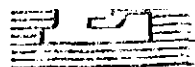


UNITED NATIONS



ECONOMIC  
AND  
SOCIAL COUNCIL



GENERAL  
E/CN.12/URB/6  
UNESCO/SS/URB/LA/6  
30 September 1958  
ORIGINAL: ENGLISH

SEMINAR ON URBANIZATION PROBLEMS IN LATIN AMERICA

Jointly sponsored by the United Nations Educational, Scientific and Cultural Organization, the United Nations Bureau of Social Affairs and the secretariat of the United Nations Economic Commission for Latin America, in co-operation with the International Labour Office and the Organization of American States

Santiago, Chile, ~~18-20 December 1958~~  
**6-18 July 1959**

NOTE ON THE ECONOMICS OF URBANIZATION IN LATIN AMERICA

by Simon Rottenberg



I propose to examine, in this paper, some of the economic implications of urbanization in Latin America and to give particular attention to the causes and effects of urbanization.

The data are not comprehensive nor completely trustworthy, but some fairly straightforward conclusions can be drawn from whatever information is available.

A most striking demographic characteristic of Latin America over the last decades is that its cities have grown faster than have the populations of countries as a whole. Urban populations have become progressively larger proportions of the whole, and rural populations have become smaller proportions.

Estimates prepared by the Economic Commission for Latin America show, for all of Latin America that the urban population was thirty-three per cent of the total in 1925 and forty-four per cent in 1955. The annual rate of increase of the urban population was in the order of three per cent for the 1925-1955 period, while the rural population increased at an annual rate of the order of only 1.5 per cent.

Table 1 shows how the urban population has increased relatively in a few countries for somewhat longer periods.

There has been a natural rate of growth in the cities. The number of children born to mothers who are urban residents has exceeded the number of deaths of urban residents. But this natural rate of city growth is only part of the story. There has also been fairly rapid migration of rural people to the cities. The rural areas have bred new people in sufficient numbers to increase their absolute populations and also to export people to the cities.

It is not difficult to explain this city-ward migration.

The incentive that induce people to move from place to place are large in number and varied in form, but a sufficient explanation for most movement is differences in earning among places. There is a tendency for people to move from places where income earning opportunities are relatively unfavourable to those in which they are

/relatively favourable.

relatively favourable. If natural rates of population growth were uniform among places, we should expect, in time, to achieve a state of equilibrium in which earnings for the same quality of labour were in all places.

Even in this case, we should, of course, have to adjust for changes in tastes and techniques that are forever occurring and forever requiring corresponding geographical adjustments of population. And these geographical adjustments would be made in response to changes in the price of labour of given quality in different places.

But even if tastes and techniques were unchanging, the differences in earnings between city and country will still persist, other things being equal, so long as the relative excess of births over deaths is less in the city than it is in the country. The growth of numbers in the country side, relative to fixed resources, has tended to hold earnings in check there, despite the improvement in technology. And this is a phenomenon that has characterized many countries, and it is the phenomenon that suffices to explain the migration to the cities in Latin America.

The evidence on rural-urban earnings differentials in Latin America is fragmentary but consistent among countries (see table 2).

While it would not be warranted to put great confidence in the absolute numbers reported, because they may not have been appropriately adjusted for supplementary payments in kind or for other reasons, there is no reason to doubt that it is generally true, in Latin America, that wages in agriculture are lower than wages in the manufacturing sector.

Some people, of course, do migrate to the cities at some cost to themselves in the sense that their earnings would be higher in the country. If they go in these circumstances, it is because the cities offer "amenities" that are not available in the country. But, on balance, for all taken together, it is higher earnings in the cities that are the attracting mechanism.

Table 1  
 LATIN AMERICA: URBAN POPULATION AS A  
 PERCENTAGE OF TOTAL POPULATION

Country	Year	Percent age	Year	Percent age
Argentina	1947	62.5	1895	37.4
Bolivia	1950	37.5	1900	28.9
Dominican Republic	1950	23.8	1920	16.6

Table 2  
 LATIN AMERICA: WAGES

Country and year	Manufacturing	Agriculture
Chile - 1956 (pesos)	710.00	179.00
Colombia - 1953 (pesos)	5.16	2.50
Mexico - 1954 (pesos)	6.66	5.68
Peru - 1953 (soles)	26.78	13.65

/The "amenities"

The "amenities" of the Latin American city take a very large variety of different forms but they include an easier access: to education, especially at the secondary-school and university levels, to professional services, since professionals tend to locate disproportionately, especially in the larger cities, to public amusements, and to government offices. The cities also offer superior opportunities for finding suitable mates for young people of marriageable age.

The tendency for the cities to possess the higher educational institutions means that they are in a position to do yeoman service in the formation of human capital and, by this fortuitous circumstance, they thus become the primary engines of economic progress.

The "amenities" and earnings differential for comparable labour in favour of the cities attract im-migrants to the urban centres. On the other hand, it should not be forgotten, that the serious real costs of congestion incurred by city dwellers act to check the size and speed of the im-migrant stream.

It should be clear that, if the relative price of labour is higher in the cities than in the country, it is because, given the natural rates of population increase in the two, the community values more highly the product of city employment. / Thus the labour market distributes labour geographically within any country by the device of relative prices for labour just as product markets distribute products by the device of relative prices.

It is sometimes thought that people who migrate to the cities are less productive than they would have been if they had remained in the country, because in the cities, many of them produce "petty" services. But services, however "petty" just as goods, are valued by the community in proportion to the prices which are paid for them. In no sense is one intrinsically better, or worse, than the other.

The position of Latin America, relative to other countries, in the employment of its labour in the production of services can be seen from table 3.

Table 3

LATIN AMERICA: PROPORTION OF LABOUR FORCE EMPLOYED  
IN SERVICE SECTOR COMPARED WITH THAT IN  
OTHER COUNTRIES

Country	Percentage of labour force in service sector
Latin America	25.3
Uruguay	46.4
Chile	37.6
Cuba	36.6
Argentina	43.8
Venezuela	32.3
Costa Rica	25.7
Panama	25.7
Mexico	21.8
Colombia	21.1
Brazil	21.2
Paraguay	20.8
Peru	19.6
Ecuador	19.1
El Salvador	18.5
Nicaragua	16.2
Guatemala	11.6
Dominican Republic	17.5
Honduras	11.0
Haiti	11.5
Bolivia	18.4
United States	48.8
United Kingdom	47.2
Netherlands	41.7
Denmark	40.6
Belgium	35.3
Switzerland	33.7
Federal Republic of Germany	32.7
France	30.9
New Zealand	47.5
Australia	43.3
Japan	29.4

/The proportion

The proportion of the economically active population in Latin America which is employed in producing services has apparently been rising. In Costa Rica, for example, the percentage in the service sector was 25.7 in 1950, but only 22.5 in 1927; in Mexico, it was 21.8 in 1950, but only 19.0 in 1940.

The service sector is proportionately more important, of course, in the urban areas than in the urban and rural areas taken together. (See table 4.)

Since the service sector of the economy is pre-eminently an urban phenomenon, it is worthwhile to examine, for a moment, the relationship between employment in the production of services and the level of income in the economy.

Some years ago Professor Colin Clark published his The Conditions of Economic Progress. In this book, he reported a phenomenon that seemed to be supported by empirical evidence. This was that the level of income is correlated positively with the proportion of the labour force employed in the service sector. Professor Clark found that a higher proportion of the labour force was in the service sector in the rich countries than in the poor, and that, as given countries became richer over time, this proportion rose.

This relationship was also reported by A. G. B. Fisher and it came to be almost axiomatically accepted by economists as an index of economic progress.

The thesis has recently come under attack from two sides. On the one side, are papers by Bauer and Yamey, of Cambridge and London. They do not see very much merit in the thesis. They have had considerable personal experience in West Africa and the Far East and it seemed clear to them that, in the relatively poor countries, of those regions, very large numbers were engaged in producing services. These visual impressions were corroborated by other whose experience lay in other parts of the world.

Bauer and Yamey believe that the data on occupational distribution on which the Clark-Fisher thesis was based was defective. In the poor countries the division of labour has not progressed as far as in the rich.



Table 4

LATIN AMERICA: PERCENTAGE OF ECONOMICALLY ACTIVE  
POPULATION IN SERVICE SECTOR

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Chile: rural sector	<u>37.6</u>
urban sector	52.6
Colombia: rural sector	<u>21.1</u>
Medellin	47.9
Barranquilla	55.6
Cartagena	63.1
Cunja	62.7
El Salvador: rural sector	<u>18.5</u>
San Salvador	58.6
San Salvador, Santa Ana, and San Miguel	54.8
Nicaragua: rural sector	<u>16.2</u>
urban sector	39.0

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/Persons engaged

Persons engaged in agriculture may also transport their products to market and sell them there at retail. Although a considerable part of their time is consumed in producing transport and commercial services, they are treated as though they were exclusively engaged in agriculture. As a result, the numbers producing primary products are overstated and the numbers producing tertiary services are understated.

Indeed, Bauer and Yamey would have a priori expectations that the proportion of the employed labour force in the tertiary industries would be greater for the poor countries than the rich, since services are substitutes for goods; the production of services requires less capital, in combination with labour, than the production of goods, and capital is relatively scarcer in the poor countries.

There is another explanation for large numbers producing services. This is that, in many places, there are floors placed under wages, either by law, by the collective action of workers, or by what has been called "the conscience of the community". Those whom employers are not willing to hire at this minimum wage rate are pushed into self-employment where the community permits imputed wages even to be negative. Since the skills required to produce services are relatively uncomplicated and since they are widely diffused among the population, own-account workers tend to fall into the service sector.

So much for the one side of the attack on the Clark-Fisher thesis. On the other side, the argument is somewhat tortured. A distinction must be drawn, it is said, between a high proportion of tertiary employment in the rich countries and the poor. In the former, it is an index of progress; in the latter, it is an index of poverty. The rationale for this distinction is not easy to see and it seems to be based upon a non-intellectual premise. This is that goods, and especially fabricated goods, are superior to services, and that some services are "productive" and other are not. Those who make these distinctions seem never to define the difference in principle. They refer to "petty" services in which "excessive" numbers are engaged,

/but it

but it is never clear how "petty" is defined, why some occupations are more "petty" than others, or on what test optimum (and, therefore, "excessive") numbers can be determined.

Now it ought to be clear that the relative value to the community of time and effort in any occupation - that is to say, the "productivity of work - is measured by the price which is paid for them. Any person who is producing so-called "petty" services, thus, is more productive than he would be in any other occupation in which his earnings would be smaller. And if it is true, in general, that people seek out and choose the most advantageous employment open to them, it cannot be said that producers of "petty" services are unproductive".

The so-called "petty" services are, of course, concentrated in the cities and larger towns. Although almost nothing is definitively known about earnings in the service sectors of the Latin American economies, it is surely a better hypothesis that the relative growth of the cities of the region has re-allocated the working population occupationally such that the distance to the optimum has narrowed, than the alternative hypothesis that it has widened.

It is sometimes thought that producers of services in Latin America are less productive than producers of manufactured goods because the final value of product per worker is less in the former. But this difference is largely explained by the larger quantities of capital combined with workers in the manufacturing than in the service, sector; and the value of product per worker is deceptive because it aggregates the contributions of all factors, although it is expressed in terms of the simple factor, labour.

The outcome in a perfect labour market, of course, would be that the same price would be paid for labour of the same quality in all occupations and sectors (that is, the community would put the same value on labour of the same quality in all sectors) even though value of output per worker were higher in some occupations than in others. The explanation of this apparent paradox is, of course, that the contribution of the workers is not correctly measured by the value of output for which he is jointly responsible, along with other factors.

/To the

To the extent that migration to the cities occurs in response to superior "amenities" in the urban area, it is, in large part, a function of the relatively large social investments in cities by the public authorities. Other things being equal, cities will be proportionally larger, if investment in schools, for example, is heavy in them. Populations will tend to be dispersed, if social investments are also dispersed. But a community wants to allocate its capital including its social capital, such that its total yield will be highest, and this may imply concentration of social investment, although not necessarily so.

It has in fact been said that the structure of the institutions that allocate public investment resources in Latin America and the processes by which these decisions are taken tend to concentrate social overhead investments in urban places and, especially, in the capital cities.

Provincial resident in many Latin American countries commonly complain that the provinces produce the country's income only to have it "sucked away" to nourish the capital.

The data which would show the proportion of public overhead investment located in capital cities, or in all urban places, do not seem to be easily available. It cannot be said with conviction that a more diffused investment pattern would have a higher yield than the pattern which has prevailed in the past. It is said that there is a taste abroad in Latin America for the monumental facade. This, when summed to the concentration of the influential classes in the capital cities may indicate that we should expect, a priori, that a larger share of these investments would be located, in the capital cities than would be rational, according to some output or productivity criterion.<sup>1/</sup>

On the other hand, so long as the price of urban labor is higher than the price of rural labor, as it is in Latin America, investors, public as well as private, serve the income and wealth objectives of society by combining relatively much capital with labor in the cities and towns, where

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<sup>1/</sup> A.O. Hirschman argues that public investments in underdeveloped countries are actually more diffused than they should be, on economic criteria, because political processes compel dispersal. See A.O. Hirschman, "Investment Policies and Dualism in Underdeveloped Countries", in American Economic Review, September 1957, p. 550 ff. This is a question that does not seem to be capable of being submitted to a meaningful test.

labor, being relatively scarce and more valuable, ought to be economized. They serve the same object by combining relatively little capital with labor in the country areas, where labor is relatively more abundant and cheaper and needs less to be economized.

Whatever is the correct answer to this problem - whether too much or too little public investment is located in the cities - it can be expected that the concentration of investment in the capitals will attract large numbers of people to them.

This occurs not only because the capitals are made more attractive by the superior amenities that they offer as a result of the concentration of investment resources in them, but also because the concentration of investment, moves the demand curve of labor to the right and bids up the price of labor. This presents still another attraction to the immigration of people from the smaller towns and the country.

Indeed the data show quite clearly that the concentration of population in the larger urban centers has proceeded further for Latin American than for the other continents. Table 5 shows that, on the average, the largest cities and the two largest cities in each country in Latin America have a significantly higher proportion of the whole population than in other parts of the world. It also shows that the second largest cities in each country of Latin America are, on the average, smaller than those of other continents, relative to the largest cities.

It is of some significance that, in every case but one, the largest city in each country of Latin America is also the capital, the single exception being Ecuador, where Guayaquil is larger than Quito.<sup>2/</sup>

Not only are the capital cities the largest cities of the Latin American countries, but they have tended to become larger, relative to the total populations of these countries. This is shown by the data for a few countries presented in table 6.

In addition to the influences already mentioned, the relative growth of capital cities in Latin America can also be explained, in part, by the apparent relatively rapid rise in employment in the public sector of the

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<sup>2/</sup> Sao Paulo is now said to be larger than Rio de Janeiro but their positions were reversed at the time of the last Brazilian census.

Table 5

LATIN AMERICA: POPULATION OF LARGEST URBAN CENTRES COMPARED  
 WITH THAT IN OTHER CONTINENTS

(Thousands of persons)

	19 Latin American countries	Canada and United States	15 Asian countries	29 European countries <sup>a/</sup>
A. Population Total	150 534	164 706	1 227 927	564 272
B. Sum of population of largest city in each country	13 423	8 913	20 007	30 268
Percentage B is of A	8.9	5.4	1.6	5.4
C. Sum of population of second largest city in each country	4 445	4 297	9 066	14 110
Percentage C is of B	33.1	48.2	45.3	46.6
D. Sum of population of two largest cities in each country	17 868	13 210	29 073	44 378
Percentage D is of A	11.8	8.0	2.4	7.9

Source: Data are for most recent census year in each country.

a/ Europe includes USSR.

/Table 6

Table 6

LATIN AMERICA: POPULATION OF CAPITAL  
CITIES AS A PERCENTAGE OF TOTAL

Country	Year	Percent- age	Year	Percent- age
Brazil	1950	4.6	1890	3.0
Chile	1952	23.9	1895	9.9
Guatemala	1950	15.8	1893	11.0
Venezuela	1950	13.8	1891	4.2

Latin American economies. Latin American governments have tended to increase absolutely the number of functions they perform and the number of objects they serve; a rather high proportion of government expenditures are said to be allocated to payments of wages and salaries for public employees, compared to North America and Europe; and a comparatively high proportion of public employees are located in the capital cities, rather than in other parts of the country.

If there is a tendency to concentrate public investment expenditures in the cities, and especially in the capital cities, and if this attracts larger numbers to the cities than ought to go on economic grounds, there is still another facet of policy in Latin America which should be expected to have the same results.

For some time now, many Latin American countries have been applying a constellation of policies which favor the manufacturing sector. The rationale for these policies lies partly in the desire to diversify the economy and partly in the belief that the level of average income is a positive function of the importance of manufacturing in the economy. There is no need to examine this rationale here because we are interested only in the "urbanistic" consequences of the policies.

Any policy which favors any sector does so at the expense of other sectors. If manufacturing is subsidized, whether explicitly or implicitly, that sector tends to draw resources away from other parts of the economy, and this includes, of course, the resource, labor.

Since manufacturing tends to locate in urban centers, such policies tend to make cities grow more rapidly than would otherwise have occurred and this course of events has undoubtedly transpired in Latin America.

For any given distribution of population between cities and country, the relationship between the two is much like the relationship between countries. They exchange with one another. A certain part of the product of each is consumed internally; another proportion is traded among themselves. Some employments and products are specialized to the country; some employments and products are specialized to cities. Each has a comparative advantage over the other in the production of some goods and services. Each pursues those lines of production that are appropriated to its comparative advantage

/over the



over the other and the goods and services of the one exchange for the goods and services of the other. Both gain from specialization and exchange. In principle, balance of payments accounts could be constructed for each of them showing imports and exports of goods and services, capital transfers, and all the other items which conventionally appear in the balance of payments account constructed for countries.

Within cities, much the same kind of specialization occurs. Land has alternative uses. If it is combined with one set of resources, it has one use; if it is combined with a different set of resources, it has a different use. The resources which combine with land are sometimes relatively mobile and sometimes relatively immobile. But land itself is immobile. Land tends to be put to the use which will yield the highest return. If the highest return will be derived from a piece of land by erecting an office building on it, this is the use to which it will tend to be put. Once the building is constructed, the land has its use defined for many years into the future. To some extent mobility is introduced by the adaptation of buildings to other uses different from those for which they were designed, as when a residential structure becomes a vending place or a place for light industry. But such changes occur only at the margin and by and large, the long-term use of land is defined by the structure put upon it. It is often true that, if a mistake has been made in the use to which urban land was put, the mistake can be corrected only over a long period in which buildings are not maintained and the resources that would otherwise have been put to their maintenance are, instead, put to some other use in which the yield is greater.

Outside the cities, the natural qualities of the land affect its use very greatly. We do not knowingly plant orchards over copper deposits, because the natural presence of the copper ore gives this land a superior use than a site for an orchard. The price that will be paid for the land by someone who wants to exploit its copper will be higher than the price that will be offered for it by someone who wants to develop an orchard on it. Similarly, in an arid region sheep-raisers will offer a higher price for a land than will-rice-growers.

Within cities, however, the natural qualities of land are relatively less important in determining land use, because historical influences

/exercise great

exercise great influence. Once a stock exchange has been established brokerage houses will tend to cluster around it. Brokers will outbid aspirants for office space in the vicinity of the exchange because they can take advantage of the external economics created for them by the location of the stock exchange.

Similarly, industrial establishments and other bulk shippers will outbid others for land lying contiguous to railroad lines. They are prepared to pay a higher price than others because external economics are created for them by the railroads.

Natural phenomena, however, are not very influential in determining the location of stock exchanges and only somewhat more influential in locating railroads.

This is not to say that natural phenomena are completely without influence in determining the configuration of urban land use. Cities are not built on swamp land and far from fresh water unless there are compelling reasons requiring it. And tall buildings look for bedrock.

But nature is much less important in determining the pattern of land use in the cities than it is in the country and historical circumstances and the external economics of concentration much more important. This is what explains the concentrated location of financial institutions, commercial establishments, industrial plants, medical centers, and even residential areas.

The formation of cities implies certain social costs that society does not incur when population is geographically dispersed. That is, as people congregate in cities external diseconomies are created which can be wiped out only by allocating resources to compensating uses. Where buildings are close together as in cities, fire-prevention and fire-fighting services must be proportionally larger than where buildings are more distant from one another, as in the country, because the danger of spreading, once an outbreak of fire has occurred, is greater. Police services must be more extensive in cities because cities provide additional opportunities for crime and additional cover for criminals. Garbage and waste disposal services are also probably relatively more costly in cities. Public health services must also be greater because concentration of population heightens /the danger

the danger of contagion. Resources must be devoted to thinning out and controlling congested automobile traffic.

Against this must be put the lower costs of providing electric power, gas and water to city residents than to rural residents and the lower real cost of educational services in cities.

It is not clear whether, on balance, and in real terms, cities are more or less efficient for living, than are rural areas, but, since the net movement of people in many parts of the world is towards cities, a reasonably good a priori first hypothesis is that city living is more efficient, at least relative to comparative earnings in the two places.

It should be clear, of course, that most comparisons must be made in real terms. Thus the cost of transport services for carrying city people between home and work must be compared with real cost incurred by rural people in walking to and from the field.

The real costs of transport services are among the most serious incurred in cities. Massive movements occur between home and place of work several times each day. These movements are not evenly distributed over the hours of the day but are concentrated in the morning and evening hours and, to a lesser extent, in the midday meal hours. In many places in Latin America, maximum price controls have been put on urban transport services and prices have been established at apparently lower than competitive levels. As a result, capital finds superior yields in other uses and little private incremental investment takes place in the urban transport industry.

Given the quality of resources in the transport industry the problem becomes one of most efficient use of these resources.

To some extent efficiency of transport resources use can be achieved by substituting other resources. Collective transport vehicles could, for example, stop at the edge of a city center, deposit passengers there, and turn around quickly to return to the start of its run on the city's edge. In this way, they would avoid the slow transit through the center and the vehicles would be substituted for by the physical effort of passengers in walking into the center.

Efficient use of transport could also be promoted by the exercise of  
/ingenuity in

investment in housing construction and attract new investment into this field.

Rent controls over the long run have the effect of causing the supply of housing to be less than it would be, if there were no controls. And this is, of course, precisely what a community in which housing is scarce does not want to happen.

The experience of many countries with rent controls after World War II exhibited precisely this result. Rent controls made it more profitable to invest in other lines. New housing construction fell off.

At that same time, grave waste of housing occurred. While newly-married couples could find no housing and crowded into the quarters of their parents, people fortunate enough to have had housing when the rent controls became effective occupied space beyond their needs because it was so cheap.

Thus a housing market exists in cities and in this market a system of prices determines the distribution of resources.

To a certain extent, the vast slums that have come to be characteristics of the Latin American city have been created by housing price controls, that have diminished the quantity of resources devoted to home building and turned resources in other directions where the return on capital is more attractive.

This is not, of course, the whole story. The consumption of housing services is low in Latin America, by comparison with the richer countries of the world, also, for the same reason that the consumption of food, clothing and other goods and services are low.

Dissaving may occur in the short run but not in the long. Over the long run expenditures equal income and consumption equals production. So long as the output of goods and services per head of population in Latin America is less than in other parts of the world, we can expect that slums will be found in its cities. What is not sensible is that government price-fixing policies aggravate conditions of bad housing by distorting the allocation of resources and inhibiting their use in the residential construction sector of the economy.

The formation of cities is part of the process of economic growth, because, as one author has written, "it prompts a territorial division of  
/labor between

labor between town and country and differentiates town from town".

That is to say, it results in specialization of function and expresses the "tendency for producers to scatter or concentrate according to the principle of minimum cost".

This does not mean that eventually the whole population will concentrate in cities. Small places will persist because diseconomies of transport will continue to over-rule economies of scale.

And because of the nature of their product or the character of their prime materials, some economic activities are tied to relatively scattered resources or to dispersed markets.

But the economic benefits from concentration in cities are quite substantial. The gains derived from larger scale of operations, resulting in specialization, I have already mentioned.

To this must be added the external economies - the "industrial atmosphere" referred to by the English economist, Alfred Marshall, who, thinking of Solingen and Sheffield, wrote of the gains from concentration which yield gratis to the manufacturers..... great advantages that are not easily to be had elsewhere.

"In cities", Marshall said, good work is rightly appreciated, invention and improvements in machinery, in processes and the general organization of business have their merits promptly discussed; if one man starts a new idea, it is taken up by other and combined with suggestions of their own; and thus become the source for further new ideas. And presently subsidiary trades grow up in the neighborhood, supplying it with implements and materials, organizing its traffic, and in many ways conducing to the economy of its materials". He went on to say:

"the mysteries of the trade ... are in the air, and children may learn them unconsciously".<sup>3/</sup>

Urban employment not only diffuses the "mysteries of the trade" to which Mr. Marshall referred, but also a new outlook among the people which encourages economic growth.

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<sup>3/</sup> Alfred Marshall, Principios de Economía, Editorial M. Aguilar, Madrid, 1948, page 226.

In the country areas of Latin America the traditional social relationship between landowner and landworker constrains freedom of choice.

The system is hoary with tradition and entrenched in the psychology of the society. The pattern of social relationships is well defined, the knowledge of appropriate behavior is highly diffused, and the established patterns of behavior are rarely challenged.

In addition, the aspiration levels of landworkers are low, both for themselves and their offspring, or perhaps it is better to say that their expectation levels are low. To some extent these patterns have begun to disintegrate, and the process of disintegration is advanced by the practice of the landowners of absenting themselves from the land. Workers on the land do not feel that they owe the same fealty to administrators who manage the land on behalf of the patron as they do to the patron himself and, indeed, they are not expected to offer it.

Therefore, even among those who remain in the rural areas, the propensity to be mobile seems to have increased and people are more willing than before to respond to more attractive offers of employment where they will be more productive. The very large out-migration from country to city is, itself, evidence of the progress that has been made along these lines.

Once in the cities, change seems to take place even more rapidly. People are more ready to move from job to job, seeking out their most productive employment. The culture of the city does not tie them to any particular employer but permits them to move freely from one to another.

The number of different social classes is larger; therefore, the social distances between classes is smaller and it is easier to pass from one to another.

Opportunities for the education of children are more abundantly available. Occupational ladder systems become defined, differing in detail, from country to country. The child of a domestic servant may become a dress-maker; her child a school teacher; her child a doctor, so that over the course of several generations, a great deal of upward social and occupational movement takes place.

Very little is known exactly about the occupational characteristics  
/of recent

of recent immigrants to the Latin American cities, but it seems to be true that a high proportion of this class are self-employed in the production of services, or wage-employed in manufacturing in small workshops or in domestic service.

These employments have characteristics associated with the sociology of work which stand somewhere between those of urban and rural employments. They are, therefore, excellent accommodating mechanisms which smooth the processes of adjustment to new social patterns of work for migrants to the cities.

The small workshops - the "talleres"- which are ubiquitous in Latin America have especially rendered service in this way. The workshops constitute a large proportion of the manufacturing establishment of Latin America but account for only a small proportion of manufacturing output. The 1953 industrial census of Colombia, for example, found that almost half of the 20 000 industrial firms of the country had three or less employees and that this fifty per cent of all firms accounted for only two per cent of the value of industrial output. Small firms were especially numerous in the following industries: food processing, baking, making of panela, cigar-making, processing of hard fibers, shoemaking, tailoring (clothing manufacture), wood working and especially furniture making, printing, leather working, soap making, brick and concrete block making, and iron working.

The workshops use simple hand tools, sometimes supplemented by mechanical energy. Some are operated exclusively with the labor of workshop proprietor, and perhaps members of his family, but the proprietors of others may hire one, two or three workers for wages.

A higher proportion of the output of many industries of Latin America is accounted for by very small establishments such as workshops, than occurs in the more industrialized countries. One of the causes of this pattern of large numbers of small establishments is the very strong preference of Latin Americans for independence at work.<sup>4/</sup> Wage workers

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<sup>4/</sup> The strong taste for independence and the differences in the community's beliefs about adequacy of earnings in wage and self-employment perhaps together with other causes, have resulted in a high incidence of self-employment in Latin America (see table 7).

Table 7

PROPORTION OF ECONOMICALLY ACTIVE POPULATION  
WHO ARE EMPLOYERS OF SELF-EMPLOYED

Country	Percentage
17 Latin America countries	33.1
Paraguay	51.7
Haiti	44.0
Cuba	43.1
Peru	43.8
Mexico	41.5
Nicaragua	38.5
Panama	38.6
Ecuador	35.2
Brazil	32.2
Venezuela	31.1
Colombia	30.8
Honduras	30.7
El Salvador	28.5
Chile	23.7
Argentina	22.5
Costa Rica	21.0
Bolivia	16.5
Canada	24.5
United States	15.9
France	34.7
Belgium	22.2
Denmark	21.2
Switzerland	19.0
Netherlands	18.6
Federal Republic of Germany	14.7
United Kingdom	7.0
Australia	19.0
Japan	25.6
New Zealand	16.7

/in some



in some industries such as in the shoe industry, for example, will frequently attempt to accumulate sufficient earnings from wages to permit them to establish workshops. In the workshops, a very low value is imputed to self-employed labor and, in many cases, this may be less than the prevailing rate for wage work for the same occupation in larger establishments. This means that workers are willing to pay a price for independence and will accept less in self-employment than in employment for wages.

These small workshops are a very old institution in the Latin American countries and they have performed a useful function in training young artisans and in facilitating the movement of rural workers to the towns.

The distribution of a country's population between urban and rural regions is not fixed and inflexible and neither is the distribution of people within cities. Both distributions are, however slowly, responsive to changes in techniques.

By processes of adaptation to these changes, cities perform their social and economic functions.

