.

One of the most interesting features of the destruction of European feudalism by a new economic system was the way in which this process opened up, widened, and unified channels of trade. The traditional restrictions which had kept the products of craftsmen limited in quantity and fixed in price, which had immobilized vast stretches of unused land, which had kept agriculture and industry backward, and which had limited interest on loans or forbidden it entirely, also severely

traders are reported to have assembled daily.⁶ In the Andes, by contrast, the market places are certainly post-Columbian; the early chroniclers give no indication of market places in pre-Pizarro Peru or Bolivia. In the Caribbean, internal restricted the conduct of trade. For instance, the prices in the town market places and fairs of medieval Europe were mostly established by custom by the municipal councils, as those for the products of artisans were set by the guilds. Merchants' activities were limited by the ordinances of church and town, and by the ideology of the aristocracy; the merchants themselves, by virtue of their profession, were considered incapable of pleasing God in any case. Money-making, in fact, was regarded as altogether contemptible both by the Church and by the feudal aristocracy. Those who sold but did not "produce," it was felt, really contributed nothing to the value of the product. They had no place in a stable society; motivated by the lust for gain, they were immoral, as well as parasitic.⁶

But the same forces which transformed land, labor and tools into commodities, and freed them to be employed as capital, gave new impetus to the traders, and created new settings for economic maneuver. Local market places grew as centers of exchange for imports from far-off lands. The network of trade uniting the countryside and the towns proliferated, especially as the number of non-food producers increased. New consumption needs arose, and those with money sought to satisfy them. More was being traded and sold and, as the older power groups lost their ability to keep the market immobile, new opportunities for intermediation appeared.

It is not possible to examine here how and why these kinds of changes occurred. But as they did, more and more persons had the chance to get into trade. As traders, they made their livings by uniting those who had to sell with those who wished to buy; by accumulating quantities of a desired item which could then be carried to another place for resale; by subdividing the bulk of a good so that it could then be sold in desired, smaller quantities; by processing crude products (such as unhusked grain) in order to resell them, one step closer to use, wholesale or retail; by packaging items which were fragile, and preserving those which were perishable; by providing producers with access to distant market places; and so on.⁷ They were able to sell their services because they were needed by others, and they competed with each other for customers. Eventually, many such traders became wealthy. And ultimately they married into those now-impoorished aristocracies which had once spurned them, and gave charity to the churches which had once condemned them.

Some features of this rather familiar success story are of interest in the present connection. First, the trading bourgeoisie often had humble beginnings. Many began their profession as *déclassé* or *déraciné* persons, perhaps even as erstwhile serfs who had lost their claims on some feudal lord. The scale of their operations was often minuscule; but many of them succeeded in improving their economic position over time, and in acquiring more and more skill in trade. Their poverty, together with their lack of social position, may have militated against their immediate success; but these factors did not immobilize them entirely. In fact, poverty and lowly social status can prove advantageous to traders under certain conditions. Second, the stakes of these traders in the newly-emerging capitalist society of western Europe were new stakes, and had to be struggled for against other, com-

peting interest groups. The political objectives of the bourgeoisie were intimately related to their economic objectives; and at times these objectives differed sharply from those of the aristocracy, or of the Church, or of representatives of political absolutism. For the bourgeoisie, as for each other competing group, economic and political aspirations were different aspects of the same struggle.

WITH these points in mind, it is useful to turn back to the underdeveloped countries of Latin America. As has been stressed, those countries, while economically backward, are not in the position of the countries of Western Europe of a few centuries ago. Instead, they have developed, in Heilbroner's telling phrase, ". . . as immense supply dumps to be attached to the mother countries' industrial economies."⁸ Their institutional apparatuses, their occupational groupings, their technology and ideology are neither wholly like those of the Western world of today, nor like those of that world three or five centuries past. In some ways, these are *developed* societies—but not in the ways which can provide their populations with the productivity, and thus the levels of life, regarded today as the legitimate objectives of the world's peoples. But given what has been said so far concerning the role of traders in the rise of western European society, can it be argued that traders may be able to play any comparable role in the development of Latin America? The question asked this broadly is unanswerable. There are many sorts of traders, after all, and different traders operate on different scales and in relation to different markets. Little useful can be said which treats a supermarket owner in Rio, an itinerant Indian peddler in Guatemala, and a coffee export buyer in Haiti as if they were members of a single economic category.

However, some insight may result from restricting the analysis to a somewhat less general category, either of traders or of trading situations. In order to attempt this, the following treatment presupposes the presence of an internal market system, and will be concerned with certain kinds of traders who operate within such a system. The term "internal market system," as it is used here, does not refer to "the market" in the economist's sense, which would cover such phenomena as the stock exchange, commodity markets, and numerous other supply-demand situations of various kinds. Rather, "market system" means here the system of exchange which includes concrete centers of commerce—market places—where crowds of sellers and their wares meet crowds of buyers, in order to undertake trade. Such market places are usually open-air centers, sometimes nearly filled with perishable or semi-perishable crops, livestock, and craft products of the countryside. They accommodate large numbers of buyers and sellers relative to the total supply of stock, and the sellers frequently carry small quantities. In many cases buyers and sellers cannot be distinguished; and often the buyer is also a seller.

Market places of this sort are variably distributed in the New World; the best-known in this hemisphere, perhaps, are those of Mexico and Guatemala. They are common as well in the oldest sphere of western European colonialism in the New World, the Caribbean islands, and they are important in the Guianas and in Brazil. In Mexico such market places have a pre-Columbian past. Cortés wrote of a market place of Tenochtitlán, the capital city of the Aztecs, where 60,000 market systems are curiously strong outside the Hispanic areas—that is, in most of the islands except for Puerto Rico, Cuba, and eastern Hispaniola (the Dominican Republic). Since the market systems of the Caribbean, the Guianas and

Brazil co-occur with populations partly or largely descended from African slaves, it would be easy to attribute such systems to the African past. However, it is worth noting that the slave populations of Cuba, Puerto Rico and the Dominican Republic did not, apparently, develop market systems; and of course the market systems of Mexico and Guatemala, vigorous as these are, could hardly have originated in Africa, since there is good evidence of their pre-Columbian importance. Again, in the case of the Andes, the market systems which flourish there today appear to have been a late development, completely unrelated to any African tradition.

The presence of market places is a comment on the nature of local economic activity. Where they are present, the outsider can see the transmission of local products to other rural centers and to the cities, and of foreign imports and regional specialties from the cities to the countryside, before his very eyes. In this way the market system is, among other things, a useful device for the scholar in getting at an important aspect of the rural economy.¹⁰

But to walk into a market place within such a system is to wonder how an outsider can really go about studying it. The market place itself is often large and amorphous; buyers and sellers look alike; the products are probably mostly unfamiliar, and the measures of quantity and the means for calculating value unusual; the process of exchange may either be so rapid as to be almost incomprehensible, or impossibly slow, with little to clarify the rationale of negotiation. There is a strong temptation to view much of the activity as erratic and pointless, particularly if one is unfamiliar with the premises of value which underlie local trade. But of course there *is* order in such market places, and the people who buy and sell are engaging in these activities for fully comprehensible reasons. Over time, the rationale which underlies exchange in such settings comes into view, and the sequence of exchange is specific instances becomes more predictable. As this understanding grows, the ability to view the market place as part of a system—that is, as one part in an arrangement of parts, the total nature of which depends on one sort of structure rather than on another—increases.¹¹

One of the keys to this understanding is the obvious notion of equivalency. The market place is a venue for exchange. Whether or not there be a generally accepted medium of exchange—money or some other counter of value—items will not be exchanged without reference to quality and quantity. One of the procedures in observing market place activity scientifically is that of recording conventional criteria and measures of quality and quantity, insofar as these can be studied and recorded in any way.¹² There is seeming arbitrariness behind all such standards. For instance, why North American society measures salad oil by volume, sugar by weight, grapefruit by number, cloth by length, and so on, only becomes a real question when the rationale for doing such things differently, within different systems, comes into view.

The notion of equivalency—of equalness and non-equalness—makes possible the description of unitary acts of exchange. It also permits, over time and in sequential acts, the documentation of the range of permissible variation in similar acts. Thus, for instance, it may be discovered that the cost (in some other good, or in some kind of money) of the same quantity of a product may vary, 5 or 10 or even 20 per cent in the course of the market day. This variation, once it can be determined, facilitates the asking of new questions. To begin with, to what is the variation at-

tributable—are the goods of approximately the same quality, or does the variation reflect quality differences? Do all buyers and sellers stand in the same relationship, or does the variation status differences among buyers or sellers? Has the supply-demand situation remained approximately the same during the course of the day, or do price variations faithfully reflect that situation?

QUERIES concerning the relationships between goods and goods, and between goods and money, lead inevitably to further queries—this time about the relationships between goods and people, and between people and people. That is, within the market place human beings are dealing with each other through the instrumentality of things—agricultural products, handicrafts, food and drink, the measures of quality and quantity employed in establishing equivalences, etc.—and a map of the people as sociological “persons” is essential to an understanding of the market system as such. This assertion brings the argument precisely to the traders themselves. In Latin American internal market systems, these traders are of many sorts. The extent to which an analysis of their economic significance can be penetrating depends on the care and completeness with which they and their economic operations are described; and such trading groups are somewhat different in each country in which they are found. For the purposes of this paper, however, several general characteristics of the internal market systems themselves can be used to give background to the character of the trading groups.

In Haiti, Guatemala, and Jamaica, and in Mexico and the Andean countries (perhaps particularly Peru and Bolivia), internal market systems operate in somewhat analogous ways. Until more data are available it is difficult to state the degree of similarity among these systems; but they do share important features. Elsewhere,¹³ eight features of such systems are set down, which hold for the first three countries named, to a lesser extent for the fourth, and possibly to some degree for the Andean nations as well. These include the use of a national currency in most if not all transactions; a concentration in market place trade of transactions among class equals (that is, among rural and urban poor); a partial flow of imports through the market places, from city importers through retailers and bulk-breakers, down to the urban and rural poor; a flow of agricultural products, especially perishables, and utilitarian artistic craft objects, from the rural and urban poor to the middle and upper classes, especially in the towns and cities; a largely or completely separate marketing channel for export commodities (such as coffee, sisal, and essential oils), employing specialized licensed intermediaries outside the market places; a heavy concentration of very small-scale intermediaries, usually women, within the internal market system, who render economic services of various kinds; and a dichotomy between peasant agriculture and marketing, in that marketing practices are generally less bound by traditionalism, more capitalistic in ideology and practice, while peasant agriculture tends to remain more conservative and with more vested interest in backwardness. Finally, exchange is typified by important institutionalized personal economic relationships, through which small favors, concessions, and credit are employed to protect the traders’ competitive positions in the market system.¹⁴

In these systems, as suggested for the trading patterns of early capitalist Europe, the intermediaries render specific services for which they charge a price. On the whole, that price is determined by supply-demand considerations. The

services are not imposed on customers; they are salable because buyers and sellers require them. Intermediaries transport, process, accumulate stock, break stock, grant credit to agricultural producers and to urban consumers, pay taxes, keep truckers employed, and contribute much else to the ready functioning of the economy. Since they are usually very numerous, due to the chronic lack of alternative employment opportunities of any sort, they compete fiercely to protect their rights to serve their customers. Generally, this competition keeps the prices for their services at relatively low levels; the same competition helps to assure primary producers of prices consonant with the demand situation, and to protect the consumers from disproportionate charges. It is important to stress the connection between the large numbers of intermediaries and the cost of the services they provide. If the numbers of such middlemen were reduced, the change would not necessarily disadvantage customers, since there are so many of them competing altogether; but neither would a reduction in numbers necessarily help the customers, since it is by the competition for their business that prices and middleman profits are kept low.¹⁵

The intermediaries, or middlemen—in most Latin American internal market systems, they are more likely to be “middlewomen”—are of many sorts. Many will be the wives of small-scale cultivators, who carry the produce of their husbands’ holdings to the nearest market place, mainly to get needed cash to buy that minimum of imported or regionally specialized items considered part of essential consumption by local people. Such women have their roots in the countryside, and identify themselves with the interests of their husbands, so far as the outside world is concerned.¹⁶ Other intermediaries will be city women, but operating on a minuscule scale—those who buy small quantities of food which they cook and prepare for resale; or who sell their services as carriers; or who locate small quantities of stock carried to the city by country folk, and buy it up as agents for wealthier traders. These women, though urban, may have meaningful rural ties, and may continue to see their life-stakes in terms of the countryside.

However, there are other categories of market place trader whose scale of operations and whose values are different. These include persons who have built up their businesses from a few pennies to a capital of thousands of dollars.¹⁷ Though their own class position and identity in some ways remain quite unchanged, they aspire vicariously—and their wealth may enable them to secure mobility opportunities for their children, especially through education.¹⁸ Vigorous and successful traders often feel themselves to be in league in some way with the city, and detached from rural values. Still, they are often openly (or secretly) hostile to “the government,” particularly if they feel that legal rigidities of various kinds interfere with their opportunities for trade.¹⁹ At the same time, their opposition to bureaucratic control does not necessarily make them friends of the peasantry. Sometimes they are moneylenders, whose activities underwrite the dealings of many lesser marketers. Or they may be the creditors of the peasantry, supporting and stimulating commercial agriculture in their quest for stock to be drawn from a future harvest.²⁰

The trade and investment opportunities available to intermediaries of these sorts vary significantly with the particular economic circumstances in each region or nation. Matters of crop perishability, the quality and quantity of roads and motor transport, the scale and reliability of consumer demand

in the cities, and many other considerations also affect the nature and extent of intermediary activities. In turn, such activities may stimulate development in specific ways, such as supporting the growth and political demands of the trucking profession, giving a voice to subsistence cultivators being drawn for the first time into production for sale, supplying credit to producers and to lesser traders, and otherwise. Attacks on such intermediaries (which claim either that they overcharge for their services, or that they shut out competition by charging too little) must be examined carefully in each case and judged according to specific circumstances. Indeed middlemen of this sort may hamper the economy if their position in intermediation is artificially protected—that is, if they can control prices by interdicting the accesses of buyers and sellers to each other, and by combination in buying and selling. In most cases, however, their generally large numbers and the usually sharp competition among them tend to reduce the costs of the services they offer, and to support activities leading to further economic growth, such as road-building, the introduction of new crop choices, the integration of isolated rural regions, and the provision of credit.²¹

THE emphasis in this description so far has deliberately been on small-scale traders, rather than on those who buy up agricultural commodities for export, who engage in the wholesaling of imports, or who carry on large-scale retailing and storekeeping. Traders and merchants of these kinds, while they may superficially resemble small-scale intermediaries because of some features of their economic activity, are much more different than they are alike. Such merchants, importers and export buyers generally reside in the cities and larger towns; they often employ bookkeeping and hire agents in the conduct of their business; and they will handle some or all of their credit arrangements through the use of banks. Above all, they have substantial capital holdings, and operate on a relatively grand scale.

In many instances, the merchant sector of this sort to be found in an underdeveloped country consists of two ethnically distinguishable segments, one of which is “native” and the other “foreign.” In Haiti, for instance, there is an important Syrian and Lebanese sub-group engaged in town trade; in Jamaica, the Chinese carry out a comparable role; in other underdeveloped countries, the “alien” group may consist of Jews, Levantine minorities, Indians, and so on. If the members of such a group are immigrants, or the recent descendants of immigrants, they are likely to live in uneasy accommodation to the majority, politically exposed (and often surprisingly defenseless) because they may be viewed and manipulated as “foreigners” by nationalist politicians. Their separateness may be based on ethnic self-consciousness (sometimes with chauvinistic overtones), on external pressure from the majority, or on both.

So common are these ethnic enclaves in the commercial life of the underdeveloped nations that an eminent economist, Hlaw Myint, has singled out their very presence as an important indicium of underdevelopment.²² Myint has stressed the importance of such groups in bringing the populations of technically retarded lands into contact with the world market and modern economy, and Bauer has dramatically underlined the same point.²³ But Myint also supposes that these merchants have *limited* the extent to which local people have been able to familiarize themselves with the outer world, by their very presence. Myint’s view, in this instance, calls to mind Wolf’s insightful characterization of the “cultural

broker," who ties the local community to the outer world but at the same time limits the acculturation of outsider and local to each other.²⁴

Actually, the history of ethnic enclaves in underdeveloped countries suggests that their economic roles in the life of such countries can change rapidly over time. In many instances, immigrant minorities are able to improve their social and economic position by shifting from wage labor to certain kinds of petty commerce and intermediation, and gradually to acquire greater wealth. In time, such groups may take on the social and economic orientation of the "native" middle classes, and eventually engage in substantially the same kinds of economic activities. But in the process, they may forfeit, by changing, the substantial contributions to the local economy which they were able to make at an earlier point. They may shift, for instance, from investment in petty trade and small-scale agriculture to investment in importing; from business travel in the countryside to a permanent location in the city; from small-scale moneylending and brokerage to investment in slum real estate; and so on. In so doing, such groups may remain ethnically distinct while becoming economically (and ideologically) similar to the "native" middle-class groups; thereby, some part of their special contribution (both potential and realized) to local economic growth may well be lost.²⁵

At the same time, it turns out that the small-scale intermediation and market place activity which are of central concern in this paper are rarely if ever in the hands of "foreigners"; rather, such trade is almost always conducted exclusively by "natives." Furthermore, the economic and social distance between these "natives" and the mercantile middle class, *native or not*, is considerable.

Stress on these facts is necessary. They mean that such intermediation is probably the principal way in which the poorest segments of the national population can acquire knowledge of commerce and of entrepreneurialism—knowledge of a kind which could be of great importance in creating or speeding economic development.²⁶ The nature of petty trade, when undertaken by a multiplicity of traders, evokes sharp competition, and rewards individual intelligence, energy, and daring. Whereas import-export enterprises in the cities, and export-commodity buyers' posts in the towns and country, are often operated in the absence of substantial competition—sometimes even with prices fixed by governmental fiat—the small-scale entrepreneurs of market place trade must usually conduct their businesses under extreme pressure on many fronts. It might well be argued that capitalism—in the sense of a free market and perfect competition—is realized more fully in the activities of Haitian or Guatemalan market women, than it is in those of the owners of export-import houses, electrical appliance stores, and tourist junk studios in the capital cities of those countries.²⁷

IF true, this suggestion raises a curious fact concerning economic development activity in technically backward countries. It is commonly believed (even if it is not always made explicit) that the crucial social group in development is "the middle class." This belief raises many conceptual and definitional problems, quite aside from whether or not it is supportable; it is often extremely difficult to formulate satisfactory criteria for judging members of "the middle class." But in most underdeveloped countries, as viewed by foreign visitors, "the middle class" will be perceived as consisting largely of the native urban export-import merchants, their class equals

in any newly-established, ethnically distinct minorities, and the bureaucratic, professional and military cohorts and kinsmen of these groups. One thing is certain—no visitor will make the error of regarding the crowds of ragged market women as members of "the middle class." This might conceivably mean that the human aspect of development will devolve upon groups whose stake in competitive commerce and entrepreneurial expansion may be less than it is in the perpetuation of privileged, oligopolistic, and somewhat static economic positions.

There are probably many sources of such misperception; two may be noted. First, there is the confusion inhering in the use of the term "middle class." From the point of view of its consumption ideals and its living standards, a social group may be "middle class"; but its ideology (and even its economic activities) may have become quite alien to the historical western European implications of that label. Second, there is the confusion resulting from the way the minuscule scale of market place intermediation is seen by outsiders, especially those coming from a much more developed economy such as that of the United States. Bauer and Yamey write:

"Local entrepreneurship necessarily begins in a small way because technical and administrative skills as well as capital are at a low level; its manifestations may easily be overlooked by those who equate entrepreneurship with the launching on a massive scale of a new industry or product, and who forget that large industries and firms have almost invariably sprung from small beginnings."²⁸

Because North American thinking is heavily colored by the scale of enterprise in the United States, small-scale intermediary activity is often viewed with amused contempt, at best. No wonder, then, that a recent *Time* article on the "matriarchs of the market," while it lauded the commercial zeal of the market women of Latin America, wholly ignored the economic significance of their activities and ideology, and dwelt instead on their picturesqueness and doubtful morals.²⁹ Sears, if it is the 20th century American model of entrepreneurial verve and daring, can be so precisely because the United States equivalent of the small-scale Latin American intermediary is almost as extinct as the bison.

Of course, programming economic development is much more congenial for the visitors when the representatives of the backward country are themselves Iowa-trained agronomists, Columbia-educated doctors, and others who "talk our language," figuratively and, hopefully, literally as well. But what is ignored in this is the crucial difference between so-called middle-class norms of behavior on the one hand, and the ideology of entrepreneurialism on the other.

Earlier, the point was made that some of the underdeveloped nations were actually developed by foreign powers, but that these developments were not optimally in line with local (national) needs. One distinguished economist likens the economy of the labor-rich underdeveloped countries to a sea of subsistence, in which there are many scattered islands (plantations, mines, modern shops).³⁰ Such development, clearly, is a product of external capital and power. The importers and exporters, with their array of commodity buying posts, processing depots, and city stores, were a "natural" accompaniment, not to unevenness of growth, but to a particular kind of such unevenness. The competition which characterized comparable types of intermediary and service-rendering activity in western Europe and in the United States was much more exigent; it had to be, precisely because the total economies in these cases were so differently composed, and inclined by important institutional and human-capital fac-

tors in the direction of different goals. It might be said, then, that some of the potential forces for development in the underdeveloped countries of Latin America today are not likely to be found where they are expected, precisely because of the essentially colonial economic history of these countries.³¹ If development is being sought or thought of in terms of the play of the open market, rather than in terms of the aggregation of development capital by governmental decree—which is the North American view, for the most part—this point should be borne in mind.

Now, to comment on the development potential of the small-scale entrepreneurs of the countryside and market place, since the emphasis here has been on the way these specialists have been ignored in planning. To begin with, the economic contribution such groups will be able to make to development is likely to be severely restricted.³² Such a statement is surely anti-climactic; but the stress here must be on the word "likely." Since their own capital holdings are in most cases very small, market women cannot easily expand the scale of their enterprises. However, there are cases in which such expansion has occurred in spectacular fashion. In Nigeria and Ghana, the "market mummies" have often enlarged their enterprises, and have contributed significantly to economic growth; and even in economies such as those of Haiti and Jamaica,³³ market women may build their fortunes and also contribute to economic growth in the ways referred to earlier.

Whether that contribution can be importantly increased in the internal market systems of Latin America is not certain. Questions of the scale of the market and national terms of trade must be kept in mind, and cannot be dealt with here; but several more immediate problems can be instanced. One limitation on the operations of petty traders is the scarcity and high cost of capital. For example, in Jamaica, a market woman may pay up to five per cent on capital which she borrows for *three days' use*.³⁴ While such women substitute labor for capital at every opportunity, and invest prodigious effort to conserve scarce resources, their ability to improve their own positions in commerce is sharply confined by the lack of capital and of credit. Though this may be due at times to an *absolute scarcity of capital*, it also can be caused by *the lack of means for organizing the distribution of credit*.³⁵ This need may well be one of the major obstacles to successful integration of petty traders and small-scale agricultural producers into development programs. But the absence of such means may come from insufficient attention by planners to the potential of very modest capitalists for contributing to economic growth. And this, in turn, may come from the tendency to concentrate on what are apparently the most "middle-class" sectors in development planning.³⁶

Whether small-scale traders may be able to invest capital in other sectors of the economy besides commerce is also problematic. In some instances, such traders invent means for the short-term use of liquid funds in agriculture itself during slack trading periods, concentrating on activities which allow for rapid turnover.³⁷ They aim to be able to transform stock into liquid capital once more, in time for the start of the next harvest, and may occasionally innovate as they contrive solutions to this problem. But it is not known whether such innovations have any significant long-term beneficial effect on the agricultural patterns themselves. That attractive alternatives for investment are not available to small-scale intermediaries is a comment on the backwardness of the economies within which they function, in part. The very

limited opportunities to invest in other than agricultural production is a profound difficulty to the solution of which petty traders may not be able to contribute. But so far as is known, no attempt has ever been made by planners to explore the entrepreneurial talents of these traders at all.

Finally, a comment is in order here concerning the ideology of the petty trader, particularly in view of the doubts expressed earlier about the entrepreneurial orientation of the large-scale export-import houses and factor groups of the cities. To suppose that middle-class levels of life and consumption standards are naturally accompanied by commercial drive and entrepreneurial intrepidity is surely questionable. And to assume that the ideology of the very poor is shaped more by the general nature of their poverty than by the specific nature of their economic activity is likewise open to question. Myint writes:

"The fundamental assumption of liberal economics is that the free play of economic forces would lead to the maximum development of *individual* talents and abilities; whereas in practice the free play of economic forces in backward countries has resulted, not in a division of labour according to individual abilities, but in a division of labour according to stratified groups."³⁸

In less developed economies with internal market systems, economic individuality (insofar as its utility for development is concerned) is probably more plentiful among lower-class petty traders than it is among their store-owning class betters. Certainly there are aspects of the economic history of Europe and the United States which are suggestive in this connection. And it is very worthwhile, at the same time, to reflect upon the possible political outlook of those who, poor but hard-working, must live by their skill and daring at a level and in a commercial setting where every penny counts. Such folk know that it is in a situation of maximum freedom of economic alternatives that their excellence and industry will be rewarded. That their aspirations may be ignored by those planners who believe in decree-solutions to economic problems is nothing less than could be expected. That they should be ignored entirely as well in programs of economic development launched by supposedly ardent defenders of unfettered free enterprise may one day turn out to be one of the neater ironies in modern Latin American economic and political history.

NOTES

1. See, for instance, Peter T. Bauer, *Economic Analysis and Policy in Underdeveloped Countries* (Durham, N.C. 1957), pp. 44-49, et seq.

2. The search for the single prerequisite—as Albert O. Hirschman puts it, "the *primum mobile*"—of economic development has been rather empty. To speak of the need for capital, and for institutional means to invest it, as I have done here, is commonplace; but the lack of agreement among economists on the essentials is striking. W. Arthur Lewis, *The Theory of Economic Growth* (Homewood, Ill., 1955), p. 23, speaks of the three "proximate causes of economic growth": economic activity, increasing knowledge, and increasing capital. Albert A. Hirschman, *The Strategy of Economic Development* (New Haven, Conn., 1958), pp. 1-28, emphasizes the relationships between factors rather than the factors themselves in seeking the preconditions of development. Peter T. Bauer and B. S. Yamey, *The Economics of Under-Developed Countries* (Chicago, 1957), pp. 127-146, criticize well the idea that capital alone is enough. In the absence of a commonly accepted description of essential preconditions, I have stated the case very generally.

3. Norman A. Bailey, "Nonsense and Foreign Aid," *Columbia University Forum*, 4, 1, Winter, 1961, pp. 31-33.

4. As quoted in Robert A. Heilbroner, *The Making of Economic Society* (Englewood Cliffs, N.J., 1962), p. 98.

5. Karl Marx, *Capital*, Vol. I (London, 1887), pp. 736-774; Maurice Dobb, *Studies in the Development of Capitalism* (London, 1946), pp. 221-234; Karl Polanyi, *The Great Transformation* (New York, 1944) pp. 43-76; Robert A. Heilbroner, *The Worldly Philosophers* (New York, 1953), pp. 9-32.

6. This theme, especially as it applies to the modern world, is dealt with eloquently and well in Abba P. Lerner, "The Myth of the Parasitic Middleman," *Commentary*, 8, 1, July 1949, pp. 45-51.

7. Dobb, a student and severe critic of capitalism, insists that trade alone could not have generated the primitive accumulation of the early capitalist merchants, and so stresses the importance of plunder and monopoly in multiplying gains during the rise of the traders. Yet Dobb is careful to pay real respect to the creative role of the merchant capitalists: "Commerce, by widening markets and making supplies, in greater variety, available in places or at seasons where they were never available before, served to raise the standard of life of the producer, and so derived its gains as a share of this general increase and not as an encroachment on an unchanged standard of consumption. It is true enough that the spread of commerce had an effect in raising the standard of communities that were previously confined within the narrow limits of a local market, just as at a later stage it created the conditions within production itself for an extended division of labour and hence a greatly enhanced productivity of labour. . . . By bringing salt and spices from a distance it enabled flesh to be eaten that might otherwise have rotted or been unpalatable; by fetching raw material from afar it enhanced the quality of local cloth or even enabled cloth to be spun and woven where this was previously unobtainable; by finding an outlet for crops when the season was bountiful and filling the hollows of an unfavourable year with outside supplies, it often helped to spare the cultivator the alternate tragedy of a glutted local market and of famine" (Dobb, *op. cit.*, 1946, pp. 87-88).
8. Heilbroner, *op. cit.*, 1962, p. 207.
9. Eric R. Wolf, *Sons of the Shaking Earth* (Chicago, 1959), p. 140.
10. Sidney W. Mintz, "Peasant Markets," *Scientific American* 203, 2, September 1960, p. 112; Mintz, "Markets in Haiti," *New Society*, 26, 28 March 1963, pp. 18-19.
11. Descriptions of internal market systems are rare. See, for instance, Alice G. Dewey, *Peasant Marketing in Java* (New York, 1962); Bronislaw Malinowski y Julio de la Fuente, "La Economía de un Sistema de Mercados en Mexico," *Acta Anthropologica* (Epoca 2), 1, 2, 1957; Mintz, "A Tentative Typology of Eight Haitian Market Places," *Revista de Ciencias Sociales*, 4, 1, March 1960, pp. 15-57. See also Paul Bohannan and George Dalton (eds.), *Markets in Africa* (Evanston, Ill., 1963), for a number of interesting reports on African marketing.
12. Mintz, "Standards of Value and Units of Measure in the Fond-des-Negres Market Place, Haiti," *Journal of the Royal Anthropological Institute*, 91, 1, 1961, pp. 23-38.
13. Mintz, "Internal Market Systems as Mechanisms of Social Articulation," *Proceedings of the 1959 Annual Spring Meetings of the American Ethnological Society*, pp. 20-30.
14. On this final point, see Margaret Katzin, *Higglers of Jamaica* (Ph.D. dissertation, Northwestern University, 1959); Katzin, "The Business of Higglery in Jamaica," *Social and Economic Studies*, 9, 3, September 1960, pp. 297-331; Mintz, "Pratik: Haitian Personal Economic Relationships," *Proceedings of the 1960 Annual Spring Meetings of the American Ethnological Society*, pp. 54-63.
15. W. Arthur Lewis, "Economic Development with Unlimited Supplies of Labour," in A. N. Agarwala and S. P. Singh (eds.), *The Economics of Underdevelopment* (Bombay, 1958), pp. 400-449, supposes that the supply of labor in petty trade is so large that substantial reductions in numbers would do no harm, and might even improve the consumer's position. He writes: "Petty retail trading is also exactly of this [oversupplied] type; it is enormously expanded in over-populated economies; each trader makes only a few sales; markets are crowded with stalls, and if the number of stalls were greatly reduced the consumers would be no whit worse off—they might even be better off since retail margins might fall." It is true that in some cases retail margins might fall and the consumer's position might improve. However, the opposite is also quite possible—which is to say that each case of this kind should probably be analyzed independently. Comments on this question are found in C. Shephard, "The Small Scale Farmer: Marketing and Processing Problems," *Caribbean Commission Monthly Information Bulletin*, 8, 3, October 1954, p. 61; P. T. Bauer, *West African Trade* (Cambridge, England, 1954), pp. 26-27; Katzin, *op. cit.*, 1960; Mintz, "The Role of the Middleman in the Internal Distribution System of a Caribbean Peasant Economy," *Human Organization*, 15, 2, 1957, pp. 18-23; and especially P. T. Bauer and B. S. Yamey, "The Economics of Marketing Reform," *Journal of Political Economy*, 62, 3, June 1954, pp. 210-235.
16. See Katzin, "The Jamaican Country Higglers," *Social and Economic Studies*, 8, 4, December 1959, pp. 421-440.
17. See Bauer, *op. cit.*, 1957, pp. 75-76; Mintz, "Nana of Duverget: A Haitian Market Woman," *Haiti Sun*, May 3, 1959, pp. 4, 13.
18. See C. J. Legerman, "Kin Groups in a Haitian Market," *Man*, vol. 62, no. 233, October, 1962, pp. 145-149; Mintz, *op. cit.*, 1959.
19. See, for instance, *Time*, January 3, 1964, pp. 52-53. An adequate study of the political views of market women in a Latin American market system has never been made.
20. Different sorts of trader are described in Katzin, *op. cit.*, 1960; Dewey, *op. cit.*, 1962, pp. 76-77, et seq; and Mintz, *op. cit.*, 1957. On the whole, this subject has not been dealt with adequately in the literature.
21. Economics stemming from the presence of a multiplicity of traders are eloquently summarized in Bauer, *op. cit.*, 1954, pp. 22-27; the positive economic effects of the efforts of traders are noted in Bauer, *Economic Analysis and Policy in Underdeveloped Countries* (Durham, N. C., 1957), pp. 70-71.
22. H. Myint, "An Interpretation of Economic Backwardness," in Agarwala and Singh, *op. cit.*, 1958, pp. 122-123.
23. "In West Africa, for instance, almost all successful African industrial entrepreneurs or transport contractors are, or have been, traders or their employees. This is not surprising, since such experience acquaints people with the working of a money economy, and especially with the habitual and orderly management of business affairs, besides providing contacts and a knowledge of the market." Bauer, *op. cit.*, 1957, pp. 71-72, et seq.
24. Wolf, "Aspects of Group Relations in a Complex Society: Mexico," *American Anthropologist*, 58, 6, December 1956, pp. 1065-1078.
25. The extent to which this "acculturation to economic conservatism" occurs will vary greatly with local social and economic conditions; admittedly, in many instances it may not occur at all. Bauer has convincingly stressed the role of migrant enclaves in speeding economic growth in underdeveloped countries. However, few studies contrast the activities of migrants and native bourgeoisie in such situations, or indicate to what extent the migrants may shift to "safer" investment over time. The very fact that ethnic enclaves are frequently in political limbo may incline them away from those investment opportunities taken up by the native bourgeoisie; but it may also lead them more toward reinvestment outside the underdeveloped country. I know of no clear case where intermarriage and mutual acculturation has resulted in the movement of native capital into developmentally more effective enterprise. Useful contrasts, too little elucidated to permit generalizations, are offered for the case of natives vs. migrants (in Indonesia) in Dewey, *op. cit.*, 1962, and in Clifford Geertz, *Peddlers and Princes* (Chicago, 1963), *passim*. No work known to me deals adequately with data of these kinds for a Latin American country.
26. This assertion raises serious questions. Petty trade is often regarded as no more than an expression of rural underemployment (See Lewis, as cited in footnote 15, for instance). Thus regarded, its conduct can be viewed as an obstacle to development, rather than as an economic use of scarce resources (capital) as opposed to plentiful resources (labor). Thereupon depends the curious assertion that the low price of intermediary services as provided by the poorest classes interferes with the economic growth of the middle classes, who would (presumably) charge more for the same services. Geertz (*op. cit.*, 1963, p. 11) describes how: ". . . the market was flooded by hundreds of small-scale traders eking out a marginal living where before a few large-scale merchants had made a handsome one"; and again, (*ibid.*, p. 17) how: ". . . the few outstanding efforts by members of the old merchant class to create more efficient productive and distributive institutions in the town are nearly swamped by the hundreds of small-scale petty traders trying to squeeze a marginal living out of traditional commerce." The economic reasoning behind this view is not entirely clear.
27. Which is to say that the merchant groups in underdeveloped countries frequently enjoy the benefits of certain kinds of restrictionism, achieved through political influence or resulting from the limited numbers of potential competitors with enough capital to be rivals. The pure competitive capitalist ethic of the petty trader can be corrupted as readily as anyone's, of course; all that protects it is the petty trader's inability to monopolize or restrict the market in the face of such numerous competitors. But this, in turn, is supposed to be a major developmental aspect of capitalism.
28. Bauer and Yamey, *op. cit.*, 1957, pp. 104-105.
29. *Time*, loc. cit.
30. Lewis, *op. cit.*, 1958, p. 408.
31. Myint writes (*op. cit.*, 1958, p. 116): "Measures for 'economic development' then consisted mainly in attempts to persuade or force the background people into the new ways of life represented by the money economy—for example, by stimulating their demand for imports and by taxing them so that they were obliged to turn to cash crops or work in the newly opened mines or plantations. Whether it was meaningful or not to the people, the accepted yardstick of economic development of a 'country' was its export and taxable capacity."
32. For instance, I have written of Haiti's economy: "That economy seems to have considerable resiliency because of the readiness of intermediaries swiftly to change their mode of operation, and otherwise to show verve and originality in investing capital productively. Such daring and skill cannot communicate their consequences more effectively to the agricultural sector because of the overall limitations upon the economy, particularly in its lack of a secure or an expanding market." Mintz, "The Employment of Capital by Market Women in Haiti," in Raymond Firth and B. S. Yamey (eds.), *Capital, Saving and Credit in Peasant Societies* (London, 1964), p. 286.
33. See Bauer, *op. cit.*, 1957, pp. 56, 75-76; Mintz, *op. cit.*, 1964.
34. See Katzin, *op. cit.*, 1960; Mintz, "The Jamaican Internal Marketing Pattern," *Social and Economic Studies*, 4, 1, March 1955, pp. 95-103.
35. Myint, *op. cit.*, 1958, p. 126.
36. Bauer and Yamey (*op. cit.*, 1957, pp. 104-105) write: "Local entrepreneurship necessarily begins in a small way because technical and administrative skills as well as capital are at a low level; its manifestations may easily be overlooked by those who equate entrepreneurship with the launching on a massive scale of a new industry or product, and who forget that large industries and firms have almost invariably sprung from small beginnings."
37. Mintz, *op. cit.*, 1964
38. Myint, *op. cit.*, 1958, p. 129.

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July 1964