

RECESSION, STRUCTURAL READJUSTMENT AND URBAN ALIMENTARY SYSTEMS

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SUMMARY During the last decade, Latin American societies have resented the impact of a deep recession accompanied by official policies of macroeconomic rearrangement and institutional restructuring that have affected the options of life of the population. This article analyses the way different groups in the big cities have been affected by the process of change, focusing the discussion towards the way that access to food has been modified.

Although it is possible in this matter to make reference to a series of general indicators such as changes in consumer prices, in real salaries and in the proportion of income designated to food, they conceal a great variety of special circumstances and specific types of crisis responses. The knowledge of these last ones constitutes the real basis to any effort to improve the options of life of the vulnerable groups.

The family and community strategies of food provision that are elaborated nowadays in the Latin American cities are conditioned by a whole network of economic, social and political relations, that overall can be visualized as an "alimentary system". This network incorporates many agents, from the agricultural producer up to the urban or rural consumer; and all these agents whether in their entrepreneurial or individual roles have adapted to the challenge of the crisis and restructuring, changing, by these means, the options of the other parts of the system.

Obviously the State constitutes a central element in the macrosocial context that conditions the food options of the vulnerable groups. And it is when policies related to the alimentary system are touched upon that a series of fundamental dilemmas of the distribution type are confronted, which could cause mobilisation of the affected groups. In this text some of the tendencies of change in the urban alimentary system, in the policies and in the supply strategies of some local groups, and their relation with the economic crisis of the eighties, are examined in more detail. (Special reference is made to Mexico).

INTRODUCTION

During the past decade, Latin American societies have felt the impact of a deep recession accompanied by official policies of macroeconomic adjustment and institutional restructuring that have affected the life of the entire population. In the majority of the countries of the region, and during most of the period, there has not only been a stagnation of the economy but also a frank recession. The gross national products have grown at a rate below that of the population growth, wiping out the benefits gained during the previous years, and making the present level of economic activity similar to that of about 1970.

Although the critical phase of the recession began in 1982, and was related to changes in the international financial system which led to the debt crisis, we are facing much more than a problem with debt payments. At a regional level, the happenings of the 1980's reflect a crisis in the model of development; and at a global level, these occur within a context of basic changes in the technological and organisational bases of the world economy.

The overriding discourse in this day and age at the international level defines the crisis of the Latin American development model in macroeconomic terms: according to this approach, the efforts to modernise the economies of Latin America during the 1950's, 60's and 70's were not viable because they were based on an inward looking' industrialisation strategy, protecting the goods and services based on comparative advantages on an international level. Therefore, the current macroeconomic policies are orientated, almost without exception, toward the opening of the Latin American economies to the international market and the promotion of a developmental style based on promoting foreign exports.

There is, however, another way to view the aforementioned crisis in the developmental model, one in which its inviability is found in the markedly partial and unequal character of the modernisation which was encouraged. Industrialization has

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advanced from a restricted social base, investing little in rural development and concentrating the benefits of growth both geographically and socially. To satisfy the growing demands of the majority groups, less has been done about progressive redistribution of income than about internal and external debts, substituting an increase in the tax burden for loans, under the constant threat of a flight of capital overseas.(1) The large cities of Latin America are the product of this model of modernisation. The modern society of Latin America is being generated with large middle and working classes, and both, wealth and misery, are concentrated in them. Also in the large cities, one feels the strongest impact of the present economic crisis and the efforts for reform and structural readjustments.

These efforts respond to various imperatives, some of which are of a completely macroeconomic type. The first and most obvious is simply to generate funds to assure the servicing of the debt; but it is also urgent to promote a certain level of export or attract enough foreign investment or credit to be able to continue importing the goods and services which the Latin American societies need. Also, they must ensure monetary stability, reducing the risk of hyperinflation, as well as increasing incomes and reducing government expenses.

All of these macroeconomic imperatives have social and political implications. They benefit some groups or types of people, but worsen the situation for others; they create new incentive structures with which to build life strategies; and they imply profound changes in the role of the state in the economy and in society.

Moreover, the crisis of the 1980's stimulated other changes that are not so much macroeconomic but macrostructural; that is, involving reforms in the institutions and in the laws, which change the "rules of the game" within society. Restructuring the public sector in many countries (which includes the elimination or reorganisation of agencies and businesses) is an example of this phenomenon. The process of privatisation, accompanied by a whole series of legal reforms, is another.

In what ways have these changes conditioned access to food in the large cities of Latin America? With a certain level of generalisation, this is a question that can easily be answered: it is obvious that the fall in income levels and the cutback of many government programmes have increased the poverty, hunger and malnutrition. However, if we expect to design strategies to counteract this tendency, it is important to be precise. The families that face the problem of the economic crisis do so within a specific context that varies according to one's position within that economy, one's place of residence, one's social relations and one's political resources. In addition, the reforms in a series of state policies affect different groups within society in different ways, and one must look for a solution within a reality that is even more complicated both at the national and international levels.

In what remains of this chapter, I would like to consider the question of the impact of the crisis on urban food options through an analysis of four topics: 1) some trends in the employment arena and income levels during the last decade, along with some fundamental changes in the access to economic resources; 2) changes in food policy that accompany the recession and macroeconomic adjustment; 3) alterations in the food systems resulting from these trends; and 4) finally, the evolution of family acquisition strategies.

It is useful to make constant references in this analysis to the manner in which all observed tendencies affect what one could call the "right to food". As Amartya Sen has explained, each socio-political context and each economic regime contain complexities of their own rules that define the ways by which the distinct groups can assure their access to food in a legitimate way. This structure of possibilities or rights, which has become to be known as "entitlements", is now changing in Latin America—as it is throughout the world—and it is worth our while to understand the implications of this change. (2)

In a market economy, the primary way to secure access to food is to buy it, and one's purchasing power depends on income. Examining the available information on the proportion of the population that does not have a sufficient income to sustain the basic family food-basket (defined as the "extremely poor"), we see that this segment increased from 11 to 14 % in urban areas; this reversed a mildly positive trend of the prior three decades toward a slight improvement in the situation. The proportion of urban homes that can be considered as poor (defined as earning twice or less the cost of the basic family food basket), went from 30 to 36% during this same period.(3)

Some aspects of this trend which lead to the deterioration of the family purchasing power deserve to be underlined. In the first place, the CEPAL reports that, for the first time, the urban poor in Latin America became more numerous than the rural poor at the beginning of the 1980's. That is to say, with urban growth, poverty is more concentrated in the cities, despite its amazing prevalence in rural areas of the region.

In second place, the crisis appears to have an especially notable impact among households whose income has been close to the poverty level, pushing it below the cut-off point. This has created a group of the "recent poor" whose numbers grow more rapidly than those in households that live in extreme poverty.

This fact is clearly associated with some trends in the labour market of Latin American cities. The increase in the unadjusted urban unemployment rates has been notable in some countries, almost doubling in Santiago between 1981 and 1983 (when it rose to an alarming level of 22% in 1983), doubling in Buenos Aires between 1980 and 1986, and suffering an increase of 65% in Caracas. It is precisely the male heads of households who appear to have been the most affected by unemployment,

although there has also been an increase in the unemployment rates among young men and women.(4)

At the same time, the household surveys suggest that it is still the case that in those who have work, there has been a shift from jobs with greater productivity to those of lesser productivity, both in the industrial sector and in service industries. According to CEPAL, "the major reductions of the participation in employment affects public employees and salaried workers in the manufacturing industries... with a reduction in jobs of better quality in terms of stability, social security coverage and social benefits".(5)

The jobs in the service sector have increased, but the average product of this sector has fallen to a striking degree, and there has been a considerable reduction in earning in those who are described in the surveys as unskilled self-employed— that is to say, the vast majority of the sector of the "informal" poor.(6) In this way, job opportunities were restricted both for the very poor families and those who struggled to maintain themselves above the poverty line, and even in the urban middle class, which has suffered important setbacks in income in all countries of the region in the last decade.

The aforementioned trends have implied especially abrupt falls in living conditions of urban families when they have corresponded to periods of high inflation. It is useful to remember in this context that inflation has been an endemic ailment in a large part of the region for many years, and that some countries have reached extraordinary high levels: 8,160% in Bolivia in 1985; 33,600% in Nicaragua in 1988; 1,475% in Brazil during 1989. And it is precisely in the name of price stabilisation that some recessive policies have been implemented, which have led to the increase in unemployment rates.

In summary, then, the evolution of the employment market and the negative trends in the levels of wages and prices have set back some of the principle bases upon which the right to food in a free-market economy rest. And it is budget cuts as much as the progressive redefinition of the state in the economy which reduce or eliminate some more elements in the range of feeding options for urban residents.

In some countries, from as far back as the 1950's and 60's,(and later in others), the progressive organisation of the working class and other groups of salaried professionals permitted the creation of a series of mechanisms which significantly improved the mode of access to food. Through union stores, food dispensaries and other institutional channels, these sectors of the urban population increased their rights (or entitlements) and defended their incomes. With time, some of these benefits were extended to the urban population in general, by means of state programmes of sale of basic staples at controlled prices or by the expansion of subsidies to allow access to certain foodstuffs at costs well below their market price.

Of course, not all of the population benefits by these programmes: in the case of Mexico, for example, the subsidy on tortilla was general, and allowed almost all of the inhabitants of the metropolitan region to get access to the subsidy; but in order to obtain other basic goods at a better price, the buyer has to be able to go to special shops (that is to the unions, DICOSNSA, or others), which means spending extra time and travel: this was possible for some families, but not for others. The pattern of geographic placement of the government infrastructure inevitably contributed to the formation of differentiated supply catchment areas across which the prices could vary widely.(7)

It is obvious that the closing of many of these selling outlets (shops, kiosks) and the elimination of these subsidy programmes or the price controls that sustained them, signified a deterioration of accessibility of certain basic staples to the low-income clientele. In Mexico City, the infrastructure of government and union stores benefitted all of the lower class, and other (higher)classes resident in the same neighbourhoods as the subsidy outlets. Although this raised criticism from those who wanted to target the state resources only to the poorest groups, we should remember that— as we have just seen— it is precisely the groups that used to be able to keep themselves just above the poverty-line which have frequently fallen into poverty in the economic crisis of the 1980s.

Within the context of the prevailing austerity, the urban alimentary policy is increasingly being reduced to attempt to direct scarce government resources to programmes that mitigate the most serious problems of malnutrition, and to "target" a reduced core of subsidies toward the most vulnerable groups within society. The strategy, strongly supported by international organisations, is of vital importance to the extent that it manages to protect the health and alleviates the hunger of those segments of the urban population that live in the worst conditions.

However, it is important to remember that the "targetting" of the subsidies implies difficulties both of a technical and of a political nature. It is relatively more efficient when the subsidised foods can be delivered to easily identifiable groups, such as school-age children or mothers who attend clinics; and it is relatively less efficient when one tries to direct the subsidies to homes which are defined in terms of income levels. In this sense, the experience of Chile can serve as a lesson. The Chilean government was successful in preventing infantile malnutrition during a period of deep crisis, but the attempt to "target" a series of subsidies, by way of applying a periodic census which tried to distinguish the poorest from the less poor, has been severely criticised for its inefficiency and lack of respect for people.(8)

In addition, there are instances in which a general subsidy on certain basic foods has clearly beneficial effects for the collective low-income population, and in attempts to make the subsidy programmes reach their target has a negative effect on the welfare of the poor. Nora Lustig refers to this situation when

she says that, in the case of Mexico: "a general subsidy on corn and derivatives of maize, on beans, on bread, on rice, on pasta, on cooking oil, and on eggs....produces a progressive redistribution of purchasing power. For this reason, the suspension of some general subsidies of basic foodstuffs, might have had a regressive result, despite the manifest intention of the targeting of the subsidies to help the poorest population. Also, it is not clear if, after introducing this targeting, the subsidies really reached the population with the greatest need".(9)

Thus, although there is undoubtedly an argument in favour of the rationalisation and restructuring of subsidy systems which become too costly and inefficient, Latin American governments have been pressured by the crisis and by the burden of debt to make cuts that cannot be justified simply on the basis of efficiency, and which depress the levels of intake by poor urban groups. Given this situation, many nations resort to foreign aid to get the food which is delivered to the public, as part of emergency nutritional programs, or they support certain attempts to control prices, or simply spend their effort on improving an inefficient urban food supply system.

Even in situations such as that of Mexico, in which a strong dependence on foreign food assistance has not emerged, the governments are confronting a dilemma that can only be resolved by increasing their dependence on grain imports. This dilemma developed because, by cutting the food subsidies in order to reduce state expenses, the prices of basic staples rise. This, in turn, contributes to inflation and is a cause of widespread popular protest. Both in the fight against inflation and to maintain political stability, it becomes necessary to reinstitute a policy of cheap food, but this cannot be done by resorting to the former level of subsidies.

Basically, there are two ways to assure the continuation of the prior policies of cheap foods for urban areas: 1) one can implement price policies for the national agricultural producers which depress their profits but assure a flow of inexpensive grain to the cities, or 2) governments can take advantage of low prices on international markets, pinning their policies even more on imports. In reality, the second option can be seen as a way of "importing" the subsidies that other nations give to their agricultural sector, in order to replace the subsidies that were formerly established locally.(10)

The implementation of these two strategies (low prices to the agricultural producer, combined with an increase in the volume of importation of basic staples), now affects the conditions of production and the living conditions of the rural populations in various Latin American countries: and this cannot help but have repercussions, although in an indirect manner on the options for feeding urban households (11). A corollary of rural impoverishment is migration, which increases the number of people with few resources who have to seek employment, income and home in the cities. Another corollary is the breaking up of the networks of mutual support that link the

members of extended families that live in the countryside with others living in urban zones. In summary, considering how the food resources that the urban families have available to them are changing, it is obvious that we must take into account the parallel evolution of livelihood options in rural areas.(12)

The combination of changes in the alimentary policies associated with the macroeconomic adjustment (the cutback of subsidies, the elimination of price controls and of various programmes associated with the economic crisis, itself, affects in a complex way not only the individual family's options, but also individuals that earn a living within food commerce. The farmers and livestock producers, the processing plants, the rural middlemen and the urban wholesalers, the large supermarket chains and the owners of stores, restaurants, and tens of thousands of family business that have stalls in a market or in the street or that sell prepared meals—all must adapt to the context of recession and structural readjustment, and this, at the same time, modifies the feeding and nutritional options of the population.

In the first place, this process appears to have created a growing polarisation within the alimentary system, a faithful reflection of the increase in inequality within Latin American societies collectively. As CEPAL comments in its most recent report, some groups within the upper income brackets have been favoured by the crisis of the 1980's: "in the majority of the cases, the most well-to do (comprising 5 percent) saw their incomes remain stable or rise while those with the lowest income (75 percent) saw theirs reduced, accentuating the contrast between wealth and poverty". As a consequence, a new demand for luxury goods and services in metropolitan areas in Latin America has developed, reinforcing the policies of opening up commerce, which facilitates imports.(13)

It is logical, with the market system, that this increase in inequality would introduce new distortions in the patterns of investment. It must be less interesting to produce or sell some basic products, or products of mass consumption, when the purchasing power of the majority is in decline. And in more than a few instances, the investment in productive activities of either type becomes less profitable than in financial speculation. This is specially probable when the opening up to foreign markets introduces elements of competition that threaten to make entire sectors of the small and medium sized industry (or agriculture) of a nation obsolete.

The policies of adjustment create, in addition, a strong bias toward the promotion of agricultural and livestock exports, which may or may not have repercussions in terms of the composition of the flow of edible products to the large cities of Latin America. In theory, with a perfectly balanced international market, the increase in exports cancels the import debt for edible goods needed to satisfy local demand. But with local scarcities and volatile, saturated and restricted international market, the increase in the exchanges implies a growing

vulnerability of the food system.

Leaving aside questions of international conflicts, which can cut off the mechanisms of supply in a violent manner (as in the case of Peru or Central American countries), the most important changes that have occurred in the primary mechanism of urban supplying during the last decade must be understood in relation to commercial strategies of the big private wholesalers. This is an important topic of research.(14)

In terms of the retail sector, it seems clear that the vast majority of all the shops and stalls that provide the basic elements of the diet, have been affected in a negative way by the crisis of the 1980's. These family businesses often operate at a level close to subsistence and with a low-income clientele. For them, any tendency of price rises for the products they buy, on the one hand, and the fall in public buying power, on the other, creates problems that frequently cannot be resolved. We are experiencing a constant process of bankruptcies and elimination of small business within the sector, which, nevertheless keeps growing. Small businesses constitute one of the few options of employment within reach of many families, a fact that assures their continuance.(15)

For the consumers, the economic difficulties of the small merchant can signify supply problems. It is common, for example, that a bias toward supply of junk products, which are sold on credit, is accentuated among neighbourhood businesses. A similar process appears to be occurring within the vast sector of prepared foods, where the quality of the foods offered to the public could be reduced in an alarming way under the impact of the crisis. To be able to survive, the small dining establishments and eateries in popular neighbourhoods must function with low prices; and this makes them reduce the ingredients which they use in their dishes, cutting back on the variety in the menus, and resorting to products which could be leftovers. Adulteration of foodstuffs is another problem that appears in times such as these.

The life strategy that most of the low-income families design in response to the crisis actually reinforces their vulnerability to the situation. The urban population responds to the compression in salary levels, the decline in real income, and the threat of unemployment with an attempt to work more. Men who are fortunate enough to retain their employment in industry work extra hours; those with a poor-paying job seek additional ones; women and children increase their participation in the workplace. This situation reduces the capacity of the homes to get foods. There is no longer time to seek the best products at the best prices. There is no time to cook. There is no time or resources to continue to raise chickens or pigs in the yard or patio of the house. The diet is cut back in certain extremely basic products, one eats less frequently, and one eats on the go in the street.(16)

If there is anything at all positive in this panorama it is the

effort of groups of neighbourhood organisations to maintain community kitchens or to pressure the government for aid for their cooperatives. Mexico, for example, has tried out Popular Supply Centres (Centros Populares de Abasto), supplied by Urban Solidarity Warehouses (Almacenes Urbanos de Solidaridad), both associated with the CONASUPO/DICONSA programmes and governed by user councils. However, programmes of this type, in which the beneficiaries constitute a group, can be threatened by attempts to target the subsidies, which insist on directing the low-priced products toward the poorest individuals.

With this observation, we return to our starting point in this discussion; i.e. the relationships between the economic crisis, the measures of structural readjustment, and the modification of the institutional structures and rules that condition the legitimate access to foods. At the present time, many of the public institutions that facilitated this access have been eliminated or have suffered profound modification to their programmes. This tends toward an extreme situation, in which the right to food is even more conditioned to a handful of options; to assure it in a private manner through an adequate family intake; to organise groups of mutual support; or to depend on charity handouts.

Both the complexity of the changes in the world economy and the challenge of austerity policies, or structural readjustment place real limits on the role that the public sector can assume within the food system in Latin American countries. It becomes especially important, then, that we promote public dialogue about the real options of food policy and to insist that the dialogue be sincere and above-board. The way in which subsidies on consumer items should be reorientated and reforms on price structure to the producers of basic goods; the degree in which it is acceptable to open the food systems up to overseas involvement; the way in which it is reasonable to restructure state programmes of commercialisation of basic staples—these are the topics that merit serious consideration. They form part of a larger debate on the type of development that will predominate in the Latin American region in the future.

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2. Amartya, S. *Poverty and Famines*, Oxford: Clarendon Press, 1981.
3. *Panorama Social de América Latina* (Social Panorama of Latin America), Santiago de Chile: Economic Commission for Latin America and the Caribbean, 1991. Table 6 The absolute

- number of people in the category of extreme poverty in urban areas went from 22.5 to 35.8 million between 1980 and 1986, and the urban population from 65.9 to 94.4 million.
4. *Ibid.*, Table 2; and Javier Martínez, *Efectos sociales de la crisis económica en Chile: 1980-85. (Social effects of the economic crisis in Chile: 1980-85)*, Santiago, Chile, Economic Commission for Latin America and the Caribbean, October 1986, p 19.
 5. CEPAL, *Panorama Social*, op. cit., p. 9.
 6. Between 1980 and 1986, for example, the income of this group fell by 17% in Buenos Aires, 10% in Sao Paulo and Rio de Janeiro (1979-1987), 21% in San José (1981-88) and 16% in Montevideo (1981-89). *Ibid.*, p. 45.
 7. These issues were the subject of two studies conducted within the scope of the investigation programme of the United Nations RISD on food policies in the time of recession. See Kirsten Appendini "De la milpa a los tortibonos: La restructuración de la política alimentaria en México" (From the field to the tortilla coupons: restructuring of food policy in Mexico") and Cynthia Hewitt de Alcántara (ed) "Reestructuración económica y subsistencia rural: El maíz y la crisis de los ochenta" ("Economic restructuring and rural subsistence: Corn and the economic crisis of the 1980's) both soon to be published by El Colegio de Mexico.
 8. For the evaluation of this last-mentioned programme see: Raczynski, Dagmar, "La ficha CAS" in Gómez, Sergio (ed), *Estadísticas Socioeconómicas y la realidad nacional (Socioeconomic statistics and national reality)* Santiago, Chile: FLACSO/UNRISD, 1992. Another study relevant is that of Giovanni Andrea Cornia and Frances Stewart, *The Fiscal System, Adjustment and the Poor*, Florence, Italy: UNICEF International Child Development Centre, Innocenti Occasional Paper No 11, 1990.
 9. Sustig, "Economic Crisis, Adjustment and Living Standards in Mexico: 1982-85" *World Development*, Vol 18 no. 10 October 1990 p. 1335
 10. Economic Commission for Latin America and the Caribbean, *Transformación productiva con equidad (Productive transformation with equity)*, Santiago, Chile: 1990 p. 20
 11. The study by CEPAL on the Social Panorama of Latin America, cited above, says that "although there are no definitive figures on migration from the countryside to the city during the past decade, everything appears to indicate that the rhythm has slowed down" p. 18. Nevertheless, it is obvious that many countries continue with high rates.
 12. CEPAL, *Panorama Social* op cit. p. 9.
 13. *Ibid.* p. 13. For a comparative vision of this phenomenon, see Dharam Ghai and Cynthia Hewitt de Alcántara, "The Crisis of the Eighties in Africa, Latin America and the Caribbean: An Overview" in Ghai (ed), *The IMF and the South: the Social Impact of Crisis and Adjustment*, London; UNRISD/ZED Books, 1991.
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 15. Carol Mejers de Ortiz studies in detail the process of rotation of businesses in the early years of the crisis in Cd. Netzahualcoyotl (a peripheral zone of Mexico City). See her book *El pequeño comercio de alimento en la Cd. de México (Small scale food commerce in Mexico City)*, Guadalajara: University of Guadalajara, 1990.
 16. In this sense, the place of residence of a family within the urban confines, constitutes an important element of advantage or disadvantage within the package of alimentary options. For an analysis of the spatial differentiation within the structure of food distribution for Mexico City at the end of the 1970s, see Cynthia Hewitt de Alcántara and Gabriel Vera, *Inside Megalopolis: Exploring Social and Spatial Diversity of Provisioning Structures in Mexico City*, Geneva: United Nations Research Institute for Social Development, Discussion Paper Number 4, 1990