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LABOR AND INTERNATIONAL CAPITAL IN THE
MAKING OF A PERIPHERAL SOCIAL FORMATION:
ECONOMIC TRANSFORMATIONS OF GUATEMALA, 1850-1980¹

Carol A. Smith
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ABSTRACT

Labor and International Capital in the Making of a Peripheral Social Formation: Economic Transformation of Guatemala, 1850-1980

This essay suggests an approach to analyzing the interaction of different forms of production with one another in particular social formations as they are influenced by the state of the global economy. It then applies the analysis to production systems in Guatemala between 1850 and 1980. It pays particular attention to the type of production known as petty commodity production, which changes form from classic artisanry to "informal" economy as it interacts with other ways of organizing labor in an economy. Rather than assuming a priori the dominance of one way of organizing labor over another, this essay suggests that political struggles among various groups within a social formation determine outcomes that do not necessarily meet the needs of either the general world economy or of capitalism. In the case under analysis, Guatemala, the persistence and spread of petty commodity production has clearly affected the kind of capitalism extant there. It is commonplace to note the effect of capitalism on peripheral social formations; this essay argues that we must also consider the effect of social resistance to capitalism on the capitalism that eventually takes root in peripheral social formations.

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Scholars who have attempted to analyze labor in relation to the world-capitalist economy have developed two different ways of doing so. World-system theorists define labor in terms of the commodities it produces and their exchange value in the global economy, and on that basis describe it as core, peripheral, or marginal (Wallerstein 1974, Chase Dunn, this issue). Orthodox Marxists define labor in terms of the general organization of the economic units utilizing it, and on that basis describe it as subject to capitalist or noncapitalist relations of production (Kay 1975, Bunker, this issue). By either scheme one could classify any social formation, such as Guatemala, as more or less peripheral or more or less capitalist. And by either scheme one would then advance certain ideas about the internal dynamics of the social formation, based on a number of principles thought to apply universally to economies whose labor is utilized in particular ways. Scholars taking either position assume that they are not only opposed to one another in their analysis of the internal dynamics of economic systems, but that they are also opposed to standard economic views on labor and the nature of peripheral economies. In fact, both stances share certain fundamental assumptions with each other and with the standard analysis: that a universal scheme can be applied to particular social formations at any point in time; that a certain convergence in social formations is taking place, due to the worldwide spread of capitalism; and that analysis of any social formation or region requires mainly that one determine the degree to which labor is subject to a number of principles (whether through the organization of labor or through the kinds of commodities produced by labor). Historically-minded scholars accuse all of the above of functionalist teleology.

Social and labor historians, who have elaborated a critique more than an alternative position on labor in the world economy, reject all of the above assumptions.² They assume no universal teleology, positing instead a unique determination for each social formation based on particular combinations of labor processes, each of which is historically determined. While granting that such an approach is more attractive from the perspective of process and dialectics, those more concerned with the general laws of economic systems find other faults in standard labor histories. David Harvey (1982), for example, suggests that much labor history suffers from a different kind of teleology, that of unprincipled historicism--an approach which basically eschews the problem of explanation. If one's task is merely that of tracing how everything influenced everything else (dialectically, of course), one ultimately explains nothing.

Since I take the problems associated with each approach seriously, I see no easy solution to this impasse. Yet some way out is needed, and my efforts in this paper will be directed toward that end. My first suggestion is that we recognize each position to have legitimate claims: i.e., that the global economy, though nothing more than the separate components which make it up, acts as a system to influence each of its component parts and thus must be treated as a system in one's analysis; that relations of production organizing labor also affect local social formations and are not simply given by position in the world economy; and that the political histories of each particular laboring group in a peripheral economy determines the kind of capitalism that will take root as much as the more general global or capitalist dynamics. My second suggestion is that we consider how labor processes influence one another in a local system. In the case I consider, the relevant types of production are peasant, petty commodity, and capitalist production. I treat these as interacting forms of production rather than as articulated modes of production. And I treat them in two contexts: that of Guatemala, a social formation in which the state plays a critical role in the expansion and development of certain means to deploy labor; and that of the global economy from about 1850 to the present.³ My final suggestion is that we deal with history and the concrete by examining political struggles over the organization of labor as they take place in particular contexts created by varied class interests and alliances. Unless we ask specific questions about why peripheral "capitalist" social formations have diverged from one another in ways that cannot be accounted for simply by space and time, we will only describe and never explain their variation. Class formation and alliance in political struggles over the organization of labor provides a specific focus for asking questions about histories that are otherwise endlessly diverse.⁴

I pay particular attention to petty commodity production in the case I examine here, not only because it is historically important in Guatemala, but because it is the form of production least understood in theoretical terms. As a type of production process, petty commodity production can take various forms: the form of classic urban artisanry; the form of rural (peasant) production of both food and nonfood items for market sale; and the form of small urban enterprise (the "informal" sector) that operates in close association with capitalist forms of enterprise. Petty commodity production, assumed never to be an independent mode of production, associates with several "dominant" ways of organizing labor: slave, feudal, and capitalist.⁵ Students of petty commodity production rarely consider how other ways of organizing labor (slave, feudal, or capitalist), each of which operates in a distinctive economic environment, shapes the operation of petty commodity production. They dodge the question by assuming that petty commodity production functions to meet certain needs of the economic processes located in the dominant mode of production that cannot or are not filled by the basic labor process in the dominant mode.⁶ Yet this assumption raises other issues, among them what one means by mode of production, by location of its labor processes, and by the domination of one economic system over another. If one rejects the assumption that petty commodity production is spawned by certain "needs" of the dominant economy and asserts, in contrast, that this labor process arises in order to fit the "needs" of social groups in an economy that does not fit these groups into the dominant labor process, one faces further questions. The most important of these is how petty commodity production itself might affect or condition the operation of the so-called dominant

modes of production. I will attempt to address, if not fully answer, all of these questions here.

In order to avoid the assumptions embedded in describing labor organized by different modes of production (especially as these have been codified by Althusser and Balibar 1972), I take a different though related approach. I describe different "forms" of production in an economy, by which I mean the relationship between forces and relations of production, as these are influenced and changed not only by their own internal dialectics but also through association with other forms of production in the same social context. This allows me to describe different forms of petty commodity production (or of capitalism) without considering all but one form "deviations" from the ideal type. When dealing with a particular form of production, I will concentrate upon the labor processes within it, specifically the social and economic conditions under which labor operates. My aim in focussing on the organization of labor in a social formation is not to reduce social relationships to economic ones, but on the contrary to suggest that one must deal with labor relations in a total social context that does not separate the parts or "layers" of the context in an arbitrary and hierarchical manner. In dealing with form of production, I shall attempt to specify how units of production operate and reproduce themselves and to observe relevant elements of the social context that permit or encourage them to operate the way they do.⁷ In other words, I do not assume that forms of production underlie or create their own social context, only that they require certain contexts to exist. At the same time, I do not intend at this point to offer wholly novel definitions of the three forms of production with which I deal.

I assume the distinguishing characteristics of labor organization in peasant, petty commodity, and capitalist production to be the following. Under peasant production, workers produce most of what they consume and they control their own means of production; they are also forced to turn over some portion of their product to nonproducers through extra-economic means of compulsion and they are rarely free to change place or occupation.⁸ Under petty commodity production, workers also produce goods and services with means of production they control; but they produce in order to sell, engaging in free and competitive markets of subsistence goods, for their commodities, and for their factors of production; in addition, petty commodity producers are free to change place or occupation.⁹ Under capitalism, workers are free of means of production and free to change both place and occupation; they subsist on commodities purchased through a market, paid for exclusively from wages earned from working in capitalist enterprises, where the aim of the enterprise is to valorize labor on an increasing basis and where labor is directly controlled by capital in the production process.¹⁰ Needless to say, I do not believe one encounters a "classic" form of production very often in the concrete world.

Guatemala has few pure examples of any of the types of production described above at present. The predominant worker is a petty commodity producer who earns additional income either as a peasant or as a wage-earner. Such mixed activity has been present for more than a century. But the importance of each type of activity has changed in this century, and along with it has changed the nature of each form of production (see Table 1). In the following brief account I depict how the changing

TABLE 1

CHANGING ATTRIBUTES OF LABOR IN PRODUCTION: GUATEMALA

Classic Attributes of Labor in:	1850	1920	1980
<u>I. Peasant Production</u>			
1. Subject to direct forms of tribute exaction	(+)	-	-
2. Self-sufficient in most domestic goods	(+)	-	-
3. Engaged primarily in agriculture	+	(+)	-
4. No access to free market in land	+	+	-
5. No access to free market in labor	+	+	(+)
<u>II. Petty Commodity Production</u>			
1. Produces commodities for market sale	(+)	+	+
2. In competition with equivalent producers	-	+	+
3. "Free" to buy and sell to anyone	-	+	+
4. Access to open markets in factors of production	-	-	+
5. "Free" to change place and occupation	-	-	(+)
<u>III. Capitalist Production (Agriculture)</u>			
1. Can purchase goods needed for reproduction	(+)	+	+
2. "Free" to find employment anywhere	-	(+)	+
3. Labor process directly controlled by capital	-	-	(+)
4. "Formal" protection by state and unions	-	-	(+)
5. Subsists entirely from wages ("free" of property)	-	-	-

organization of labor transformed the nature not only of each labor process but also of the entire production system of which they formed a part. I consider both global economic forces and local political struggles, paying more attention to the latter than the former only because the impact of global forces is better known, not because global forces have been less important.

At Independence from Spain in 1821, Guatemalan labor consisted of peasants and of petty commodity producers, the latter primarily traditional urban artisans. Most peasants paid the tribute that distinguishes peasants from "primitive" producers directly to the state in the form of taxes and

tithes; few peasants worked on estates to support a landlord class.¹¹ (Thus nonproducers consisted almost entirely of Spanish colonial authorities.) Some peasants also exchanged goods in marketplaces, but the marketplaces were mostly located in urban centers, under the direct control of state representatives. Through market exchange, in fact, colonial authorities extracted additional surplus through further taxes, price fixing, and regulation of the urban monopolists who controlled various goods needed by peasants. A peasant (and at this time most peasants were socially recognized as Mayan Indians) could not easily change community or ethnic identification--which essentially defined his or her peasant status as producer of basic foodstuffs and payer of tribute. Peasants were tied to particular communities not only through sentiment but through legal restrictions upon their movements. Neither labor nor land were market commodities in this period. The colonial state regulated access to each directly.

Urban artisans, most of whom were non-Indian (Ladino) in social identity,¹² produced most of the commodities exchanged in colonial Guatemala. These artisans had few of the attributes of modern petty commodity producers because of the poor development of commodity markets, especially markets in factors of production. No labor market existed. Most artisans were "born" to their trades, in that they followed the occupations of their parents from whom they acquired their skills. In consequence, artisans lived in communities that were ethnically distinct, endogamous, and held monopolies on particular skills or markets. Limited markets existed for other factors, in that artisans purchased raw materials and they sold finished goods to clients mostly for cash. But the state regulated market exchanges strictly, pushing artisans to form ties of personal dependency to obtain supplies and dispose of products. Limited markets maintained undeveloped forces of production. The means of production owned by artisans were rudimentary in the extreme: needles for tailors, simple adzes for carpenters, and so forth. Artisans produced goods for peasants as well as for elites (nonproducers)--but mainly produced for the urban classes. People of the same "class" and ethnicity, often women, handled marketplace exchanges with peasants, by which means both artisans and the elites were fed.

At this point in time the distinction between rural peasant and urban artisan was not yet blurred. Some rural Indians did market some commodities, but most produced rather than purchased their raw materials. (Rural carpenters, for example, cut their own trees for lumber.) Peasants, moreover, did not usually sell their finished goods but turned them over to the Spanish authorities or traders through the repartimiento system.¹³ Thus we have no difficulty considering such people peasants, given the circumstances under which they worked. It is somewhat more difficult to classify the urban artisans of this period. Clearly artisans produced and purveyed those few commodities that existed in the economy. But they did so under state regulation rather than free market conditions. Market conditions were such that Guatemala's artisans more closely resembled peasants in the conditions under which they worked--political regulation of their economic lives--than they resembled modern artisans or petty commodity producers. At the same time, the urban artisans of colonial Guatemala were the direct antecedents of modern artisans or the informal sector in twentieth-century Guatemala. If we place them within a historical and processual context, then, we must consider the urban artisans of

colonial Guatemala representative of the kind of petty commodity production most likely to exist in a social formation that supports no capitalist enterprise.

The working conditions for peasants and artisans changed in Guatemala only after prolonged class struggle. The social classes of Guatemala grouped around conservative and liberal ideologies after Independence, a pattern typical of Latin America. The usual alignment had those Spanish settlers who lacked the privileges of the Spanish bureaucracy (i.e., criollos) on one side, wishing to destroy the restrictions preventing capitalist enterprise; and it had the urban artisans, Church people, and Spanish authorities on the other side, wishing to preserve them. Peasants in Latin America were usually an "inert" mass, unable to articulate a distinct set of interests in the struggle. But in Guatemala, peasants played a more significant role in the battle that ensued, and articulated an "interest" that was neither liberal nor conservative. Moreover, they won national power for a brief period, through supporting a guerrilla movement against the state, led by Rafael Carrera--an ex-peasant and pig merchant who was to become "president-for-life" in Guatemala (Ingersoll 1972). Carrera and his regime cannot be categorized as either liberal or conservative. Some of his "conservative" policies helped protect peasant communities from many aspects of rampant, early capitalism; but some of his "liberal" policies helped open up Indian communities, allowing much greater freedom of movement and commerce than had been possible earlier (Woodward 1976). In both these respects, Carrera represented peasant class interests (Miceli 1974). By 1871, when Liberals finally capture state power in Guatemala, a very strong peasant "class" had formed that on the one hand took over much of the domestic economic activity formerly monopolized by urban artisans, but on the other hand retained considerable ability to protest their basic means of production (land) and the political autonomy of their communities. The formation of this relatively self-conscious peasant (Indian) class, a rare event in nineteenth-century Latin America, would affect labor history in Guatemala far into the future.

To explain why a relatively strong peasantry emerged in Guatemala is too complex a task for this essay (see Smith 1984b), but several points about it call for comment. First, Guatemala City was the seat of imperial power for all of Central America during the colonial period--in part because most surviving Indians lived in Guatemala. The majority of Spanish settlers lived either in Guatemala City or as far from that city (and its control over them) as they could get--which put most of them outside the boundaries of the new Guatemalan nation at Independence (Woodward 1976). Thus, Guatemala's Lladinos (both artisans and criollos) were few and concentrated in the national capital, distant from where the bulk of peasants lived. Second, few Guatemalan peasants lived on the most suitable land for the production of commodities in demand by the world economy: the Church owned most of it (MacLeod 1973). Finally, no one worried very much about the existence of a strong peasant class in Guatemala. At the time it emerged, it did not appear to be a tremendous obstacle to the development of the export-oriented agrarian economy wanted at the time. Peasants could be tapped for cheap plantation labor and they could also supply the plantation labor force with cheap commodities (McCreery 1976). Thus international capital, supplied and put into

operation mainly by Germans, could take land from the Church, seasonal labor from nearby peasant communities, and infrastructural support from the Guatemalan state to make a tidy profit on the production of coffee for world export--without destroying a land-based peasantry.

The development of coffee and later banana exports (as well as the development of a "liberal" capitalist ideology) in Guatemala followed a general trend in the world periphery, a trend put into motion by the tremendous expansion of the world market in the late nineteenth century. But it is important to note that different places produced for the world market the same commodities, such as coffee, in quite varied ways and this created major differences in peripheral economies. In the same period, Costa Rica's small farmers produced coffee mostly with family labor; El Salvador's large plantations produced coffee with wage labor that was almost completely landless by the turn of the century; but Guatemala's large plantations produced coffee mainly with seasonal labor levied by the state from peasant communities which held onto much of their own land (Cardoso 1975).

The failure of Guatemala's Liberals to separate most peasants from their property meant that capitalist agriculture, indeed capitalism in general, took a very distinctive form in Guatemala. One reason is obvious enough. Guatemala's incipient capitalists were not spurred to capital investment because labor power had not become a real cost to them. Another reason is less obvious. Because plantations had to be supplied with commodities, and Guatemala did not have enough urban centers and artisans to supply them, petty commodity production spread from urban places to rural areas, assisted by a rural marketing system run by peasant traders (Smith 1978). Thus petty commodity production and trade opened up to all participants in Guatemala and provided a niche for peasants living on shrinking plots of land, giving them an alternative to wage labor on plantations. This alternative did not present itself to peasants elsewhere in Central America, even though coffee was grown for export throughout the region. Elsewhere trade and artisanal production remained concentrated in urban centers and an increasingly landshort peasantry had to turn to wage labor rather than to petty commodity production and trade. The political strength of Guatemala's peasants, gained in earlier political struggles, explains the difference.

If we compare Guatemala's extant production systems at two points in time (see Table 1), one before the expansion of coffee production (1850) and one after coffee production had reached one of its highest levels (1920),¹⁴ we see certain complementary patterns. The first period shows no capitalist enterprise,¹⁵ a "classic" peasantry, and a few protected artisans. The only opening for capitalist development was that both artisans and peasants produced for the domestic market some commodities which could be used to feed a specialized labor force. Even here, however, the development was weak. With the expansion of coffee plantations we find considerable "loosening" of the system--wrought by political struggle rather than by direct economic impulse. Yet petty commodity production rather than capitalist agriculture took up most of the slack given by the declining self-sufficiency of the peasantry. Labor was legally "free" to find employment anywhere, but most free labor went into small-scale domestic production; plantations continued to rely on the state to obtain

labor. And the development of a competitive market for domestic commodities was not matched by the development of a competitive market in the commodities needed to produce commodities. Even though people could buy and sell land, land did not have a price determined by its market value; even though producers could find raw materials and means of production in the marketplace, they assured supplies only by developing relationships of clientage; and even though plantations paid wages to some workers, a given wage rate did not call forth labor in the quantities needed. In short, none of the institutional bases for the "real" subsumption of labor by capital existed in Guatemala fifty years after export production for the world-capitalist market had come to dominate Guatemala's economy.

The second major political battle to ensue in Guatemala had less to do with the struggle between labor and capital and more to do with different capitalist and labor interests. Once again the battle was stimulated by a general global trend, that toward diversification of capitalist enterprise and import-substitution industrialization, following World War II. The class alliances in this struggle were somewhat different from before (see Jonas 1974, Wasserstrom 1975). On one side lined up the entrenched coffee interests (Guatemala's oligarchy) and the few successful urban businessmen with protected monopolies; this group wanted to retain the extant distribution of property and an authoritarian state regime. The other side consisted of full-time wage workers (a very small but politically active bunch) and most elements of the petite bourgeoisie (professionals and urban businessmen without protected monopolies); this group wanted some of the benefits of "real" capitalism in Guatemala, including liberal democracy, trade unions, and the incorporation of Indian peasants into national life. (Very few Indians wanted to be incorporated, however, and to the extent that they took a position in this struggle it was with the old regime.) The "new" capitalists won briefly in 1944, with the election of Arbenz and then Arevalo; but the "old" capitalists won ultimately with the military overthrow of the elected regimes in 1954. The old capitalists still hold power today. The price they had to pay to win was increasing U.S. control over internal affairs in Guatemala.

No "higher" rationality given by the needs of the world economy can explain why the old capitalists won in Guatemala. The U.S. played a major role in helping them win--that much is clear. But we cannot conclude from this that the general interests of U.S. or core capital simply asserted itself over Guatemalan or peripheral capital. In 1954 U.S. capital had specific interests to defend in Guatemala, to be sure. But in the same year it had quite different interests in Iran, in Vietnam, and elsewhere, even though the U.S. government pursued political policies in those places similar to the ones they pursued in Guatemala. One could argue that U.S. capital had much more to gain from the "progressive" developments taking place in Guatemala under Arbenz and Arevalo than from protecting the traditional order in Guatemala. Later, under the Alliance for Progress, the U.S. actively promulgated more progressive policies for capital in Latin America, favoring regimes such as those it had earlier toppled. That U.S. statesmen did not recognize the value of "progressive" regimes for capital in 1954 should come as no great surprise. We cannot assume that capitalists always recognize or follow their economic interests in political struggles, especially when they must work through an agent, the state, which represents not only varied interests within a

divided class, but also represents other classes and its own perpetuation as an agent.

Let us now consider how other groups involved in Guatemala's political struggles of 1944-1954 fared. Guatemala's Indian peasants, often described as "losers" in this struggle because of the value many people attach to national integration, were big winners from the perspective of what they wanted. Whether what they wanted--continued political autonomy, expanded commercial freedom, and growth of the domestic economy based on plantation exports--was what they needed to guarantee their continued reproduction along these lines is a different issue, one that the present situation throws into question. The big losers were the few remaining successful urban monopolists in the provincial towns of Guatemala. Many of them left those towns for Guatemala City, swelling the growth of the informal economy there as well as the size of one of the world's most primate cities (Roberts 1973). They were replaced in the provinces by former peasants, mostly Indian, who gave up little in the way of ethnic identity or community solidarity to become successful in expanding petty commodity production and exchange in rural areas.¹⁵

Because "traditional" groups won, trends established in the late nineteenth century intensified rather than changed. Plantation agriculture expanded and diversified (into cotton, cattle, and sugar, as well as coffee), but changed neither its market nor its ownership. Traditional oligarchs and multinationals invested in capital-intensive industry in Guatemala City, but they did not form a new "industrial" class in Guatemala that could represent distinct progressive interests. And petty commodity production grew enormously in Guatemala City, but its apparent novelty as an "informal" sector was misleading; it represented only an extension of earlier patterns first developed in rural areas. The most important legacy of the 1944-1954 struggles was the removal of the last formal barriers to the free movement of labor and capital. The state no longer used force to bring labor to the plantations and it encouraged capital investment from any and all quarters. In addition, the growth of a few "real" capitalist enterprises in Guatemala City promoted the growth of a "real" urban working class in that city, though most members of the proletariat tried to maintain sources of income in addition to wages (Roberts 1973). Indians gained political equality with Ladinos--more in the letter than in the operation of the law--and for the first time became fully free to change place and occupation. (Few chose to do so, however.) But while political and legal conditions now existed for the expansion of "real" capitalism--one that would really subsume labor--capitalism in Guatemala remained stunted.

In order to understand the present organization of labor in Guatemala, we must look more closely at developments in petty commodity production--or the informal economy as it is sometimes called. Most scholars describe the informal economy as (1) a novel form of economy, (2) one that is basically urban, and (3) one that is directly conjoined to capital-intensive industry in the world periphery (see Leys 1973, Hart 1973, Bromley and Gerry 1979). On these grounds yet other scholars (e.g., Portes 1981) explain it as a phenomenon spawned by the needs of capitalist expansion in the world periphery. The Guatemalan case suggests that all of these assumptions need reexamination. I have shown above that the

existence of small-scale urban producers and traders is not a new phenomenon in Guatemala. What is new is that the activities of small-scale producers and traders take place in an intensely competitive environment. Urban artisans existed long before any kind of capitalism existed in Guatemala, but they operated under state protection over limited monopolies. When the state stopped protecting small artisans, many more people entered commercial activities and through unrelenting price and service competition drove down the prices of domestic goods to make them much more important in the reproduction of all economic life in Guatemala. An especially interesting feature of the transformation in Guatemala is that it began in rural areas, and thus involved former peasants, rather than in urban areas to involve former artisans. This demonstrates, rather conclusively, that there is nothing especially urban about the phenomenon. The social preconditions for an informal economy, in fact, can spread from rural areas to urban centers rather than vice versa.

The more important issue is the extent to which we can say that expanded capitalist production encourages expanded petty commodity production. An association clearly exists. Harriet Friedmann (1980), for example, observes that the same "economic" (market) conditions needed for capitalist forms of enterprise are also needed for petty commodity production (in its "classic" form). In particular, one needs integrated and competitive markets for all factors of production (except for labor) for either form of production (one needs a market in labor only for the capitalist form of production). Hence it is not surprising that the social preconditions favoring the expansion of capitalism also encourage "classic" petty commodity production. Before the market conditions exist for capitalism, one would find another type of petty commodity production, such as the type I described above: traditional urban artisanry, highly constrained through political means. Yet given the very existence of traditional artisanry, the connection between capitalism and petty commodity production is somewhat misleading. The linking mechanism is merely that of a competitive factor market, that market affecting the mode of operation of all forms of production within it. Thus one finds not only traditional artisans "becoming" petty commodity producers, one also finds traditional peasants "becoming" petty commodity producers--when the market conditions necessary for capitalism exist within a particular social formation. Those market conditions do not leave noncapitalist forms of production unaffected, but that is not to say that they force the growth of "classic" capitalism.

The real question thus becomes the degree to which petty commodity production arises to meet certain needs of early capitalism. The situation in Guatemala suggests quite the opposite. To the extent that petty commodity production exists and expands, it directly competes with expanded capitalist forms of production. It may, to be sure, deliver cheap commodities to capitalist workers and capitalist enterprises. But while capitalists will always seek the cheapest raw materials and labor from whatever source, they do not do so deliberately, at their own expense. If there is one unfailing tendency or "need" of capitalism for its expanded reproduction it is to replace all prior forms of production--whether it can do so at high or low cost. Yet capitalists cannot always have it the way they want it. Capitalists in peripheral formations such as Guatemala do not invest in capital-intensive industry, thus "marginalizing" an enormous Indian workforce, because they are racists, because

they are dazzled by high technology, or even because they want to create a large reserve army of unemployed. They do so because it is the only arena of production in which they can compete, given the existence of well-developed petty commodity production. At the same time, however, if capitalists face a consistently narrow market for their goods and have continuous difficulty obtaining the cheap labor they need for expanded reproduction, they will often try to do something about it--through political means.

Let us now turn to the situation and options for capital in Guatemala in the present period to see how this might be played out. By the late 1970s Guatemala's traditional peasantry had vanished. In my 1978 survey of 3,000 highland Indian households (who once constituted the traditional peasantry), I found no household that was not heavily dependent upon market activity of some sort for reproduction (Smith 1984a). Perhaps more surprising, I found that less than half of the households depended to any significant extent upon agricultural activities of any sort (whether as farmers or as agricultural workers). Virtually all Indian households did carry out some agricultural activities; but it was a rare household that could provision more than half its food needs from its own land. As is heavily emphasized in the literature on Guatemala (cf., Jonas 1974), many households made up the difference between production and need with seasonal wage labor on export-oriented plantations. But data I have on the communities I surveyed in 1978 that describe their conditions in an earlier period indicate that the proportion (if not the actual number) of such families had dropped significantly over time.¹⁶ Most households engaged in petty commodity production. Considering only heads of households, 41 percent found employment primarily in self-controlled manufacturing activity of some kind and 17 percent in trade.¹⁷ When one considers the occupations of all Indian workers in my sample (men, women, and children), the number of people in these two categories rises from 58 percent to 69 percent. All of these people, of course, are "classic" petty commodity producers.

I have less complete data on urban Guatemala and on plantation agriculture. But most scholars of the country agree that in the late 1970s an enormous informal sector existed in Guatemala City (Roberts 1973), that capital-intensive industry flourished only briefly and then began to flounder as it reached its market limit (Williams 1978), and that plantation agriculture continued to expand (CSUCA 1978). Thus we have what ap-
pears to be the classic pattern of development in the periphery: capital-
its enterprise growing at the expense of a traditional peasantry, but
failing to absorb it, and peasants becoming "redundant" labor and thus
finding ways to survive in the cities as part of the informal sector and
in the countryside by balancing petty commodity production and wage work.

Before endorsing this picture, however, let us examine more closely the traditions of labor in the three forms of production under consideration here (see Table 1). As noted above, the peasant form of production had disappeared by 1980. A very sticky market in labor remained as a last vestige of the peasant form of production. Different Indian communities paid different wage rates to agricultural (and other) labor and this situation did not move "surplus" labor to areas of scarcity (Smith 1983). This very same condition remained a barrier to the full development of petty commodity production in the countryside. Former peasants

did not move freely between communities to engage in the most lucrative forms of production. Most of them took up the predominant activity of their community; and though new activities were constantly being added to each community's repertoire, one's position in a community of producers--if one remained an Indian--clearly constrained individual enterprise. This was not the situation in urban areas, where "community" among petty commodity producers no longer existed. The particular barrier involved here was the ethnic one--a barrier no longer legally enforced (the state, in fact, now actively encouraged the "loss" of ethnic distinctions), but one that persisted anyway.

Now let us examine the condition of labor upon which capitalist agriculture continued to rely. Even in 1978 Guatemala had relatively few full-time wage workers in agriculture: most plantation workers were part-time "peasants." Partly in consequence, plantation agriculture remained undercapitalized, workers rather than machines controlled the pace and organization of production, the state did not enforce minimum wage standards or allow trade union activity, and very few workers could subsist entirely on their wages. In other words, labor was subsumed by capital in a formal rather than real sense.¹⁸ The position of capital in urban industry was somewhat better. Here higher wages allowed for full-time workers, machines controlled production, and limited trade-union activity took place.¹⁹ Yet the only kind of enterprise that could support this form of production required huge infusions of capital, most of it from external investors (multinationals), and most of it oriented toward an external rather than domestic market. In other words, we find an implanted form of capitalism in Guatemala, not a native one--a form of capitalism with very limited growth potential. Why do we find such limited capitalist development in Guatemala? My explanation, it should be clear by now, is the existence of other thriving forms of production in the economy, especially that of petty commodity production and the informal sector.

It could be argued that petty commodity production expanded so hugely in Guatemala in the period following World War II because no alternative source of employment existed for now "redundant" labor--and, in fact, this is the usual interpretation of the matter. Two kinds of evidence belie this interpretation and support my view, however. First, wages and income levels of families in the informal sector (both rural and urban) have been higher than those in the "formal" wage sector (for documentation, see Smith 1983, 1984a). This is not a unique finding, as a recent study comparing average informal incomes to those employed as blue collar labor in Colombia documents (Lopez, Luz, and Sierra 1982). Second, a consistent body of evidence, for Guatemala anyway, indicates that capitalist enterprise in the last decade has faced an increasing shortage of labor--especially agricultural labor.²⁰ This should come as no surprise, given the higher incomes to be garnered in petty production and trade than in agricultural labor. One might ask why, if labor is short, capitalists do not increase the wages they offer. But this question assumes that the economic power of capitalist producers in Guatemala is so great that raising wages would offer no problem to them. It is indeed possible that Guatemalan plantations could offer higher wages without folding, but I believe they could not do so without a major transformation in the organization of production requiring a large investment of capital.

And the market for agricultural commodities such as coffee and cotton is uncertain enough at present that it does not draw the kind of capital investment needed.

The present economic situation in Guatemala, then, is one in which the vast majority of ex-peasants find employment in petty production and trade rather than in capitalist enterprise. Most capitalist production in Guatemala, in consequence, is poorly developed and weak. Coffee production, for example, shows a very low level of technical and labor efficiency--one of the lowest levels in Latin America (Villacorta 1976); industrial production is not much better (World Bank 1978). I do not believe this is true because Guatemalan capitalists constitute an especially backward, retrograde group. I suggest it is true because they have faced strong resistance to their efforts to transform the Guatemalan economy over a long period of time. The economic difficulties this has created in recent years, exacerbated by the downturn in the global economy as well as by economic difficulties stemming from other sources in other parts of Central America, have led to another major political struggle in Guatemala, perhaps the most significant in its history.

The present political struggle in Guatemala, as I interpret it, centers once again around labor. But for the first time since the development of export production on a major scale, Mayan Indians, Guatemala's former peasants, are in the forefront of the struggle. Those who know little more about the economic life of Guatemala's Indians than that they make up the bulk of its plantation labor force have argued that revolution broke out in Guatemala in 1978-1979 because Indian "peasants" finally reached an economic breaking point. From what I know about the economic adaptations of Guatemala's Indians, I believe the opposite to be the case: Guatemala's capitalist class finally reached an economic breaking point. There was no danger of Guatemala's capitalists disappearing as a class or as a political force in Guatemala; but unless they could release a significant amount of labor from the Indian countryside--which they believed was rightfully theirs to exploit--they would not be able to take advantage of the new opportunities that were beginning to surface in the 1970s.

Scholars agree about most of the following "facts," in the unfolding of Guatemala's revolution. Major oil and mineral deposits were discovered in a remote area of Guatemala in the 1970s. The act of violence most people use to date the onset of the present struggle, the Panzos massacre, occurred in 1978 in the oil-mineral area. The massacre, like the many others following it, was carried out by the state against unarmed, nonpoliticized, Indian "peasants." Peasants targeted for massacre were located either in zones planned for future capitalist development or in zones of considerable "peasant" commercial development. Also targeted was anyone perceived to be Indian, especially an Indian traditionalist with leadership potential (Davis and Hodson 1982). Little direct military action was taken against guerrilla organizations, extant in the area from the early 1970s on, but small in numbers until the massacre began. The plantation area, where guerrilla recruitment was most successful, felt little military pressure. The military objective of the state seemed to most observers to be that of terrorizing the entire indigenous population, especially those in the zones noted above.

Various interpretations of these facts exist. My own is that the Guatemalan state, representing Guatemala's capitalist class, has declared war on what it perceives to be the bases of "peasant" resistance to the capitalist development of Guatemala. As Guatemala's capitalists see it, these bases are the following: "peasant" economic self-sufficiency, based on their continued ownership of land in the highlands; peasant community solidarity (especially in Indian areas), which assists peasant resistance to certain kinds of outside influences, such as those promulgated by the state; Indian ethnic identity per se, which leads to satisfaction with a noncommercial way of life and a reluctance to leave local communities for work; and certain external influences, especially by Catholic missionaries, which help create dissatisfaction with the "appropriate" economic and political roles for Indian "peasants." As I see it, the Guatemalan capitalists are partly right and partly wrong about the bases for peasant (Indian) resistance to the "development" of their country. Nonetheless, I suspect that the present course of action, especially that taking place today, could eventually break Indian resistance to the state, unless organized resistance against the state grows stronger.

Yet I do not believe the present struggle is one in which the capitalist development of Guatemala will necessarily be strengthened. For one thing, the struggle will destroy much of Guatemala's labor force (as well as its capital). For another, the present capitalist class of Guatemala runs a significant risk of losing its present position in the economy altogether--to be replaced by another dominant class carrying out a socialist "form" of production. Finally, present political and economic tactics will not necessarily eradicate petty commodity production in Guatemala, and its competition with capitalist enterprise. In any event, the eventual development of capitalism in Guatemala will depend upon the outcome of political struggles and will not simply emanate from global tendencies or from the unfolding of the laws of motion of capitalism--though the political struggles that take place have been and will be significantly affected by such.

This short essay provides scant evidence to support its many assertions about the social and economic forces involved in the making of modern Guatemala. But its goal was not to convince the skeptical reader about the particulars of one peripheral country. It was to suggest an approach to the analysis of peripheral social formations, shaped by a multitude of forces in which no single force dominates, but shaped nonetheless in patterned, explicable ways. To the extent that the approach points to certain general principles that can be applied to the analysis of variation in the economies of peripheral social formations, explaining their diversity without resort to an unordered welter of possible influences, it has been successful. Labor and the forms of production it creates lie at the center of the analysis. Labor and labor processes are given form by local class interests which are shaped by the totality of social life in a particular historical context; they are also given form by external economic and social processes, which impinge upon local interests in significant ways. If we are to account for variation as well as for similarity in the world-system periphery, we cannot neglect either side of the picture. If we are certain that material conditions affect the way in which people live and act politically, we must consider the interaction of labor and politics in concrete material contexts. And if

we are concerned to understand the world in order to help change it, we must make analysis of class relations and class struggle central to the enterprise.

FOOTNOTES

¹This paper was produced (and reproduced) when I was a fellow in the Latin American Program of The Wilson Center, Washington, D.C.; I am grateful for their support. I would like to thank Arif Dirlik for stimulating discussions that helped me sharpen the arguments presented here and for helpful comments on a first draft of this paper.

²Because social and labor historians usually deal with political and economic struggles in highly localized contexts, few of them deal directly with world-system theory. Most of them have been critical of the more orthodox Marxist approaches, which they find neglectful of social context and social consciousness (the classic study being Thompson 1966). I am assuming here that they would be equally if not more critical of world-system theory, were they concerned about it.

³This essay cannot present the data which ground my analysis. For documentation, the interested reader should consult the various papers of mine noted throughout the text.

⁴Many others have raised some of these same problems (e.g., Martinez Alier 1977, Mintz 1977, and Kahn 1980), but few have suggested how we might resolve them in a consistent way.

⁵For this reason, Hindess and Hirst (1975), who attempt an analysis of all precapitalist modes of production, neglect petty commodity production altogether. Most other orthodox scholars, however, usually accord petty commodity production the status of "mode," even though they consider it incapable of "dominance."

⁶For examples of this kind of reasoning see Meillassoux (1972), Hindess and Hirst (1975), and Portes (1981).

⁷Harriet Friedmann (1980) suggested using "form" of production as I use it here in order to understand how different economic contexts shape particular labor and market processes. I take the approach she developed one step further, suggesting that it is a way of seeing how a total social context shapes labor processes and the overall organization of production in particular economies.

⁸My definition of the "classic" peasant here is mostly taken from Wolf (1966). I add the observation that few classic peasants are mobile, or free to change place and occupation. Differences in this last characteristic, rather than in the nature of what they produce, strike me as the most important feature distinguishing "peasants" from "petty commodity producers."

⁹My definition of the "classic" petty commodity producer is taken from Kahn (1980). By Kahn's definition, similar to that of most others, traditional urban artisans would not be petty commodity producers; this leaves an important form of labor organization out of most classificatory schemes.

¹⁰I have taken, somewhat arbitrarily, the conditions of labor under capitalism from Harvey (1982) and Burawoy (this issue). I admit to choosing those characteristics that most differentiate labor under capitalist forms of production from labor under noncapitalist forms of production.

¹¹A few large estates, owned mostly by the Church, did exist in Guatemala (MacLeod 1973). Most of Central America's large estates, however, were located in areas that became other countries (e.g., El Salvador). Those goods produced in Guatemala for the world commodity market in the colonial period were mostly produced by Indian peasants who directly controlled the means and conditions of production.

¹²The following description of Guatemala's traditional artisans rests on two sources: Lutz's (1976) discussion of urban life in the colonial city of Santiago de Guatemala; and extrapolations from more recent descriptions of artisans in neighboring San Cristobal las Casas (Chiapas, Mexico), before "traditional" monopolies over certain urban products by Ladino artisans were broken by actions of the state (Siverts 1969).

¹³Guatemala's repartimiento system was one in which Spanish merchants were assigned the commercial distribution of certain products produced and consumed by Indians; Indians were required by law to produce certain goods for these merchants and to purchase other goods purveyed by the merchants (MacLeod 1973). Thus commercial activity was strongly developed among Guatemala's peasants from a very early period; yet it was highly constrained commercial activity, which did little to alter the relationship between peasants, artisans, and the Spanish bureaucracy in the colonial period.

¹⁴Coffee earned more than 75 percent of Guatemala's foreign exchange between 1880 and 1950. In 1920, coffee was in its heyday, having reached an areal extension and level of production it was not to exceed until the 1970s (Torres Rivas 1971).

¹⁵Some people might consider Guatemala's cochineal farms of this era a form of capitalist enterprise, since they produced a commodity for the world market--even though with coerced rather than free labor. Obviously that is not the position espoused here. It is nonetheless relevant to note that relatively little production for the world market--even of cochineal--existed in Guatemala as late as 1850.

¹⁶My data consist of the following: interviews with municipal authorities, conducted 1968-69 and 1977-78 about the percentage of people working seasonally on plantations in those years; and interviews with hamlet residents about the number of people migrating from the community in various years (using presidents then in power in Guatemala to fix time periods). For further discussion of the evidence, see Smith (1984a, 1984b).

FOOTNOTES

¹⁷Of the people engaged in manufacturing, slightly less than half were wage earners for small local enterprises; none of the enterprises had more than ten wage workers in them and the vast majority had no more than one or two. Very few traders used wage labor to conduct their activities.

¹⁸The distinction between formal and real subsumption of labor in capitalism was made by Marx (Appendix, Capital, Vol. I, 1976 edition) to show that the "laws of motion" of capitalism could not come into play until certain conditions had been reached in making a commodity of labor power.

¹⁹Following Harvey (1982) and Burawoy (this issue), I assume that in protecting the economic interests of the working class, trade unions make workers more dependent upon capital than they are when engaged in noncapitalist forms of production to supplement their livelihood. In that sense, then, higher wages and trade unions deepen capitalist control over labor.

²⁰I should warn the reader that my view about decreasing numbers of peasants available for plantation labor is not widely held. I should also note that few people have data on the organization of "peasant" production in highland Guatemala in more than one or two communities. In this respect, my data on production in Indian Guatemala are relatively unique. I attribute the general view that Indians constitute and have constituted an unending source of labor to the plantations to the following unquestioned (and wrong) assumptions: (1) Guatemalan Indians are classic peasants; (2) classic peasants farm; (3) Indian farm production has decreased dramatically on a per capita basis in recent years; and (4) most highland Indians have no other economic resources.

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