

**Modernisation and Change in the Wool Industry of  
Southern Peru 1919-1930: a Case of Development  
Failure**

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## Modernisation and Change in the Wool Industry of Southern Peru

### 1919-1930: a Case of Development Failure

Recent discussion of the relationship between capitalist and 'pre-capitalist' modes of production in Latin America<sup>1</sup> has focused attention particularly on the penetration of capitalist modes into backward rural economies such as those of the Peruvian Sierra. It is generally recognised that there are two basic forms which capitalist penetration may take: firstly, the integration of pre-capitalist sectors into the wider market by means of exchange relations; and secondly, the transformation of the pre-capitalist sector itself towards more capitalist relations of production - large units, wage labour, investment in improvements by a class of rural capitalist entrepreneurs.

The first form of penetration has been characteristic of Latin America for centuries. Sectors of the economy for whose production a large demand existed in external markets have been effectively harnessed to those markets, and as new sources of demand for particular products made themselves felt, important changes have been induced in producing areas. These changes have not necessarily, however, taken the form of a swing towards fully-capitalist relations of production. In the Peruvian Sierra until quite recent times, one characteristic response to improved market opportunities for agricultural or livestock products was the expansion of one non-capitalist system (the tenant-labour-using hacienda described by Hobsbawm<sup>2</sup> as 'neo-feudal') at the expense of another (the

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<sup>1</sup>Frank (1967), Laclau (1970), Wolpe (1972), Bradby (1975).

<sup>2</sup>Hobsbawm (1970)

peasant community).

Under certain economic conditions, however, it becomes worthwhile for the owners of large properties to move on from the consolidation and/or extension of their landholdings to the introduction of a range of 'improvements' (fencing, rotation, crop or stock selection, abandonment of pre-capitalist labour relations) which imply a movement towards fully-fledged capitalist production.<sup>1</sup> Such a transformation of the rural economy naturally produces conflicts not only between large landowners and the peasantry<sup>2</sup> but also between modernising landowners and other elite groups which consider themselves threatened by the abolition of the old order.

This paper will discuss an example of such an experiment in the capitalist transformation of the rural economy - an experiment which ended in failure as a result of the combined influence of heightened class and intraclass conflict within the region, and the weakening of the external stimulus to modernisation. The period was the decade following the end of the First World War; and the setting, the Department of Puno in the southern Sierra of Peru.

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<sup>1</sup>Bertram (1974)

<sup>2</sup>Martinez Alier (1971, 1972, 1973).

### The Background

Puno became a commercial wool-producing region in the mid-nineteenth century in response to growing demand from the Yorkshire textile industry<sup>1</sup>. Only a part of the wool produced came from the large haciendas of the area (the haciendas of the Peruvian sierra had generally been in a state of decline and contraction during the first half of the nineteenth century). Much of the sheepwool and the great bulk of the alpaca<sup>2</sup> production was in the hands of Indian small-scale herdsmen, who became harnessed to the world market by mercantile links. Wool-buyers travelled through the Sierra, and in many districts annual wool fairs were established to bring together producers and merchants. As time went on, certain of the wool buyers established large commercial houses in the city of Arequipa, situated between the Sierra and the port of Mollendo. By the twentieth century, these merchant families - Gibson, Ricketts, Yriberry, Stafford, Forga - formed the social elite of Arequipa and wielded considerable power, both political and economic, throughout the South. Their buyers travelled the Sierra buying wool from small producers and most of the haciendas also sold their wool output through the Arequipa houses.

The vital link between the Sierra and Mollendo was the Southern Railway of Peru, completed as far as Juliaca and Puno by Henry Meiggs in the 1870's and extended to Cuzco in 1908. In 1890 this line, along with all the other Government

<sup>1</sup> Sidgwick (1919).

<sup>2</sup> Alpaca is the fine, long-staple hair of the native cameloid of the same name. The sierra of Peru and Bolivia have always had a world monopoly of this fibre, the nearest substitute for which is mohair. As late as the 1960's, three-quarters of production was still in the hands of Indian small producers, as distinct from haciendas. (Sotillo, 1962).

owned railways in Peru, was transferred to Peru's foreign creditors, organised as the Peruvian Corporation. This large British firm, with its main Peruvian office in Lima, had interests which only partially overlapped with those of the Arequipa merchants. Both benefited from the wool trade, but continually clashed over the level of freight charges on the railway, while (as we shall see) their ideas on the best means of developing the wool business did not necessarily coincide.

The two other groups with a major role in determining the shape of the wool sector were the landowners and peasants of the Sierra<sup>1</sup>. For the peasant, the wool trade provided a valuable income supplement and an alternative option to auto-consumption (cottage weaving) or sale to local artisan textile producers. For the hacendado, the rise of the wool trade and the arrival of the railway opened up new possibilities of profitable operation. The hacendados' initial response took the form of a drive to reassert their control over the regional economy<sup>2</sup> and to enlarge the area of grazing land under their control. This process of hacienda encroachment onto Indian land, and the consequent social conflict, became rapid after the ending of the War of the Pacific between Peru and Chile (1879 - 1882) and continued up to the period of the First World War.<sup>3</sup>

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<sup>1</sup> The word 'peasant' is used here as a general term covering the Indian small producers. Apart from the obvious convenience of such a usage, it can be partly justified on the grounds that most Indian families were engaged in a mixture of agricultural and livestock production. It should be noted, however, that use of the term 'peasant' obscures the distinction between hacienda colonos and members of independent peasant communities.

<sup>2</sup> The threat to hacendados' control over their labour force which is posed by new income opportunities for the peasantry is obvious enough; in the La Convencion valley in the 1950's and 1960's it led to the virtual destruction of the haciendas. See Craig (1967).

<sup>3</sup> The process is documented by Maltby (1972), and Hazen (1974) Chapter 2.

### Summary of Events

As the wool business continued to expand, and particularly during the war years when prices of primary commodities experienced an unprecedented boom, the first stirrings of a new form of response became evident. Fearful of the growing social unrest which hacienda expansion produced, and confronted from time to time with critical and sometimes hostile investigating commissions sent by the Government to enquire into Indian grievances,<sup>1</sup> a number of the hacendados came to see their future profits as dependent upon the raising of productivity on the lands which they already rather than upon the incorporation into their enterprises of more land and dependent Indian groups. With large profits coming in from wool sales, hacendados began to consider the possibility of investing these in a drive to modernise their production<sup>2</sup>, introducing new sheep breeds and pasture types, fencing and disease control, and cutting the haciendas' ties to the local peasant economy. The idea of introducing a full-fledged capitalist system to Puno livestock raising was taken up by the owners of the railway, and in the years following the war a series of projects were launched to achieve this end.

The proposed transformation, however, did not appeal to all of the interests involved. For the peasantry, the modernisation of haciendas in Puno represented a clear and immediate threat for a number of reasons. Firstly, land enclosure by means of fences would represent a consolidation of the haciendas' claim to large areas of land the title of which was (or was felt to be) in doubt. Secondly, enclosures implied the exclusion

<sup>1</sup>Hazen (1974) Chapter 2.

<sup>2</sup>Cf. Piel (1967) pp. 388 - 394.

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sector began to circulate.

To the resistance of the peasantry and the sabotage of the merchants was added a third, and in a sense decisive, element in the postwar situation: the 1920 collapse of prices in world markets, which marked the beginning of a long period of relative stagnation in the trade. With this exogenously-determined weakening in the profit incentive, the willingness of large landowners to incur the financial and social costs implied by modernisation rapidly evaporated, and although the railway company remained committed to its hope for heavy investment to raise the volume of the wool trade, the combined influence of depressed prices and peasant revolt made it impossible to launch the planned giant venture. By the end of the 1920's the leading hacendados had again become absentees with no interest in the development of their properties; the railway company had retreated its earlier proposals; and certain of the Arequipa merchants were reinforcing their position against future threats by buying-up large areas of grazing land in Puno. The southern Sierra has since remained an area characterised by non-capitalist relations of production<sup>1</sup> (peasant and neo-feudal) harnessed to external markets through the mercantile system of Arequipa.

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<sup>1</sup>Non-capitalist, that is, in the sense that up to the end of the 1960's, the haciendas remained based upon the labour of tenant shepherds who also ran their own flocks on the property. This is not to say that significant changes did not occur in the intervening period, such as the renewed spread of fences after the Depression, steady improvement of the road network, and after the Second World War a new drive towards modernisation on a few specific properties, notably the Illpa stud farm near Juliaca (see Peruvian Times Southern Peru Number, December, 1951, pp. 16 - 19).

The Role of the Government

Before moving on to describe in detail the events of the 1920's, it is necessary to consider the position of the national government, whose strong support for the modernisers might have altered the outcome. The government's position was ambivalent; on the one hand, any modernisation proposal which promised to increase exports and hence government revenues was more than welcome, while on the other hand peasant revolt in a sensitive frontier region such as Puno was extremely alarming.

While wool prices remained high and the possibilities seemed promising, the government was happy to support schemes for the installation of a capitalist system, particularly as such schemes were perceived by both landowners and government as a long-run means of dampening, rather than exacerbating, social tensions. Once Puno ceased to be a growth pole, however, government interest in its development largely ceased. This was in line with the general tendency of the government to concentrate its resources in the most dynamic areas (which in the 1920's meant Lima and the cotton-growing areas of the coast) rather than to perform a redistributive function in favour of declining regions.<sup>1</sup> Furthermore, as the decline of the regional wool economy converged with the tensions produced by social dislocation in Puno, the region became the scene of seething peasant unrest in the early 1920's. A wave of revolts directed against merchants, corrupt officials, fences, mayordomos and all the

<sup>1</sup> This policy orientation of the government produced outright revolution in Iquitos in 1922 as the long crisis of the rubber economy worsened; and no doubt contributed to the willingness of Arequipa to act as the springboard for the 1930 coup which brought down the Leguia regime.

growing range of Indian grievances swept the South and revealed a growing degree of solidarity and organisation among the peasantry. Although the Leguia government remained sympathetic to the idea of modernisation, while at the same time attempting to cultivate an 'indigenista' image (largely for Lima consumption), it found itself drawn eventually into supporting the traditional social order, which provided a ready-made framework for repression and stabilisation. Although in mid-1923 Leguia declared himself prepared to back with government force the installation of a large capitalist wool syndicate, it is unlikely in the extreme that he would have fulfilled this promise in the face of really determined opposition from the peasantry

### 1910 - 1919: The First Projects

The 1910's saw an awakening of interest in the possible establishment of a modernised rural economy in the South. This interest was prompted by two developments: the boom in wool prices, which encouraged the hacendados; and the declining fortunes of the Southern Railway, which brought in the Peruvian Corporation as a backer for modernisation schemes.

The movement of exports and wool prices is set out in Tables 1, 2 and 3. The steady upward trend which had characterised the 1890's and 1900's developed, from 1915 on, into an unprecedented boom due to wartime demand. The figures on the volume of Mollendo exports suggest a strong supply response to these high prices - an increase of about 44% in the period 1914 to 1917.<sup>1</sup> During the long, steady upswing in the fortunes of the wool industry since the 1880's, the predominant form of landowner response had been the expansion of their haciendas by incorporating Indian-occupied land, but by the 1910's most of the large haciendas had been consolidated and the social costs of further expansion were becoming prohibitive as Indian opposition strengthened. Further supply response, thus, called for investment in improvements on the existing hacienda lands. The resources for such investment were available, from the profits reaped in the boom (for the hacendados

<sup>1</sup> By no means all of this increase in supply to export markets was the result of hacendado price response; of equal or possibly greater importance was the response of the Indian small-scale producers, who stepped up their shearing rates and diverted a significant fraction of their output away from the local market (the artisan textile producers) towards export opportunities. Such diversion of supplies could be of great significance; in the mid-1920's, when export prospects were poor, estimates of the proportion of the sheepwool clip consumed locally ranged from one-third to three quarters. (For the lower figure, 'Grazing and Agriculture in Southern Peru', in West Coast Leader, August 10, 1926, p.19. For the higher figure, Ross, 1921, p.20). For evidence of Indian price responsiveness see Storck (1921) p.126, and Ross (1921) p.20.

of Puno, annual profits of around £5,000 were common<sup>1</sup>). The Puno hacendados, furthermore, had before their eyes the example of a highly-successful experiment in the Central Sierra, where the British merchant firm Duncan Fox and Co. had bought up and modernised the Hacienda Atocayo.<sup>2</sup> The southern land-owners were clear as to the changes which such modernisation implied:<sup>3</sup>

In Junin ... during the past ten, fifteen or twenty years, it has been possible to bring in technicians, veterinary specialists and shepherds, good-quality stock and even foreign sheepdogs; enclose the pastures with fences, and exclude the Indian families and their livestock from the hacienda lands.

processes had thus to occur together: on the one hand, the introduction of modern livestock technology from abroad; and on the other, the enclosure of the hacienda to facilitate livestock management and prevent the unimproved stock of the Indian peasantry from contaminating the modernised enterprise. As another of the hacendados put it,<sup>4</sup>

Where there are Indian sheep on a farm the complete eradication of scab will be impossible ... This difficulty may be overcome by the introduction of the paddock system ... Under the new system the Indian will be compelled to keep his sheep on his own ground, leaving the patron free to improve and develop his farm.

In several cases, leading hacendados embarked on the

<sup>1</sup> For the time and the region, this was a considerable sum. B. Arias Behenique, 'Proyecto que presenta el suscrito para la formacion de un sindicato de ganaderia en el Departamento de Puno' (typescript, December 26, 1921); and R. J. Sterdy, 'Report on the Hacienda Posseconi' (typescript, July 20, 1921), both in the archive of the Granja Modelo de Chuquibambilla hereafter referred to as AGMC. I am grateful to the Universidad Tecnica del Altiplano and to Ing. A. Santos of the Granja, for permission to make use of this archive.

<sup>2</sup> Duncan Fox had previously been successful in sheep-raising in Chile prior to their purchase of Atocayo in 1905. The latter experiment was described in Peru Today, January, 1910.

<sup>3</sup> Liga de Hacendados de Puno-Arequipa (1922) p.22.

<sup>4</sup> 'Huacauta Sheep Ranch' in West Coast Leader, March 16, 1926, pp. 1-7. It should be emphasized that hacienda expansion and enclosure are two separate processes. The first relates to effective control over land resources, whether by recognised legal title or by force. The second involves the erection of fences in order to achieve more 'efficient' use of the land.

process of reorganising their properties, enclosing pastures, and pushing off unwanted Indian tenants. In 1920, for example, Octavio Munoz Najar turned his family property Collacache into a company, Negociacion Ganadera Titicaca, and brought in a detachment of police to evict those tenants who were running significant flocks of their own on hacienda land. This action naturally aroused resentment, and produced echoes in the national Congress in 1920; but <sup>the</sup> other owners apparently succeeded (at least partly) in their enclosure drive, and emerged with a relatively efficient and profitable enterprise.<sup>1</sup> That other landowners were also attempting to enclose at about the same time is indicated by the reports, in the early 1920's, of widespread destruction of fences by peasant movements.<sup>2</sup> A visiting livestock specialist in 1920 singled out Munoz Najar, Belon and Nunez as leading modernisers.<sup>3</sup>

The project widely viewed as the key to successful introduction of new techniques was the establishment of a 'model farm' (granja modelo) to test new sheep breeds, pasture varieties, and management practices in the conditions of the altiplano. Two Puno deputies had proposed such a project in Congress in 1910<sup>4</sup>, and after some delay a law was passed by the Pardo government in 1917 (at the height of the wartime boom) authorising the Government to establish a model farm. The project was to be funded by a new tax of 50 centavos per quintal on all wool leaving the department of Puno.<sup>5</sup> Early Government

<sup>1</sup>Hasen (1974) pp. 135-136.

<sup>2</sup>Hasen (1974) quoting Trigoyen (1922) pp.22-23.

<sup>3</sup>Robert Storby to A.S.Cooper, January 17, 1920, AGMC

<sup>4</sup>Barreda (1970) p.1.

efforts (involving importation of breeding stock and the establishment of a pasture-experimentation project in Puno) proved unsuccessful,<sup>1</sup> but in 1919 new impetus was given to the scheme by the owners of the Southern Railway.

Until 1914 the British-owned Southern Railway had enjoyed a virtual monopoly of the import and export trade of northern Bolivia, including the capital city, La Paz. In that year, however, a competing line was opened connecting La Paz and Arica, with catastrophic effects upon the profitability of the Southern Railway. In addition, the Bolivian traffic on Southern Railway (both before and after 1914) involved large tonnages of Bolivian imports up the line from Mollendo to Puno, but only small tonnages down to Mollendo, with the result that the railway management had a strong incentive to promote other sources of profitable cargos down from the Sierra.<sup>2</sup> Following the failure of a 1910 scheme to develop copper mining at Ferrobamba<sup>3</sup>, their interest was directed to the possibility of introducing large-scale mechanised cereal cultivation to the flat altiplano lands; but although cereals were successfully grown on an experimental basis in Juliaca (1913-1916)<sup>4</sup>, the practical difficulties and scale of investment required deterred the Corporation from proceeding.<sup>5</sup>

The obvious alternative was expansion of the existing wool trade. By 1917 the Corporation was considering buying one or more livestock haciendas along the Southern Railway in the hope both of sharing in the wartime profits of growers, and

<sup>1</sup> *El Heraldo* (?Puno) March 1920.

<sup>2</sup> On these problems of the company see Miller (1971), p.13; and (1972), pp.23ff; also West Coast Leader, January 1, 1920.

<sup>3</sup> South American Yearbook 1913, p.219; Stock Exchange Yearbook 1920, p.1609

<sup>4</sup> West Coast Leader October 9, 1913; June 18, 1914; and April 3, 1915 Boletin del Ministerio de Fomento 1916, Vol. 2, pp.49-69

<sup>5</sup> Most of the potential cereal-growing lands were in the hands of Indian communities, which could be dislodged only with great difficulty.

increasing traffic on the railway by increasing output.<sup>1</sup>

In 1919 A.S. Cooper, the new manager of the Corporation's Lima office, toured the South and<sup>2</sup>

came to the conclusion that the immense Andean tablelands traversed by the Railway could maintain a much greater number of sheep and other stock than they had hitherto done.

Cooper wanted a skilled assessment of the growth possibilities of the wool industry, and he wanted the Peruvian Corporation to have a stake in what then looked likely to be an important growth sector. He therefore proposed to the newly-installed Leguia government that the model farm desired by the Puno hacendados and legislated for in 1917 should be established jointly by the government and the Peruvian Corporation. The Corporation would engage a foreign expert to conduct the necessary preliminary studies and negotiations, and the enterprise would be started as soon as possible.<sup>3</sup> The following year, when the government balked at the £50,000 cost of establishing the farm, the Corporation loaned the necessary capital.<sup>4</sup>

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<sup>1</sup> P. McCann (of McCann Export Company) to Peruvian Corporation, April, 23, 1921, AGMC.

<sup>2</sup> Stordy (1921), p.119.

<sup>3</sup> Ibid

<sup>4</sup> Cooper to Stordy, April 26, 1920, AGMC. See also Dunn (1925), p.485.

The Granja Modelo de Chuquibambilla: 1920 - 1930

The foreign expert engaged by the Corporation was Colonel Robert Stordy, a Scots veterinary specialist who had, for the past twenty years, been in East Africa with the British Colonial Service. His career there having ended in some disgrace<sup>1</sup>, he willingly accepted the offer of employment in Peru and arrived in December 1919, under contract to the Peruvian Corporation to survey the possibilities both for a model farm, and for profitable Peruvian Corporation participation in the wool industry.<sup>2</sup> Having toured the southern Sierra in early 1920, Stordy emerged filled with visions of the altiplano converted into a sheep-farmer's paradise similar to Australia or the Argentine pampas.<sup>3</sup> In April 1920 he presented Leguia with full proposals for the model farm<sup>4</sup>, and in June extracted from him a four-year contract as director of the project,<sup>4</sup> and left for England to buy stock and hire Scots shepherds.

The project, thus, was underway; but problems quickly began to develop. In the first place, the wartime commodities boom which had continued through 1919 and into 1920 was coming to an end, and this naturally dampened the hacendados' enthusiasm for modernisation and investment, and made the

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<sup>1</sup> Stordy's departure from the Colonial Service generated a lengthy and acrimonious correspondence, particularly Stordy to Colonial Office, August 8, 1919, October 18, 1919 and November 18, 1920; Colonial Office to Stordy, September 9, 1919 and February 27, 1920. AGMC.

<sup>2</sup> Cooper to L.S. Blaiddell (Manager of the Southern Railway), January 12, 1929, AGMC.

<sup>3</sup> Stordy to Cooper, February 26, 1920, AGMC; W.B. Dunn to John B. McPherson (of US National Association of Wool Manufacturers) December 191921, AGMC; Stordy (1921).

<sup>4</sup> Stordy, 'Report on the Granja Modelo Project', April 7, 1920, AGMC.

<sup>5</sup> Cooper, 'Interview with the President of the Republic, April 24, 1920'; and Cooper and Stordy, 'Interview with the President of the Republic, June 18, 1920' (typed memoranda), AGMC. Stordy's salary was set at £200 per month, in addition to which he received his Civil Service pension of £600 p.a.

government cautious about sinking large sums of money in the Granja. In the second place, differences of opinion were already emerging over precisely what form the benefits from the Granja should take, and who should be the beneficiaries. For Stordy and the Peruvian Corporation, the Granja was to be a non-profit scientific venture, part of the infrastructure for a general modernisation drive throughout the haciendas of Puno. Local hacendados hoped for rather more than this; their expectation was that in addition to proving new techniques, the Granja should act as a stud farm, supplying haciendas with improved breeding stock at low cost (in other words, the Government, through the Granja, would be subsidising their investment in improvements). On the other side, the Leguia government, whose finances were in a parlous state in 1920 - 1922, was not prepared to support the Granja as a loss-making proposition, and expected it to earn a commercial profit. Caught between these conflicting demands, the Granja did not in the end really satisfy anyone except Stordy, and its performance during the 1920's must be accounted largely a failure.

The problems became evident as soon as the process of acquiring land for the Granja was begun. Stordy had selected four haciendas to form the basis of the enterprise: three grouped together at Chuquibambilla on the altiplano, and one low-altitude property for acclimatisation of imported livestock, near Arequipa. His recommendation, embodied in a decree by Leguia in September 1920, was that these properties should be compulsorily purchased by the government from their

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<sup>1</sup>The Sierra properties were Chuquibambilla (Juan Antonio Pacheco Vargas); Buenavista (Sra Felicitas de Castro) and Pacochuma (Sra Gumercinda Vda de Deza e Hijos). The Arequipa property was Uyupampa, owned by the Bustamante family. (Stordy, 'Land for Government Farm', May 27, 1920, AGMO).

private owners. The owners of the property however  
being part of a large town backed both by the  
government and by foreign capital approached Leguia and per-  
suaded him to commercialize in future instead of  
exploiting the land. In her 20th government  
established the Sociedad Granja Modelo de Puno which interest  
company which the owners of the land could hold  
nearly 40% the capital of £p5 000 and would be guaranteed  
a dividend of £p800 each per total  
£p2 400. Storck and the Peruvian corporation although  
unhappy,<sup>1</sup> accepted the arrangement and took out to  
build the Granja in an enterprise which could pay the way  
and hold profit. As the 920 proceeded he was encouraged  
in this aim by the increasing difficulty of inducing the gov-  
ernment to lease the treasury fund to the Granja (including  
Storck's own salary). On periodic trips to England he de-  
voted much time and effort to propaganda in favour of  
vian oil and the sale of Chuquibambilla wool  
The Granja did in the event become a successful wool  
producer and in this model but in the diffusion  
of techniques and sale of improved livestock to other  
producers made little impact.

The failure of the Granja as an agency for diffusion  
simply enough explained. As Table 3 indicates wool prices  
during the 90s were really still the best in the  
920 years and then in the South stagnated. The  
collapse of 920-92 has struck producers very hard. The  
area of merchants with unsold stocks in their warehouses,

<sup>1</sup> Cooper to Storck August 20 GMC

<sup>2</sup> R. **Resolucion Suprema** October 30 920

Storck to Cooper October 30 GMC

<sup>4</sup> Storck Interview with the President of the Republic  
August 1921 GMC

had completely stopped buying operations in the Sierra. To unfavourable market conditions must be added the series of violent Indian revolts which swept the region in the early and mid-1920's<sup>1</sup>, convincing many landowners that the risks attached to rural investment were unacceptable. The hacendados who in the 1910's had been looking forward to a bright future for a capitalised wool industry had, by the late 1920's, ceased to invest in their properties and withdrawn to their absentee urban roles as lawyers, politicians or merchants,

For this and other reasons (noted below) relations between Stordy and the Puno hacendados became increasingly bitter, and Stordy, who in 1920 had found the local landowners 'keen, knowledgeable and earnest', was describing them very differently by 1930:<sup>2</sup>

With few exceptions, the men who possess extensive areas of land - the great percentage undeveloped - find the salubrious climate of Arequipa and what amenities it can offer, more to their liking than the rigorous conditions of the Sierra. Would to God a heavy tax could be levied on the absentee landlord ... (to) make him either develop his holding or let someone else do so.

The hacendados, for their part, were bitterly disappointed that the Granja project, which they had expected to provide government assistance to their development plans, had turned into a commercial enterprise controlled by a nest of foreigners. No subsidies to local producers were forthcoming from the Granja, and its experimental side seemed to make little progress. By 1923 the complaints were beginning:<sup>3</sup>

The Granja has been established with the tax of 50 centavos per quintal of wool. It is, thus, the ganaderos of Puno, the wool producers, who pay for this model farm, which to date has yielded absolutely no positive benefits to the livestock industry,

<sup>1</sup> Piel (1967); Diaz Bedregal (1955); Hasen (1974).

<sup>2</sup> Stordy to Blaisdell, April 29, 1930, AGMC.

<sup>3</sup> 'El Comite de Salud Publica' to Arequipa Chamber of Commerce, September 30, 1923, AGMC. Translated.

limiting itself simply to the sale by auction of a few pedigree animals, not enough even to stock a small hacienda, and of which a considerable number have gone to Bolivia, so that a foreign country gets the benefits from the money contributed by Peruvian hacendados.

Indeed, the sales of improved stock, bred from imported animals, were few and far between<sup>1</sup>, and from 1926 to 1930 the importation of new breeding stock ceased as the government withdrew financial support<sup>2</sup>, with the result that the breeding side of the Granja ran down. On the experimental side, although there was some work on veterinary research<sup>3</sup> and on kikuyu-grass pasture, there were no tangible results of use to the local haciendas.<sup>4</sup>

Segundo Remate de Ganado Medio-Sangre, May 12-13, 1924  
(programme); Stordy to President Leguia, May 21, 1925. Both AGMC. The late 1920's saw some private sales of improved stock; e.g. Stordy to M. Octavio Munoz Najar (a local hacendado), April 20, 1928, AGMC.

<sup>2</sup>Stordy to Blaisdell, April 29, 1930, AGMC.

<sup>3</sup>This research yielded some results on diseases of alpacas during the 1930's.

<sup>4</sup>Velando C'Phelan, one of the hacendados, challenged Stordy in 1925 to give a public lecture series on the Granja's work, charging that if anything had been done, it had been kept secret. (Open letter published in El Deber of Arequipa, April 18, 1925.)

### Schemes for a Capitalist Wool Syndicate: 1920 - 1924

The crash of wool prices in 1920 did not immediately convince wool producers that the future would be less bright than the past. In any case, the commitment by the Government and the Peruvian Corporation to the Granja project seemed to indicate that powerful support could be mobilised for the development of the wool industry on a large scale. To both the local hacendados and the Peruvian Corporation, it seemed that there would be substantial advantages from the formation of a large capitalist syndicate, combining the properties of the existing landowners with the resources of the British firm. Such a syndicate would be capable of carrying through ambitious investment plans, and in addition should be strong enough to market its production independently of the Arequipa merchant houses. A series of attempts by the Corporation during the first half of the 1920's to form such a syndicate, first as a joint venture with the Peruvians, and subsequently on the basis of landbuying schemes, failed to bear fruit. The failure can be attributed to a variety of factors: the depression of the industry, the growing local hostility to the Peruvian Corporation, the determined opposition of the Arequipa merchants, and the wave of peasant revolts in the region in the early 1920's.

Stordy, on his initial trip in early 1920, had considered at least two sizeable haciendas for possible purchase by the Peruvian Corporation.<sup>1</sup> In December 1920 a wider proposal was made to the Corporation by Bernardino Arias Echenique, a 'gamonal' of some notoriety near Azangaro.<sup>2</sup> He offered to

<sup>1</sup> The properties were Poscoconi and Miraflores. Stordy to Blaisted, April 25, 1920. AGMC.

<sup>2</sup> On Arias Echenique's record in dealing with local Indian groups see Hazen (1974) pp. 141 - 145 and 147 - 149

turn over his hacienda San José to the Corporation for fifteen years on condition that £30,000 be invested in improvements, and that he participate in the profits to the extent of at least £3,000 annually.<sup>1</sup> The Corporation was interested, but deterred by fear of conflict with the local Indian communities which were already upset by Arias' land seizures.<sup>2</sup> The following year the Corporation made a takeover bid for the model farm itself, proposing the formation of a £100,000 company in which the landowners would hold 40%, the Government 10%, and the Corporation 50%. The Government, however, refused.<sup>3</sup>

By 1921, with the wool market sinking into recession, the incentive for landowners to sell their properties was increasingly strong, provided the price was attractive. In April 1921 Sr. Velando O'Phelan's hacienda Posoccooni, already considered by the Corporation in 1920<sup>4</sup>, was offered to Stordy along with a neighbouring property as an alternative site for the Granja's operations<sup>5</sup>, and other haciendas also tried to sell land to the Granja, without success.<sup>6</sup> Cooper of the Peruvian Corporation was still interested in the syndicate idea, and Posoccooni seemed to provide an ideal starting point. Stordy was sent to make a full study of the property, and on the basis of his favourable report<sup>7</sup> definite negotiations were begun. By early

<sup>1</sup> B. Arias Echenique, 'Proyecto que presenta el suscrito para la formacion de un sindicato de ganaderia en el Departamento de Puno', typescript, December 26, 1920. AGMC.

<sup>2</sup> Blaistedell to Cooper, December 1920, AGMC.

<sup>3</sup> Cooper to Stordy, March 23, 1921; Cooper to Oliver Bury (Peruvian Corporation <sup>Managing Director</sup> Secretary in London) August 8, 1921. AGMC.

<sup>4</sup> See footnote , p.

<sup>5</sup> A. Velando O'Phelan (owner of Posoccooni) to Stordy, April 19, 1921. AGMC. The neighbouring property was owned by Sr Cano Loayza.

<sup>6</sup> Callapajio, offered by its owner Celestino Gamboa in June 1921, was rejected as unsuitable for the Granja (Ministerio de Fomento, Lima, to Stordy, June 10, 1921. AGMC). Checacupe, owned by Ezequiel Medina, was offered in December 1921 but rejected as too hilly. (J. Ward to Stordy, December 19, 1921; and Stordy to Director de Agricultura, Lima, December 23, 1921. AGMC).

<sup>7</sup> Stordy, 'Report on the Hacienda Posoccooni', July 20, 1921. AGMC.

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<sup>1</sup> Blaisdell rdy May GM

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<sup>2</sup> Blaisdell rdy May and June GMC

expressed guarded interest in joining a Peruvian venture, but warned Stordy that they would require more favourable terms than had been offered to that point. The estimated investment of £1 per acre was too high (double the cost of large-scale development in Patagonia); the return on investment would have to be at least 10%; the company would need guaranteed markets (such as monopoly for the supply of meat to Lima-Callao); the Peruvian Government would have to provide tax exemptions; and the titles to all land bought would have to be explicitly confirmed by the Government.<sup>1</sup> Furthermore, to make the effort worthwhile and realise economies of scale, 100,000 acres was far too small an area. A viable proposition, the Rio Negro company suggested, would need a consolidated block of between 500,000 and one million acres of land,<sup>2</sup> sufficient to carry up to 150,000 head of stock.<sup>3</sup> By the end of March, the Corporation had managed to secure options of purchase on the required million acres of land, in two blocks. One block was in the area of Posocco and included the haciendas already subject to negotiation since early 1922. The other block, further north in the department of Cuzco, consisted of the gigantic Lauramarca hacienda owned by the Saldivar family. A third block of 150,000 acres was also on offer.

<sup>1</sup>Walter Parish (Secretary of the Rio Negro Company) to Stordy, January 31, 1923 and February 14, 1923. AGMC.

<sup>2</sup>Parish to Stordy, January 31, 1923. AGMC.

<sup>3</sup>This was the Rio Negro company's estimate, based on a carrying capacity of around six acres per sheep, apparently their Patagonia average. Carrying capacities in Puno, however, were higher than this, sometimes as high as one acre per sheep (though this referred to the small, degenerate native sheep; improved stock required much more than this). Stordy to Harry Henderson (connected with Rio Negro) April 12, 1923. AGMC.

<sup>4</sup>Cable, Stordy to Cooper, February 1923. AGMC; Cable, Blaistedell to Stordy, April 3, 1923. Stordy to Henderson, April 12, 1923. AGMC. The third block was between Aguas Calientes and Santa Rosa, consisting mainly of the hacienda Bornas.

These one million acres of land, with 522,000 sheep thrown in, were available for £280,000. Valuing the stock at 4 shillings each<sup>1</sup>, Stordy calculated that the land itself was being offered for £175,000, or 3/6<sup>ds</sup> per acre. In addition to this purchase cost, the proposed improvements (mainly fencing and pasture improvement) could be carried out for an investment of less than 10 shillings per acre (i.e. at a cost similar to that in Patagonia)<sup>2</sup>. On this basis the Rio Negro Company agreed to proceed with further investigation, and a representative, T.C. Norris, was sent to Peru to look over the lands and discuss the project with President Leguia.<sup>3</sup> Norris saw Leguia on August 2, and was assured of the Government's enthusiastic support. Norris was explicit about the biggest problem for a modernisation scheme: the displacement of Indian occupiers from the land to be improved.<sup>4</sup>

I asked him whether it would be possible for the Indians to be removed from the lands that they now hold, to be put onto other land which we would indicate, as we would not wish to turn them off their land entirely, but merely to fence off specified portions for their use. [President Leguia] assured me that there ought not to be any difficulty ... He also assured me that in the event of the Indians raising any objections, that he would take the necessary steps to ensure that our wishes would be carried out, and that the Indian Communities would be removed from places which we desired.

Norris, however, was worried that the proposed wool company might run into difficulties similar to those developing at the time of his visit between the US-owned Cerro de Pasco Copper

<sup>1</sup>This was reasonably in line with other estimates of the value of the native sheep in the South. In terms of Peruvian soles, 4 shillings was slightly above 8/3 in the 1920's (at par, 8/2). In 1922, Stordy had quoted 8/4 - 8/5 per head as the cost of sheep (Stordy to Revell Smith, May 4, 1922, AGMC). In 1930 one of the major Puno livestock enterprises valued its stock at 8/1 for ewes and 8/5 for rams. (Sociedad Ganadera del Sur, 'Balance General 1930', livestock inventory. In the archives of the Sociedad, hereafter referred to as ASGS, in Arequipa).

<sup>2</sup>Stordy to Henderson, April 10, 1923.

<sup>3</sup>Stordy to Leguia, letter of introduction for T.C. Norris, July 21, 1923. AGMC.

<sup>4</sup>Norris, 'Note on Conversation with President Leguia, August 2, 1923; Mr. A.S. Cooper being present'. Typescript, AGMC.

Corporation and the Indian communities near the new Oroya smelter, opened in 1922, the fumes from which were destroying surrounding agricultural land. Attempts to remove the Indians from these lands had produced severe local conflict; and as Norris pointed out to Leguia, in relation to the Puno project<sup>1</sup>

any removal of Indians affected must be done without causing any ill feeling amongst them, as it would be quite impossible to carry on as a business if the population of the district was prejudiced against us.

Leguia assured Norris that there would be no problem, the Rio Negro Company clearly were aware of the disruption which their plans implied for the Indian population of the South, and undoubtedly also realised that the Government could not be relied on for support in the final instance, if trouble broke out there. 1920 - 1923 had been a period of widespread unrest and sporadic Indian revolts throughout the southern Sierra<sup>2</sup>, and in December 1923 (four months after Norris' meeting with Leguia) a small army of Indians seige to the town of Huancane, triggering off savage police and vigilante reprisals in which thousands were killed.<sup>3</sup> Although the main issues at stake in these risings were matters such as exploitation by local merchants and hacendado suppression of the movement to set up schools in Indian areas, the reality of rural tension and violence, and the growing willingness of Indians to mobilise in defence of their interests were not lost on Norris and his backers, and the Rio Negro company withdrew from the proposed syndicate

Nor were the local peasantry the only problem. As already noted, the merchants of Arequipa were worried by the possibility that the Peruvian Corporation, with its established

Ibid

<sup>2</sup>Piel (1968); Hazen (1974) pp. 162 - 172.

<sup>3</sup>Hazen (1974) pp. 72 - 177; Diaz Bedregal (1955).

position in control of the railway, might extend its interests to a monopoly of the wool trade. Their concern was well founded. As early as his first visit to the region, in 1920, Stordy had noted the large profits being made by the wool merchants and suggested that the Peruvian Corporation might participate.<sup>1</sup> Under his management the Granja itself quickly became independent of the Arequipa merchants, shipping its wool direct to Liverpool on its own account<sup>2</sup>. As the Corporation's plans for a huge wool-producing syndicate took shape in 1922, the planners were well aware of 'the possibility in coming years of the wool business being cornered by our proposition',<sup>3</sup> and Stordy proposed that 'the wool merchants unite with us to inaugurate a great organisation for the development of extensive areas of Southern Peru'.<sup>4</sup> Although Reginald Stafford (a leading wool merchant and honorary British Consul in Arequipa) expressed guarded interest in joining with the Corporation, the other merchants were unhesitating in their hostility to an independent marketing and producing organisation integrated with the railway. Open conflict was triggered off in 1923 when the Southern Railway announced that, in order to maintain profitability (in the face of falling traffic), freight rates were to be increased.

For the merchants, the immediately obvious target in their campaign to block the syndicate was Stordy, whose manage-

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<sup>1</sup> Stordy to Cooper, January 25, 1920. AGMC.

<sup>2</sup> Stordy to W.R. Smith (Punjab, India) May 4, 1922; Stordy to President Leguia, April 3, 1924; Stordy to Senior Smith (of Lionel Barker & co.) July 12, 1924; and contract with Eccles and Co., April 3, 1925. AGMC. Another producing enterprise which chose to market its wool independently during the 1920's was the Emery Wool Corporation, which operated haciendas near Tirapata as a sideline of the US-owned Inca Mining Company, the largest foreign enterprise active in Puno apart from the railway.

<sup>3</sup> Blaisdell to Stordy, May 20, 1922. AGMC.

<sup>4</sup> Stordy to Blaisdell, May 29, 1922. AGMC.

ment of the Granja (as noted earlier) was producing growing disillusionment among local livestock growers. In May the Arequipa Chamber of Commerce publicly accused Stordy of plotting exports of alpaca breeding stock to Australia, to enable the British Empire to break Peru's monopoly of alpaca.<sup>1</sup> Shortly afterwards anonymous denunciations reached the Ministry of Agriculture in Lima accusing Stordy's Scots shepherds of stealing bloodstock from Chuquibambilla.<sup>2</sup> By September 1923 the public attacks on the Granja's performance (described earlier<sup>3</sup>) were underway, led by the 'Comite de Salud Publica' of Arequipa and the 'Comite de Defensa' of Juliaca, both closely tied to the Arequipa merchants.<sup>4</sup> The latter organisation expressed openly the fears entertained by the merchants with respect to the Rio Negro Company:<sup>5</sup>

We are in possession of precise and reliable information that Stordy in collaboration with President Leguia, the ministers Salomon and Medina, and the Argentine stock-raiser Norris, has made an agreement in Lima to monopolise the Puno wool trade, for which purpose the railway freights are to be raised, making it impossible for producers, especially small producers, to sell their wool in Arequipa and forcing them to sell to Stordy at Chuquibambilla ... As a result, the landowners of the Sierra will be obliged to sell their properties at rock-bottom prices, the land passing into the hands of the new firm Stordy, Peruvian Government and Co.

Faced with Indian unrest and the outright hostility of southern merchant elite, in a context of continuing depression

<sup>1</sup> Open letter from Juan Barclay, President of the Chamber, published in El Deber (Arequipa) May 11, 1923 and El Pueblo (Arequipa) May 17, 1923. The charge was not unfounded; J. Henderson (acting manager of the Granja while Stordy was away in England) had indeed been discussing with the British merchant firm Milne and Co. the possibility of establishing alpaca breeding in Australia, although the Granja's position was that such a scheme would fail due to insuperable ecological difficulties. (Henderson to Milne and Co., April 24, 1923, AGMC.) The Government reacted to the accusations by immediately banning all export of live alpaca (El Deber, May 22, 1923).

<sup>2</sup> Ministerio de Agricultura 'Oficio no. 154', July 9, 1923, AGMC. Also Stordy to Ministerio de Agricultura, n.d., AGMC.

<sup>3</sup> See above, p.

<sup>4</sup> The 'Comite de Defensa' seems to have been a fore-runner of the later Asociacion de Ganaderos del Sur, run by Carlos Belon, an ally of the Gibson merchant family.

<sup>5</sup> 'Comite de Defensa', open letter to Stordy, dated October 1, 1923, AGMC.

of wool markets through the first half of the 1920's, Peruvian Corporation's scheme to convert the altiplano into a new Patagonia collapsed by 1924. Although the Corporation remained interested in possible purchases of individual haciendas, the object thereafter was simply to take over profitable operating properties rather than to achieve a sweeping transformation of the industry; and land-buying was accorded very low priority among the other concerns of the Corporation.<sup>1</sup> Stordy addressed the directors in London on the subject of a possible new syndicate in 1928,<sup>2</sup> and various properties were considered during 1929<sup>3</sup>. None of the propositions proved satisfactory, for a variety of reasons - threatened disputes with the peasantry, threatened titles litigation among local landowning families; difficulty of access to some properties, and so on. At the end of the 1920's the Peruvian Corporation had not bought a single property, and the volume of wool being carried down the Southern Railway remained well below the First World War level.

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<sup>1</sup>The Corporation's central interests in Peru in the 1920's were the railways, and an annuity of £80,000 paid by the Government. The Lima office was preoccupied in the mid-1920's with long negotiations for a new agreement with the Government, reached eventually in 1927, giving the Corporation ownership of the railways in perpetuity. With these negotiations in progress, the Corporation could never be entirely sure of its position vis-a-vis the Government, and was no doubt hesitant about pushing through new projects which might attract too much publicity and attention.

<sup>2</sup>Yates to Cooper, cable. November 2, 1928. AGMC.

<sup>3</sup>These included Lauramarca, whose owners had tired of endless disputes with their Indian tenants and neighbours; Antaimarca near Ayaviri; San Jose near Azangaro (the Afias property turned down in 1920 because of the local unrest caused by the owner's land-grabbing). Blaisdell to Stordy, April 16, 1929, and September 20, 1929. AGMC.

Other Syndicates: 1921 - 1930

While the Peruvian Corporation's project was undoubtedly the most ambitious of the 1920's, it was not the only one. Another foreign firm, the US-owned Foundation Company, was offered the Malaga family's haciendas in Cajamarea and Piura for the formation of a stockraising syndicate in 1926,<sup>1</sup> and were persuaded by Stordy to consider also the purchase of properties in Puno. Negotiations began again with landowners in the region, and a 500,000 acre block between Pudara (on the railway) and Picotani (a large hacienda in the northeast of the department) was proposed as the basis of a large syndicate, in which the owners would participate with the Foundation Company.<sup>2</sup> The company, however, was more interested in its public-works contracts and industrial interests in Lima (the idea of livestock raising had been taken up initially as a means of assuring the supply of beef cattle to the new freezing works which the company was building in Lima, and the scheme was not pursued.

Of the greatest long-run significance for the Puno wool industry was a third syndicate project based entirely upon local initiative. In 1921, at the same time as the Peruvian Corporation's negotiations over San Jose and Posoccoconi<sup>3</sup>, a hacendado named Carlos Belon had approached a US wool merchant with the proposal that the Belon family would form a partnership with the US firm on a 50-50 basis, the Belons putting up their lands as their share of the capital, and the foreign partner providing the cash. Of the £85,000 which

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<sup>1</sup> Stiles (of Foundation Company) to Stordy, February 24, 1926.

<sup>2</sup> Stordy to Foundation Company, August 13, 1926, AGMC. Most of the owners hoped to exchange their land for shares in the proposed syndicate. Among the properties involved were Picotani, Chiaraque (=F. Agustin Tovar), Sora (J. B. Carreon), Rosaspata, Huanacomarca, and Quenamari.

<sup>3</sup> See above, p. .

would thus be raised in cash, £10,000 - 15,000 would be used to pay off outstanding obligations of the landowners, and the remainder would be invested in land improvement introduction of high-class stock, fencing, and so on.

It is not clear whether this group of landowners were included among those willing to sell to, or join with, the Peruvian Corporation in 1923. What is clear is that, after the failure of that scheme, the Belon group drifted into alliance with the Gibson family of Arequipa. As already noted the Gibsons, seeing their interests as merchants threatened by the Peruvian Corporation's plans, had begun bidding against the Corporation for haciendas (especially Posoccoconi) in 1922. The Gibson's motives were twofold. In the first place, their decision to start buying land, or at least obtaining control over land, had <sup>a</sup>/defensive element in the face of the threat posed by Stordy and the British. On the other hand, the Gibsons were at the same time aware of the positive benefits to be derived from extending their interests from the commercial stage back to the producing stage. The merchant houses were engaged in a long competitive struggle for shares of the

trade, and one of the obvious ways to assure one's position was to have control over the production and marketing decisions of haciendas. In 1925 the Belon and Gibson interests reached an agreement for the formation of a syndicate, and in early 1926 the Socieda Ganadera del Sur was established in Arequipa. The hacendados put in their land in exchange for

<sup>1</sup> Carlos Belon to Joseph F. Draper Co. (Boston, Mass.) March 2, 1921. AGMC. The Belon family had six haciendas in the provinces of Lampa and Azangaro: Huayta, Jupari, Checca, Quisuni, Pgrina and Orduna, covering 60,000-70,000 hectares with 60,000 sheep, 5,000 alpacas and 1,000 cattle. Profits during the war had averaged around £15,000 annually, falling to £7,000 in 1920. The Belon family - Carlos Belon, Victor M. Belon and J. Abel Barrioueve - also persuaded two neighbouring landowners, Pablo A. Pimentel and Cano Loayza, to join their plan.

shares; and the Gibsons put up the cash for investment and further land purchases. Gibsons were to have a monopoly of the trade generated by the haciendas, both wool produced and livestock and equipment imported.<sup>1</sup> The shares in the new enterprise were divided as follows:

Enrique W. Gibson S.A.	70,280	
Carlos S. Gibson	1,000	
Juan A. Gibson	1,000	
<b>Gibson total</b>	<b>72,280</b>	<b>55.3%</b>
Carlos J. Belon	36,388	
Pablo A. Pimentel	6,431	
J. Abel Barrionuevo	10,469	
Roy S. Patten	4,132	
Felipe Fernandez	1,000	
<b>Belon group total</b>	<b>58,420</b>	<b>44.7%</b>
Grand total	130,700	100.0%

The Gibsons thus started with a majority shareholding, and their margin increased when Fernandez, one of the smaller hacendados, withdrew from the Sociedad immediately after its establishment and returned his shares.<sup>2</sup>

There were, in general, two directions in which the new syndicate could develop, depending on how investment was allocated. On the one hand, the Sociedad could concentrate on the improvement and development of the original group of haciendas, in order to raise their output and profitability. This would suit the hacendado group in the Sociedad, who after all had initially embarked on the syndicate idea as a means of capitalising their properties. On the other hand Sociedad could concentrate instead on extending the area of

<sup>1</sup> Sociedad Ganadera del Sur, Minute Books of the Junta General de Accionistas (JGA) and the Junta Directiva (JD); ASGS.

<sup>2</sup> JD December 4, 1927. Fernandez, in leaving, took his haciendas with him.

land under its control by the purchase of new haciendas. This, as it turned out, was the direction favoured by the Gibson interests, for whom hacienda ownership was important mainly for the leverage which it conferred on their position as wool-buyers.<sup>1</sup> With control of the hacienda came also increased contact with, and some degree of control over, the neighbouring Indian communities, who were the main producers of alpaca (the most valuable commodity in the wool trade). Indeed, from the merchant point of view it may have been more efficient to allow Indian tenants to use hacienda land for raising alpaca (with the output sold through the owner) rather than embarking on the difficult and potentially disruptive development of capitalist techniques, which in any case applied mainly to sheepwool, the traditional mainstay of hacienda profits.

Given the voting majority of the Gibson family in the Sociedad, the decision to develop via expansion rather than intensification was easily approved. The Gibsons proceeded to 'force-feed' the new syndicate with haciendas, by the simple process of buying properties themselves and then transferring them to the Sociedad in exchange for new share issues.<sup>2</sup>

As a result the Gibson's share of the total capital

<sup>1</sup> It is of some interest to note that, despite the competition among the Arequipa merchant families, two other firms were closely linked to the Gibsons by marriage: Reginald Stafford, and Simon Yriberry, both of whom were married to daughters of Enrique Gibson. These two, acting on behalf of their wives, sat on the board of the Sociedad Ganadera del Sur and backed the merchant position in its debates.

<sup>2</sup> By 1930 the Sociedad owned 14 haciendas: Pumatira, Cajoya, Parina, Orduna, Huayta, Quisuni (the original properties) and Posocconi, Llaullina, Buenavista, Sapapuquio, Potoni, Huaycho and Angostura (purchased by the Sociedad directly or by the Gibsons). San Jose was added about 1934. (Sociedad Ganadera del Sur, 'Balance General' 1930 and 1935. ASGS.)

increased and with it their control over the fortunes of the Sociedad. Investment in improvements was minimal, and the management failed to keep adequate accounts from 1927 to 1929, with the result that in August 1929 bitter disputes broke out between the two groups over the level of dividends which the Sociedad should be paying.<sup>1</sup> From the minutes of shareholders' meetings it seems evident that the Gibsons regarded the Sociedad as an instrument in their competitive struggle for a greater share of the wool trade in Puno, while the hacendados expected land improvement and enhanced profits. Patten publicly broke with the Gibsons and sold out his share in 1930;<sup>2</sup> and in 1933 he was followed by Belon, Barrionuevo and Pimentel, who took with them three haciendas and part of two others,<sup>3</sup> leaving the Gibsons with full ownership, of the Sociedad and its remaining nine large haciendas. No major modernisation programme was ever undertaken on these properties.<sup>4</sup>

<sup>1</sup> JGA June 8, 1931 and October 10, 1931. These meetings were all concerned with what had passed at a JGA meeting in August 1929, at which there had been stormy dispute, alleged double-voting by the Gibson block, and of which no minutes had ever been approved. ASGS.

<sup>2</sup> JD October 14, 1930. ASGS. Patten set up as an independent wool merchant in partnership with another British immigrant, Frank Michell. (Interview with E. Bedoya, Arequipa, August 3, 1972.)

<sup>3</sup> JGA May 13, 1933. ASGS.

<sup>4</sup> Former Sociedad properties visited by the author in 1972 compared unfavourably, if anything, with their neighbours, and had been run on entirely 'traditional' lines.

### Conclusion

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it is evident that the merchants, while very influential in Southern affairs, were far from all-powerful, and by themselves could probably not have won an all-out battle against the modernisers had wool prices remained high. At the level of the central government the merchants wielded less influence than the British, although they obviously could apply the usual pressures and call on their friends in Lima for assistance.

Finally, the peasantry of Puno saw the tide turn in their favour, as the projects which most threatened them were abandoned. The pace of enclosure was slowed or reversed; proletarianisation was successfully resisted, and encroachment of haciendas onto Indian-occupied lands had been virtually halted by 1920. Insofar as this represented a real achievement, it was a defensive one, blocking to some extent the further deterioration of the Indian's position. The peasants' success was due in large part to the ending of the external stimulus towards modernisation. As the wool price fell, the gains to be reaped by landowners from a shift to capitalist relations were outweighed by the rapidly-rising social costs of forcing the peasantry to accept the change. Had world markets been different in the 1920's, the battle would have been a much harder-fought one.

The image of a progressive landowner class opposed by a conservative peasantry, although familiar in other parts of the world, runs counter to the usual popular image of the Peruvian latifundio. The existence of such a situation is, however, confirmed by a growing body of recent research.<sup>1</sup>

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<sup>1</sup>For a survey see Bertram (1974). The pathbreaking theoretical work has been that of Martinez-Alier (1971, 1972, 1973).

Horton notes:<sup>1</sup>

In many highland estates, primarily the largest ones, estate owners and managers have sought for years to eliminate peasant or colono production in favour of wage-labor production, but they have universally been opposed by the peasant residents of their estates.

The conflicts discussed above in the context of the 1920's have thus remained a part of the Peruvian rural scene to the present. It is probably not entirely coincidental, for example, that the 1959 removal of price controls on meat (intended to improve profitability for highland livestock producers as part of a government-backed drive to raise productivity)<sup>2</sup> came just before a massive wave of peasant invasions of haciendas throughout the Central and Southern Sierra in the early 1960's.<sup>3</sup>

From a somewhat different perspective, the underlying dynamics of non-capitalist agrarian systems in dependent economies has been discussed, with reference to Peru, recent paper by Bradby. In her view the linking of a pre-capitalist economy or sector with the capitalist (market) system has usually been due to the latter's demand for raw materials; and consequently the degree to which articulation is pushed varies with the strength of market demand. The disappearance of demand for the raw material, or appearance of a cheaper supplier, or substitution of another commodity, may cause articulation to wither away.<sup>4</sup> Further, there is no necessary reason for the central capitalist system to force capitalist relations of production upon precapitalist producers in the periphery, provided that the precapitalist

<sup>1</sup>Horton (1974 p.v.

<sup>2</sup>Peruvian Times (Lima) July 31, 1959, p. 2

<sup>3</sup>Handelman (1975).

<sup>4</sup>Bradby 1975 pp. 129 - 30.

system is capable of supplying the product through exchange mechanisms. In her words, 'capital is perfectly indifferent to what happens in natural economy'.<sup>1</sup> Whether a precapitalist system disintegrates and is replaced by capitalist relations; or remains unchanged except for the exchange of its surplus with external markets; or is transformed into some different non-capitalist form, will depend upon the historical circumstances. If there are clearcut gains to be made from the capitalist transformation of a sector, and the balance of class forces is such as to permit the transition, the process is set in motion; but even once launched, it will not necessarily be carried to completion if the conjuncture changes. In general, thus, it is incorrect to treat as historically 'necessary' a transformation process which, taking place in a peripheral part of the world economy (and indeed of the national economy) depends upon external stimuli without being itself of vital importance for the dominant economic order. The Sierra of Peru has not undergone a uniform long-run process of peasant disintegration and capitalist advance. It has been, rather, the scene of a complex and shifting power struggle,<sup>2</sup> in which at various times the peasant economy, the semi-feudal hacienda economy, the evolved capitalist system, and most recently the State-capitalist system have alternately advanced and retreated without resolving clearly the economic destiny of the region. The process continues today.

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<sup>1</sup>Bradby (1975 p.160

<sup>2</sup> Cf Samaniego 1974).

TABLE I  
The Export Trade of Mollendo, 1916 - 1935.

Year	Wool and alpaca exports through Mollendo U\$ 5000	Total exports through Mollendo US \$5000	Wool and alpaca as a % of Mollendo exports	Mollendo exports as a % of total Peruvian exports
1916	3,771	5,390	70	7
1917	7,052	8,704	81	10
1918	11,207	12,169	92	13
1919	6,556	8,534	77	7
1920	3,577	6,012	59	4
1921	1,191	2,479	48	3
1922	2,085	3,115	67	3
1923	2,310	3,629	64	4
1924	3,613	4,662	77	5
1925	2,672	4,088	65	5
1926	1,670	3,203	52	4
1927	2,756	4,338	63	4
1928	3,736	5,363	69	4
1929	3,676	5,020	73	4
1930	2,167	3,096	70	4
1931	1,450	2,110	68	2
1932	774	1,227	63	3
1933	1,483	2,020	73	4
1934	1,578	2,315	68	3
1935	1,466	2,228	65	3

Source: Figures from annual volumes of Estadistica del Comercio Especial (Ministerio de Hacienda, Superintendencia de Aduanas, Lima.).

TABLE II  
Exports and Population: Peru and the South 1910 - 1935

Year	1 Total Peruvian exports, U.S. Sm	2 Population of Peru millions	3 Peruvian exports per capita dollars	4 Exports from the South, U.S. Sm	5 Population of the South, millions	6 Southern exports per capita dollars	7 Indexes of Peru 1910=100	8 South
1910	34.4	3.8	941	3.7	0.8	4.6	100	100
1915	56.0	4.1	1327	3.8	0.9	4.2	151	91
1920	144.7	4.4	32.9	6.4	1.0	6.4	362	139
1925	94.0	4.8	19.6	4.3	1.1	3.9	215	85
1930	83.3	5.2	16.0	3.2	1.2	2.7	176	59
1935	73.8	5.7	12.9	2.3	1.3	1.8	142	39

Sources: Column 1: Extracto Estadistico del Peru, 1934 - 1935, p.76, figures converted to dollars at par 1910 - 1920, and at current exchange rate thereafter.

Column 2: Peru, Censo del Poblacion 1940, Vol. 1, pp. cx - cxiii.

Column 4: Figures for exports through the ports of Mollendo and Puno, from Extracto Estadistico 1934-1935, pp. 126 - 130 converted as for Column 1.

Column 5: Obtained by projection between the census totals for the South in 1876 (0.6 million) and 1940 (1.5 million) assuming that the trend of population growth in the South was the same as that for the national population.

Note: The national export figures used above are corrected for errors in the original statistics, according to the Extracto (p.76,fn). The figures for the South are unrevised, taken directly from the published annual statistics. The main change caused by the revision was a downward revision of the national total for 1920; the Southern figure for that year is probably somewhat too high therefore.

TABLE III

Movement of Wool Prices in Liverpool

(a) Port Philip Merino price, pence per lb

Year	Price	Year	Price	Year	Price
1900	15.75	1914	18.50	1928	37.00
1901	13.00	1915	21.38	1929	35.38
1902	15.00	1916	32.75	1930	18.28
1903	16.00	1917	46.50	1931	14.70
1904	16.00	1918	47.25	1932	15.00
1905	17.25	1919	67.00	1933	19.10
1906	18.00	1920	79.88	1934	21.25
1907	18.00	1921	31.88	1935	20.10
1908	15.75	1922	39.00	1936	24.70
1909	17.75	1923	43.69		
1910	18.25	1924	53.44		
1911	17.25	1925	41.06		
1912	17.50	1926	36.50		
1913	18.00	1927	38.06		

Source: B.R. Mitchell, Abstract of British Historical Statistics (1962), p.491.

(b) Quarterly prices for Peruvian wools, pence per lb.

End of quarter date	First-class white washed sheepwool	First-class alpaca fleece
May 11	50.5	
June 24	50.5	
September 30	50.5	... <sup>a</sup>
December 30	48.5	74.5
March 31	43.5	74.5
June 30	35.5	36.5
September 29	35.5	39.0
December 29	38.5	39.0
March 29	39.5	44.0
June 28	36.5	40.0
September 27	30.5	34.0
December 27	20.5	30.0
March 28	12.5	13.5
June 27	12.5	18.0
September 26	11.5	19.0
December 26	11.5	18.0
1922 March 27	12.0	18.0
June 26	12.0	18.5
September 25	13.0	18.0
December 26	18.0	17.8
March 26	18.5	18.0
June 25	17.5	17.0
September 25	17.5	16.5
December 24	18.5	16.5
March 31	24.5	18.5
June 30	24.5	18.5
September 29	24.4	18.0
December 29	27.5	23.0
1925 March 30	27.5	21.0
June 30	18.0	18.0
September 28	16.0	17.0
December 28	15.0	16.5
1926 March 29	15.0	16.0
June 28	14.0	15.0
September 27	15.5	15.0
December 27	16.0	15.0

Table III Continued

Year	Date	First-class white washed sheepwool	First-class alpaca fleece
	March 29	16.5	15.0
	June 28	17.0	15.0
	September 27	17.5	15.8
	December 27	18.5	18.3
	March 26	22.0	23.0
	June 25	24.0	21.0
	September 24	22.0	21.5
	December 24	20.5	23.0
	March 26	20.5	24.0
	June 25	18.0	27.0
	September 24	17.0	27.5
	December 30	16.5	27.0
	March 31	12.5	28.0
	June 30	12.5	27.0
	September 29	12.5	20.0
	December 29	9.0	19.0
	March 30	8.0	18.5
	June 27	7.5	13.5
	September 28	7.5	12.5
	December 28	8.5	13.0

Source: Figures extracted from appendices on commodity prices published in the annual Memoria of the Bolsa Comercial de Lima.

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