

URBANIZATION  
IN THE CARIBBEAN BASIN:  
Social Change during the Years of the Crisis\*

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This article seeks to examine empirically several recent hypotheses on the evolution of Latin American urbanization based on data from five countries in the Caribbean Basin. The hypotheses were advanced by the senior author in an earlier article in this journal (Portes 1989). They concern three major aspects discussed in the literature on Latin American cities: changes in urban primacy, spatial polarization within the largest cities, and the urban informal economy as a countercyclical mechanism. The hypotheses contradict much of the scholarly consensus on the character of Latin American urbanization as summarized in a number of publications (Beyer 1967; Hardoy 1975; Portes and Walton 1976; Roberts 1978; Portes and Johns 1989).

The empirical research on which the earlier article was based was conducted primarily in three South American countries—Chile, Colombia, and Uruguay—and in their respective capitals (see Portes 1989). Although secondary data from the rest of Latin America were also used, the main thrust of the findings came from detailed studies of these three countries. They yielded several surprising departures from previous scholarly expectations, including our own. As a whole, they did not indicate that past descriptions of Latin American urbanization were wrong but that something had changed in the process during the last two decades as a consequence of the profound transformations induced by the economic crisis.

\*The research reported here was conducted with the support of grants from the Mellon Foundation and the Ford Foundation. The project was a collaborative effort by institutions and research teams in each of the countries studied. Extensive reports prepared by each country team form the bases for this summary article. The project directors and institutions involved are Mario Lungo, Consejo Superior Universitario de Centroamérica (CSUCA), Costa Rica; Wilfredo Lozano, Facultad Latinoamericana de Ciencias Sociales (FLACSO), the Dominican Republic; Juan Pablo Pérez-Sáinz, FLACSO, Guatemala; Sabine Manigat, National University of the Republic, Haiti; and Derek Gordon and Patricia Anderson, University of the West Indies, Jamaica. None of them bear responsibility for the analysis presented here. This article is dedicated to the memory of Derek Gordon.

Yet the theoretical propositions suggested by these novel results could be challenged as inapplicable in other settings because they rested on weak empirical grounds, being based on a limited number of field studies and incomplete secondary data series. The earlier article cautioned against these limitations, which made its conclusions tentative. For this reason, we decided to undertake a replication in a different regional setting, namely the smaller countries of Central America and the Caribbean. In contrast with their South American counterparts, these smaller countries have distinct characteristics that might render generalizations based on the earlier materials invalid. This new study of Caribbean Basin urbanization recommended itself for two reasons. First, it furnished an opportunity to test our hypotheses in a setting quite different from the one that provided their original empirical basis. Second, the study afforded a chance to examine urban processes in a subregion where they have been less studied than in the larger Latin countries.

The following sections summarize the theoretical conclusions of the earlier research (Portes 1989) and the particular characteristics of Caribbean Basin countries as an introduction for presenting new findings on urban trends in the area. This empirical material will be used to seek answers to two broad questions: the extent to which past generalizations about Latin American urbanization apply to countries of the Caribbean Basin; and the extent to which significant variations exist in the ways in which the process has taken place within the subregion and, if so, their main determinants.

#### **THEORETICAL REVIEW**

The abundant literature on Latin American urbanization until the late 1970s or so painted a fairly coherent picture of its evolution. This literature, which set the stage for the earlier research (Portes 1989), emphasized the uniformity of the process throughout the continent.

First, the population of Latin America was becoming rapidly urbanized, although the process was being distorted by the region's underdevelopment. Migration of the rural population toward the cities did not occur in a gradual manner but as an explosive influx into a few receiving centers. In most countries, a single city played simultaneously the roles of the political capital, the main site for industry and commerce, and the place of residence of the dominant classes. Although the condition of urban primacy—gigantic heads of dwarfish national bodies—was not new to Latin America, the rural migrant flows of the mid-twentieth century accelerated it and portended an inexorable increase in the disparity between the largest metropolitan agglomerations and the rest of the urban system (Breese 1966; Beyer 1967; Hardy 1975; Portes and Johns 1989).

Second, within the large cities, rapid demographic growth combined with highly unequal income distribution to produce other distortions. The advent of the automobile allowed the wealthy to escape the peasant crowds by moving to remote suburban locations. Urban elites then used their political power to compel city governments to extend services to these areas. At the opposite extreme, increasing rents and scarce housing drove the poor to create their own shelter solutions in irregular settlements. These settlements also sprang up in the urban periphery, but generally in directions opposite to the exodus of the well-to-do from the central city. These twin centrifugal forces created a growing spatial polarization of the classes: rich and poor lived in increasingly different worlds, even though formally they shared the same city (Amato 1969; Hardoy, Basaldúa, and Moreno 1968; Portes and Walton 1976).

Third, traditional agriculture in Latin American rural areas declined without creating sufficient capacity to absorb labor either in the new modernized farms or in urban industry. The first kind of scarcity caused rural out-migration, while the second led to the growth of a vast "marginal mass" in the cities that survived by inventing employment around the fringes of the urban economy (Nun 1969; García 1982). Yet unemployment remained low because in the absence of welfare protection, the urban poor could not afford not to work. Instead, the typical profile of Latin American cities featured low rates of unemployment combined with high rates of casual or informal employment that often involved half or more of the urban labor force (Tokman 1982). Regardless of the label applied to it, irregular work was defined by many analysts as a countercyclical mechanism. This view was discussed frequently by economists associated with the International Labour Office (ILO) and its Latin American offshoot, the Programa Regional de Empleo para América Latina (PREALC) (see Bairoch 1973; Lagos and Tokman 1983; PREALC 1982; Marshall 1987).

Together, accelerating urban primacy, spatial polarization of the classes, and high informal employment emerged as the central features of Latin American urbanization prior to the 1980s. The research literature describing these features also provided a fairly coherent explanation of their causes as being based on a common condition of external dependency. Industrialization as it took place in the region was highly centripetal in its consequences because the largest industries, many of them subsidiaries of transnational corporations, concentrated in the main urban centers. When combined with the consistent decline in traditional agriculture, this concentration naturally gave rise to rapid rural migration toward the few places where industrial employment could be found. But industrialization under foreign control created a mismatch between the resource endowments of these countries, which were abundant in labor and short on capital, and the labor-saving character of imported technologies (Eckstein 1977; Tokman 1982). In turn, the inability of urban indus-

try to absorb the mass of rural migrants fostered increasing segmentation between a sector of “modern,” protected, and relatively well-paid employees versus a vast informal economy where most migrants survived on the basis of invented jobs with minimal productivity (PREALC 1981; Marshall 1987; Portes and Johns 1989).

The lack of suitable employment for most rural migrants barred them from access to market-provided housing and created the conditions for the emergence of vast shantytowns around the periphery of most large cities. The sheer numbers of poor urban dwellers in turn led elite sectors to escape from the city into ever more remote suburban enclaves. These twin processes accelerated the spatial polarization observed with monotonous regularity in most large cities in Latin America (Leeds 1969; Goldrich 1970; Cornelius 1975; Eckstein 1977).

Our earlier study (Portes 1989) found plenty of evidence of urban primacy, spatial polarization, and a large urban informal economy but also notable departures from past trends. First, during the 1980s, the seemingly inexorable increase in urban primacy had decelerated and even reversed itself in a number of countries. Second, the great physical distances separating rich, middle-class, and poor in most metropolitan areas appeared to have diminished significantly in several cities as a result of novel rearrangements of the urban population. Third, a number of urban labor markets registered vast increases in open unemployment that questioned the assumed “countercyclical” role of the informal sector during economic downturns. Open unemployment rather than informal employment emerged as the key adjustment mechanism at the height of the crisis in several countries, contradicting the earlier assumption that in the absence of welfare coverage, the poor would inevitably find some form of employment.

These trends represent empirical departures from past theories but also contain important lessons for revising such hypotheses. Each trend appears to reflect, in its particular way, the rapid adjustment of Latin American countries to the debt-induced economic crises of the mid-1970s and early 1980s as well as their changing role in the global economy. Our article summarizes the specific ways in which this societal adjustment affected each aspect of urban development and formalizes the three alternative theoretical propositions suggested by these adjustments.

Beginning with the regionwide economic downturn prompted by rising oil prices in 1973, Latin American countries turned increasingly toward export promotion as the means of alleviating balance-of-payments deficits and servicing growing foreign debt. This process accelerated during the early 1980s, when a second major increase in oil prices was accompanied by the resistance of international banks to covering the deficit with fresh loans. Following the Mexican debt moratorium of 1982, country after country embarked on a painful process of economic adjustment,

closely monitored by international financial organizations. The details are well known and have been examined at length in the specialized literature (see Massad 1986; ECLAC 1988; Inter-American Development Bank 1990). Less noticed have been the effects that the rapid shift from the previous import-substitution model of development to the new export-oriented model have had on civil society.

One unanticipated consequence of this shift has been the rechanneling of domestic migration flows toward the new growth areas created by export agriculture, export fisheries, and export platform industries (plants producing goods in government-designated zones under special tax regimes). Combined with declining employment opportunities in the old import-substitution industries, which were already concentrated in the large cities, the new migration patterns led to rapid growth in many secondary cities and to slower growth in several metropolitan areas. Thus export-oriented development may reduce or even arrest urban primacy to the extent that the new export industries are located away from the major cities and hence may induce a centrifugal pattern of domestic migration. This argument can be formalized in the following proposition: The greater the shift from import substitution toward an export-oriented model of development, the greater the probability of growth in secondary cities and a corresponding decline in urban primacy.

The economic adjustment programs inspired by international finance organizations to deal with the debt crisis exacerbated the already marked income disparities in most Latin American countries (Iglesias 1985; PREALC 1987). In the large cities, this trend suggested acceleration of the pattern of spatial polarization present even before the onset of the crisis (Portes and Johns 1989). The contrary results reported in this journal (in Portes 1989) emerged as the outcome of two previously unnoticed processes.

First, middle-class urban groups, hard-pressed by the economic situation, breached the geographic divide separating them from poor settlements in search of affordable housing. In Bogotá this phenomenon took the form of a massive displacement of middle-income groups toward the south of the city, formerly the preserve of the urban working-class and marginalized groups (Curtier 1988). Meanwhile, irregular and squatter settlements were growing near high-income residential areas. This displacement was prompted by the poor's search for some sort of employment—usually informal vending and odd-jobbing, whose markets exist among higher-income groups. These twin processes resulted in the partial rearrangement of the urban spatial order, which led to greater class intermingling. Lúcio Kowarick, Ana Maria Gambier Campos, and Maria Cecília de Mello (1990) observed the same phenomenon in São Paulo and labeled it “perverse integration” because the spatial convergence of rich, middle-class, and poor was prompted not by a better distribution of income but by the generalized impoverishment of the urban population.

Similar events have been reported in cities as dissimilar as Montevideo, Lima, and Rio de Janeiro (Portes 1989; Kowarick, Gambier Campos, and De Mello 1990). These findings suggest a regional trend that can be summarized in a second proposition: Increases in poverty and income disparities produced by economic adjustment programs led to a reduction of spatial polarization in Latin American cities as an outcome of the survival strategies of middle-class and low-income sectors.

The crisis of the 1980s also caused a contraction in formal employment and significantly reduced urban wages. According to earlier explanations of the role of the informal economy (like those advanced by ILO and PREALC analysts), this outcome should have produced large increases in irregular employment. The 1989 study found that the urban informal sector did expand in most countries but that relative to the magnitude of the economic downturn, its growth was modest (see Portes 1989). According to PREALC's own estimates, the increase averaged about 20 percent for Latin America during the early 1980s. Underemployment, another indicator of informality, did not increase significantly in most countries for which information was available (Portes 1989, 24–27). By contrast, open urban unemployment (which is not disguised by minimally paid informal jobs) increased rapidly, reaching record levels in Colombia, Peru, Honduras, Chile, and Venezuela. For Latin America as a whole, open unemployment increased from an unweighted average of about 6 percent of the urban economically active population in 1974 to some 14 percent in 1984 (ECLAC 1986, 23).

The significant growth of unemployment at the height of the crisis contradicted the dualistic theories of Latin American labor markets, which had assumed that the informal sector would function as a compensating mechanism to absorb surplus labor. Its failure to do so supported the argument originally advanced by Bryan Roberts (1976, 1978) and expanded in Portes and Walton (1981) concerning the profound articulation of formal and informal activities as part of unified urban economies. Informal producers and vendors (defined as those who operate outside the pale of state regulation) do not live in a world apart from firms that are regulated. Instead, the two types of enterprises are closely intertwined through a variety of arrangements that provide goods and markets for one another (Benería 1989; Fortuna and Prates 1989). For informal entrepreneurs in particular, the larger firms constitute a key source of demand, both directly through subcontracting agreements and indirectly through the buying power of formal workers' wages.

When formal firms cease to exist, as they did during the economic crises of the 1980s, demand for informal goods and services also drops. Although more individuals are available to engage in informal activities, their remunerations rapidly approach zero as labor supply vastly outstrips demand. The outcome is the rise in open unemployment observed

in a number of countries during these years. This argument can be formalized in a final proposition: The formal and informal sectors are integral parts of the same urban economies. Hence informal employment functions only imperfectly as a countercyclical mechanism. During severe recessions, open unemployment will rise, reflecting the limited absorptive capacity of irregular activities.

#### URBANIZATION IN THE CARIBBEAN BASIN

This study seeks to examine the validity of these hypotheses in a subregional context unlike the one that gave rise to them. For this purpose, we selected five countries in the Caribbean Basin, defined here as the nations of the Central American isthmus and the larger island-nations of the Caribbean Sea. In the past, theories of Latin American urbanization based on the experience of the larger countries have been applied by extension to smaller ones, like those of the Caribbean Basin. Our study, however, chose to focus explicitly on urban trends in these small countries, excluding the larger coastal nations of Mexico, Venezuela, and Colombia (one of the countries included in our original research).

We also excluded from consideration the English-, French-, and Dutch-speaking islands of the Lesser Antilles. In these very small nation-states, where the urban population is concentrated in a single city, it makes little sense to speak of urban primacy or spatial polarization. Cuba and Puerto Rico were also excluded from the remaining universe because of their special political circumstances.<sup>1</sup>

The five countries eventually selected for study were Costa Rica, the Dominican Republic, Guatemala, Haiti, and Jamaica. Although they do not represent the entire subregional universe, these countries carry much weight in its total population and illustrate the great diversity of historical experiences in the area. The comparative logic underlying the selection of these countries follows Adam Przeworski's and Henry Teune's method of maximum differences, according to which similar processes observed in dissimilar settings are more indicative of a general trend than those registered in similar situations (see Przeworski and Teune 1970). For example, if the same trend in urban primacy is observed in geographically and culturally diverse countries, this finding carries greater weight in evaluating the first hypothesis empirically than similar results found only in neighboring nations that are culturally similar.

Beyond considerations of regional coverage and significance, the

1. Hypotheses concerning urbanization in peripheral capitalist countries cannot be expected to apply in the context of a centrally planned command economy like Cuba. Nor can they be readily extended to a society that is politically and economically integrated with the developed world, such as Puerto Rico.

selected countries represent opposite extremes of the region's historical colonization patterns, ethnic composition, economic development, and political stability. Although the scope of this article does not allow narration of their diverse histories, a word may be said about their current differences, which are summarized in table 1. The five countries include the richest and most politically stable nation among those eligible (Costa Rica) as well as the poorest and most unstable (Haiti). Politically, the five include two stable democracies with different political regimes (Costa Rica and Jamaica). The other countries range from a strong presidentialist incipient democracy (the Dominican Republic) to fragile political systems characterized by repeated military interventions (Guatemala and Haiti). In terms of size, the five include the largest Central American country (Guatemala) and the largest island country other than Cuba (the Dominican Republic). Capital cities include the largest urban agglomeration in the Caribbean Basin (Santo Domingo), once again with the exception of Havana.

The urbanized population ranges from less than a third of the total in Haiti to over half in Costa Rica and Jamaica. Given other economic and political differences, one might expect that urbanization patterns would also differ across the five national settings. The nature of these differences and how they bear on the three theoretical propositions is the core of our study. Results presented in the following sections are based on detailed reports prepared by research teams in each country. The collaborative character of the study called for covering the same three broad areas to facilitate systematic comparisons and inferences. These sources are cited extensively in the next sections and are complemented by additional secondary data to provide the most up-to-date portraits of urban systems in the region.

#### URBAN PRIMACY

The evidence from the five countries on the first hypothesis is mixed. Primacy has decelerated in some nations but not in others. The observed intraregional differences tend to agree, however, with the logic of the hypothesis. The shift toward export-oriented development is clear, as exemplified by the rapid growth of export-production zones throughout the Caribbean Basin. Table 2 presents illustrative data for four of the five countries studied. The consistent growth of export-production zones and export-assembly plants documented by these figures is a direct consequence of the search for new sources of foreign exchange, coupled with the favorable tariff regime created by the new Caribbean Basin Initiative.

Without doubt, the main stimulus for foreign industries to transfer operations to the Caribbean area has been low labor costs. In 1988 hourly manufacturing wages were estimated in U.S. currency as \$1.00 in Costa



TABLE 1 *Characteristics of Countries Selected for Study, 1990*

Country	Total Population <sup>a</sup> (000s)	Urban Population <sup>b</sup> (%)	Gross Domestic Product (Million U.S.\$)	Gross Domestic Product per Capita (U.S.\$)	Total Exports 1989 (Million U.S.\$)	Principal Sources of Foreign Exchange 1989 (%)	Political Regime, 1991
Costa Rica	3,191	53.6	4,488.1	1,442	1,974.0	coffee (15.5) bananas (15.4) tourism (11.5) <sup>c</sup>	stable democracy
Dominican Republic	7,471	60.4	7,731.6	1,056	1,980.4	tourism (41.7) <sup>c</sup> ferronickel (17.3) sugar (9.0)	incipient stable democracy
Guatemala	9,745	42.0	8,762.0	925	1,687.2	coffee (26.7) tourism (7.6) <sup>c</sup> sugar (6.5)	unstable restricted democracy
Haiti	6,754	30.3	1,317.3	199	249.6	assembled goods (46.2) tourism (29.5) <sup>c</sup> coffee (14.6)	military dictatorship
Jamaica	2,469	52.3	3,204.0	1,311	2,225.7	alumina and bauxite (31.1) tourism (31.5) <sup>c</sup> assembled goods (9.1)	stable parliamentary democracy

Sources: ECLAC 1992, tables 5, 103, 239, 243, 246, 248, 254; Encyclopaedia Britannica 1991.

<sup>a</sup>Estimates.

<sup>b</sup>Urban population is defined according to national criteria.

<sup>c</sup>Tourism is defined as "travel" in the sources and encompasses the arrival of both foreigners and nationals.

Rica, 61 to 88 cents in Guatemala, 44 to 88 cents in the Dominican Republic, and 36 cents in Jamaica. Costs of labor and overhead associated with the assembly of women's garments were estimated at \$4.75 per unit in the United States, \$2.20 in Hong Kong, and \$1.66 in the Caribbean (Schoepfle and Pérez-López 1989, 135–36). Guatemala, the one country excluded from the table because of the absence of export-production zones, recently set up a large zone in Puerto Barrios and is fostering export garment-assembly plants based on extremely low labor costs (Pérez-Sáinz 1992).

Yet export-platform industrialization has affected Caribbean primate cities unevenly because it has depended on three additional factors: the location of the export zones, their relative viability, and the growth of other foreign-oriented sectors, especially export agriculture and tourism.

TABLE 2 *Export Production Zones (EPZs) in Selected Caribbean Countries*

Country	Number of Zones		Number of Plants		EPZ and Other Export Manufacturing Employment		Export Manufacturing as Percent of Total Manufacturing Employment	
	1973	1990 <sup>a</sup>	ca. 1980	ca. 1990 <sup>a</sup>	1975	1990 <sup>a</sup>	1975 (%)	1990 <sup>a</sup> (%)
	Costa Rica	0	4	0	89	0	11,470	0
Dominican Republic	2	26	88	419	6,900	111,000	5	43
Haiti	1	1	13	154	25,000	43,000	20	35
Jamaica	1	2	25	26	6,100	8,000	8	7

Sources: Schoepfle and Pérez-López 1989; Lozano and Duarte 1991; data compiled by the authors in 1991 at the Dirección General de Estadística y Censo de Costa Rica; data compiled by the authors in 1991 at the Corporación de la Zona Franca de Exportación, Costa Rica; data compiled by the authors in 1992 at the Instituto de Estudios Dominicanos; data compiled by the authors in 1992 at the Consejo Nacional de Zonas Francas de Exportación, Santo Domingo.

<sup>a</sup>The data for Haiti and Jamaica are from about 1986.

These factors determine variations of urban development according to a common pattern dominated by the tendency to rechannel internal migration toward new areas of tourism and manufacturing for export.<sup>2</sup>

Of the five countries studied, Jamaica has experienced the clearest reduction in primacy. As shown in table 3, the primacy index (the ratio of the largest city to the sum of the three next-largest) declined from 7.2 in 1960 to only 2.2 in 1990. This result reflected expansion of the tourist industry along the northern coast of the island, revival of bauxite production in the interior, and the growth of satellite cities near the Kingston metropolitan area. The last process is exemplified by the rapid population increase of Spanish Town to the northwest of the capital. Because of expanded tourism, cities like Montego Bay and Ocho Rios also grew at a fast clip during the 1980s.

After Edward Seaga and his Jamaica Labor Party came to power in 1980, the island was transformed into an export-oriented open economy,

2. A word must be said about the quality of the data used to evaluate urban primacy. Although all estimates are based on national census data, definitions vary from source to source. Table 3 presents what we consider the best estimates available. These figures must nevertheless be interpreted with caution. In particular, minor variations in urban primacy and city size are best interpreted as a result of measurement error rather than actual changes.

a process completed under Seaga's successor, Michael Manley. This shift in course led to growing capital investments in tourism and export-platform industrialization (Gordon and Dixon 1991). Yet the decentralizing potential of export-production-zone industries was partially neutralized because the largest zone is located in Kingston proper. A second zone, however, is located in Montego Bay. This factor, combined with the phenomenal growth of tourism in this and other northern cities, has led to a significant reduction in Kingston's former hegemony.

The Dominican Republic has experienced a similar rapid expansion in tourism and export industries. By 1985, receipts from tourism had surpassed the total generated by sugar, coffee, and tobacco, the major traditional agricultural exports. About the same time, receipts from the export zones also started to soar. In the Dominican Republic, the centrifugal potential of export-oriented industrialization was not partially neutralized as in Jamaica because most of the export-production zones are located outside the capital city of Santo Domingo. Unfortunately, however, the last available census figures are for 1981, prior to the massive growth in export manufacturing, and thus cannot be used to assess the demographic effect. It should be noted nonetheless that the fastest urban growth during the last intercensal period (1970–1981) took place in La Romana, the city where the first export-production zone was established and significant investment in tourism was made.

Santo Domingo's rate of growth declined somewhat in the same period, falling behind that of La Romana. By 1981, however, the capital's primacy remained unchanged, with the city absorbing 23 percent of the total population and 45 percent of the urban population (Lozano and Duarte 1991). Although no census data are available at this time, indications suggest that the growth rate of several Dominican secondary cities during the 1980s has been explosive due to tourism and the continuing expansion in export manufacturing. Tourist development has centered in the north coastal city of Puerto Plata in a pattern much like that of Montego Bay in Jamaica, as well as in all-inclusive resorts in La Romana.

As shown in table 2, export-oriented industries expanded fivefold between 1973 and 1990, while their labor force grew by a factor of fifteen. This rapid expansion has continued unabated into the early 1990s. For example, by 1992, employment in export-manufacturing plants was estimated at 134,000, a 21 percent increase in only two years. With the exception of the San Cristóbal export zone, located near the western fringe of the capital, most export-manufacturing and ancillary economic activities are located in secondary cities like Santiago, La Romana, and San Pedro de Macorís (Guarnizo 1992, chap. 2). These cities have experienced rapid expansion in their urbanized perimeters as well as notable densification. A recent study of Santiago, the second-largest Dominican city, concluded: "The city has grown in a chaotic way to the east in massive settlements in

TABLE 3 *Urban Primacy in Five Caribbean Cities, 1960–1990*

Country	Largest City (Metropolitan Area)	Next Three Largest Cities 1980–90
Costa Rica	San José	Limón Punta Arenas Cartago
Dominican Republic	Santo Domingo	Santiago La Romana San Pedro De Macoris
Guatemala	Guatemala City	Quèzaltenango Escuintla Puerto Barrios
Haiti	Port-au-Prince	Cap Haitien Gonaives Cayes
Jamaica	Kingston	Spanish Town Montego Bay May Pen

Sources: For country reports, Lungo et al. 1991; Lozano and Duarte 1991; Pérez-Sáinz 1991; Manigat 1991; and Gordon and Dixon 1991. Also, United Nations 1988, table A-10; Encyclopaedia Britannica 1991; ECLAC 1992, table 7; and Portes and Walton 1976, table 2.

<sup>a</sup>For Costa Rica, Guatemala, and Jamaica, the estimates are for 1960; for the Dominican Republic and Haiti, for 1970.

<sup>b</sup>For Costa Rica, Guatemala, and Jamaica, the estimates are for 1990; for the Dominican Republic and Guatemala, for 1980–81.

the direction of Puerto Plata, to the south, advancing rapidly toward rural zones, and to the southeast toward the mountains” (Santana 1992, 44). This and similar reports indicate that, despite the dearth of official data, urbanization patterns in the Dominican Republic are likely to follow those in Jamaica, demonstrating an upsurge of smaller urban centers and relative deceleration in the primacy of the capital city.

Another country that has been making significant investments in tourism and export-platform industrialization is Costa Rica. Unlike the situation in the Dominican Republic, however, neither of these two sec-

Population (000s)		Inter-Censal Growth Rate		Urban Primacy <sup>d</sup>			
		1960-70 (%)	Latest <sup>c</sup> (%)	1960	1970	1980	1990
320.4	861.3	6.2	3.3	5.4	5.4	6.0	4.7
19.4	66.1	4.8	15.8				
19.6	55.7	3.1	16.0				
18.0	61.4	8.4	13.4				
650	1,313.1	6.5	5.8	2.7	2.7	2.7	—
155	278.6	6.5	5.0				
140	91.5	5.9	7.6				
44	78.5	7.8	5.2				
587.5	940.5	4.9	1.4	6.4	7.7	7.6	—
44.2	62.7	2.2	2.3				
24.9	36.9	3.7	1.4				
22.3	24.2	0.1	0.9				
458.6	1,143.6	11.5	8.8	2.7	4.7	5.1	5.4
45.6	89.2	4.1	5.6				
28.7	58.3	5.5	6.1				
22.6	62.5	4.5	10.4				
376.5	559.1	2.2	0.9	7.2	4.4	2.6	2.2
14.7	118.8	10.3	10.1				
23.6	87.1	6.3	5.0				
14.1	50.8	6.1	5.0				

<sup>c</sup>For Costa Rica, 1984-1990; for the Dominican Republic, 1970-1981; for Guatemala, 1973-1981; for Haiti, 1970-1988; and for Jamaica, 1970-1990.

<sup>d</sup>Calculated as the ratio of the largest city to the sum of the next three largest cities.

tors has yet surpassed the dominance of traditional export agriculture. In addition, export-assembly plants remain a small percentage of total Costa Rican manufacturing, which is still dominated by import-substitution industries. As in other countries, these industries cluster in the largest city, in this case the metropolitan area of San José. Yet despite these trends, urban primacy, which had been increasing steadily up to 1980, declined in the following decade. As shown in table 4, this decline was accompanied by a halving of the rate of growth of San José accompanied by sharp increases in the population of smaller cities. Among the

latter are found the two port cities of Punta Arenas and Limón, a trend suggesting that new export-oriented investments in these areas are beginning to have significant demographic consequences (Lungo, Pérez, and Piedra 1991).

In Costa Rica, however, a powerful countertrend is working against a more balanced urban system because the largest sites of export-assembly manufacturing are located in the country's central valley, close to the metropolitan area of San José. Despite government efforts to locate the export-production zones in coastal cities, most of the export industry converged in the central valley, which also contains much of the tourist infrastructure. As seen in table 3, the central valley city of Cartago mushroomed during the last decade and so did Alajuela and Heredia, all urban areas within a few miles of San José. In combination with the continuous outward expansion of the capital, the growth of these satellite cities threatens to arrest the reversal of primacy and recreate it on a larger scale. The contours have begun to emerge of a new "megacity" comprising the thirty-one central valley *cantones* (municipalities) and concentrating the majority of the national population (Lungo, Pérez, and Piedra 1991). Hence despite the recent weakening of San José's primacy and the rapid growth of Costa Rican coastal towns, the decentralizing potential of the new export-oriented industries may be lost as they reinforce rather than weaken the expansionary tendency of the capital.

Guatemala has lagged behind most of its neighbors in establishing export-assembly industries and in developing tourist infrastructure. Prolonged political instability and generalized violence have conspired against successful investments in either sector. In this context, Guatemala's entry into the new export-oriented model of development has depended so far on expanding its agricultural exports. As noted by Nelson Amaro, coffee exports grew by almost 800 percent between 1950 and 1981, and cotton also experienced a boom beginning mid-century (1990, 13–29).

Guatemalan urbanization patterns have reflected, with some lag, these tendencies in export agriculture. The urban system is one of the most primate in Latin America due to the weakness of secondary cities. In 1980 the population of Guatemala City equaled more than seven times the combined total of the next three cities. Yet the figures in table 4 show that during the last intercensal period, the second-largest city (Quezaltenango) grew twice as fast as the capital, reflecting its role as the main coffee center. The two "cotton cities"—Escuintla and Retalhuleu—also grew at a fast clip during the period when this crop expanded and then leveled off. The banana center of Puerto Barrios, in contrast, stagnated during the last two decades following the collapse of that sector.

Congruent with the absence of any significant economic innovation, at least until the mid-1980s, Guatemala's urban system has experienced no significant transformation. Primacy remained unchanged, and

the overall rate of urbanization declined during the last intercensal period (table 4). The only signs of dynamism were the relatively fast growth of Quezaltenango and rapid population increases in municipalities adjacent to the capital city. The suburban towns of Mixco and Villa Nueva grew from a combined total of fifteen thousand in 1964 to one hundred and eighty-six thousand in 1981. These municipalities combined are today larger than the sum of the next three cities outside the metropolitan area of Guatemala City. Without them, the primacy of this area would have declined from an index of 7.6 to 6.1 (Pérez-Sáinz 1991, 23). These results fit the pattern of suburbanization of the metropolitan population and the growth of satellite towns observed in other countries. The question for the future is whether establishing new export-production zones and investments in tourism in the smaller cities would introduce a second dynamic into Guatemalan urban development.

The dynamic role of export-oriented manufacturing is much more visible in Haiti, one of the first countries to take advantage of the Caribbean Basin Initiative (Schoepfle and Pérez-López 1989). The effects of the new industries, however, contradicted those anticipated by the hypothesis of decelerating primacy. Political instability, lack of suitable infrastructure, and fear of AIDS have all but destroyed Haiti's tourist sector. Goods assembly, the country's main export earner, has been concentrated in a single export-producing zone located next to the Port-au-Prince airport. This location accelerated rural migration to the capital, which had already been stimulated by land scarcity and soil erosion (Manigat 1991; Miller 1984). Consequently, Haiti continued to experience sustained increases in primacy along the pattern typical of earlier Latin American urban development.

The evidence on urban primacy indicates that it is not declining everywhere but that the underlying forces identified as responsible for its decline in the larger Latin American countries are also operating in the Caribbean Basin. Effects of the new export-oriented model of development on the urban system are not uniform because they depend on the location of the new industries and their capacity for creating employment. But when sizable tourist and export manufacturing projects are located away from the primate city, the urban system responds along the lines predicted by the first hypothesis (Jamaica and the Dominican Republic). When these same sectors are located in or near the capital city, primacy is exacerbated (Haiti). In those situations where export-oriented development is in its early stages, the urban system remains unaltered (Guatemala).

Our analysis also identified a second dynamic related to the rapid growth of satellite towns and suburbs, a tendency that runs contrary to the decentralizing potential of export growth and may negate its effect by giving rise to future larger cities. The main case in point is Costa Rica,

TABLE 4 *Urban Growth in Guatemala, 1950–1981*

City	Annual Growth Rate		
	1950–1964 (%)	1964–1973 (%)	1973–1981 (%)
Guatemala City	7.2	2.5	1.0
Metropolitan Area <sup>a</sup>	7.3	4.9	1.4
Quezaltenango	4.3	2.2	2.3
Escuintla	11.1	3.7	1.4
Retalhuleu	4.3	3.1	1.9
Puerto Barrios	3.4	0.1	0.9
Antigua	1.9	3.3	-1.5
Mazatenango	5.5	2.1	-1.3
Urban total	7.6	3.4	0.7

Source: Pérez-Sáinz 1991, table 4.

<sup>a</sup>Guatemala City and municipalities of Mixco and Villa Nueva.

where rapid expansion of the capital is linking fast with satellite towns in which export-assembly plants have clustered. In this instance, the two forces affecting the evolution of the urban system are reinforcing each other, leading to the possible emergence of a new megalopolis in the central region.

#### SPATIAL POLARIZATION

Our analysis of patterns of spatial distribution in the capital cities of the five countries studied does not support the hypothesis of a uniform reversal of class polarization. But the changes observed accord with the underlying rationale of this hypothesis. The five cities studied were generally less polarized than their larger South American counterparts at the onset of the economic crisis, in part because local elites were not large enough to occupy vast expanses of territory. Instead, they created protected enclaves in urban landscapes dominated by low-income neighborhoods and squatter settlements. This pattern varied according to the level of economic development, the topographical characteristics of each city, and the policies of the national government.

The most polarized of the five cities is Kingston. Its social configuration resembles an inverted ice cream cone, with shantytown and working-class neighborhoods at the base and elite settlements occupying the upper reaches of the Liguanea plain on which the city is located. This pattern was already observable in Colin Clarke's (1975) study of the city in the 1960s and remains essentially unchanged over the following two decades. Debate among Jamaican urban specialists during the 1970s centered on the evolution of Kingston's "transition zone" of middle-level



housing between the low-lying shantytowns and the elite high grounds (Norton 1978; Knight and Davies 1978). A second debate centered on the extent to which an "inner ring" of popular settlements close to the wealthy foothills contradicted Clarke's portrayal of spatial polarization.

As shown in figure 1, the presence of these shantytown areas in the mid-1970s did not really alter the overall tendency toward spatial segregation, which correlated strongly with different population densities. Ann Norton noted that in the early 1970s, 6 percent of the population occupied 41 percent of the Kingston residential area (at densities of 0.1 persons per room), while 75 percent of the population occupied 33 percent of the residential area at average densities of 2 persons per room (Norton 1978, 100). Class differences were also superimposed on ethnic characteristics. As Derek Gordon and Cheryl Dixon (1991) observed, the white-mulatto-black composition of Kingston's population overlapped significantly with the elite, middle-class, and poor residential locations in the urban area.

Since the economic crisis of the mid-1970s, two novel tendencies have emerged that correspond fairly well to those observed in the larger South American cities. First, consolidation of new elite enclaves around the shopping and business districts of New Kingston and Constant Spring Road to the north has been partially countermanded by the rapid growth of "inner-ring" irregular settlements around the same areas. A report issued by the Statistical Institute of Jamaica summarizes the resulting configuration as "an erratic arrangement of residences; close juxtaposition of residences containing opposite socioeconomic groups and the dispersed clusters of low-income residences throughout the higher income areas; an increased tendency towards peripheral location of lower-income residences as they rival higher income groups in search of accommodation" (cited in Gordon and Dixon 1991, 33).

The emergence of what Norton called "suburbs of the poor" has been followed by the even more notable displacement of middle-income and impoverished groups out of Kingston proper into adjacent St. Catherine Plain. This movement was accommodated by planned housing estates like Portmore, Enson City, and others along the road to Spanish Town as well as by new large shantytowns. For example, low-lying Portmore, across the bay from Kingston, grew from a community of five thousand in 1970 to seventy-three thousand in 1982, an annual growth rate of 25 percent. This new frontier of suburban projects and squatter settlements led to the absolute decline of the population of Kingston proper (already observable in 1982) by nearly eight thousand residents, despite an overall population increase in the metropolitan area of more than fifty thousand residents. Meanwhile, the population of St. Catherine more than tripled, yielding an average growth rate of 19 percent between 1970 and 1982.

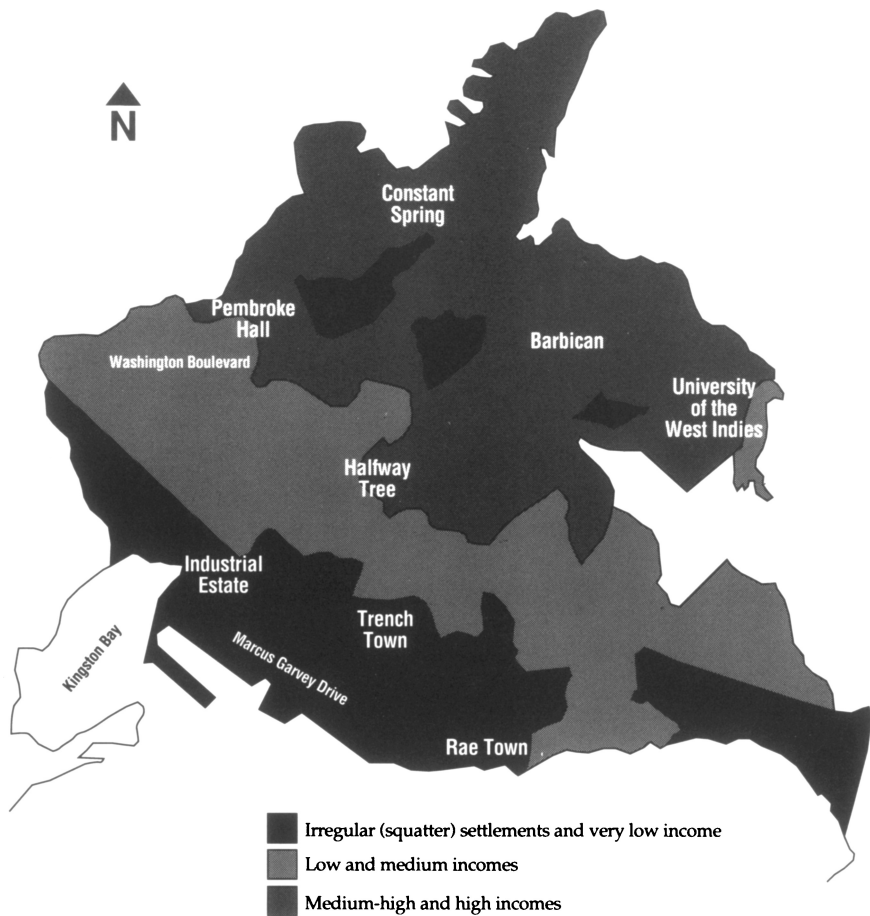


FIGURE 1 Residential Strata in the Kingston Metropolitan Area, circa 1980  
(Source: Gordon and Dixon 1991, based on official sources.)

The spread of population across Kingston Bay resulted from two sets of forces. First, the poor tried to escape the growing violence in central Kingston, caught in the throes of factional warfare among rival political parties. Second, opportunities for affordable middle-income housing closed in the established northern suburbs. Although the first phenomenon is unique to Jamaica, the second resembles that observed in Bogotá, São Paulo, and other South American cities. In all these instances, the economic crisis forced large sectors of the urban middle class to seek housing solutions in areas previously regarded as physically or socially unacceptable. The difference is that in South American capitals, the physical displacement of middle-income groups moved in the direction of established working-class areas, while in Kingston both the middle classes and the poor moved together toward previously unsettled land.

This movement, along with the expansion of the “suburbs of the poor” toward the north, led to greater intermingling within urban space and hence to a partial reversal of the pattern of class polarization.

A similar trend can be observed in Santo Domingo, although with other variants. During the period of import-substitution industrialization, the Dominican capital grew rapidly, giving rise to a new industrial zone and working-class settlements north and east of the Ozama River and displacing elite sectors toward the west. Sustained economic growth under import-substitution industrialization during the 1960s and early 1970s generated new wealthy groups and an urban middle class capable of fueling demand for luxury housing (Guarnizo 1992, chap. 2). This demand led in turn to rapid inflation of land prices in the northwest quadrant of the city and the emergence of exclusive residential neighborhoods like Naco, Los Jardines, and Arroyo Hondo. South of these, toward the Caribbean Sea, more affordable middle-class housing developments grew up, like Miramar and Mirador Norte (Lozano and Duarte 1991).

The same period witnessed the growth of a vast conglomeration of slum dwellings and squatter settlements north of downtown Santo Domingo and east of the Ozama River, around the area of Los Mina. The polarization of urban space into a western frontier of elite and middle-income developments and a northeast zone of marginalized population was interrupted by the fateful decision of the national government to establish a new industrial zone in the area of Herrera, along the western fringe of the city. This industrial zone and the working-class neighborhoods that grew around it effectively “bracketed” the upper-income residential developments, converting them into an elite enclave amidst a poor city and limiting their possibilities for expansion. In the years that followed, this outcome gave rise to major consequences for urban development.

As in Kingston, the economic crisis in Santo Domingo pushed the poor population toward high-income areas in search of employment and better housing. The movement took two forms: increasing occupation of publicly owned land in the interstices between middle- and upper-income developments as well as rapid growth in the western fringe around the Herrera industrial zone (Lozano and Duarte 1991). The process reduced spatial polarization and, more significantly, further encapsulated upper-income neighborhoods between two huge rings of impoverished population. The wealthier groups responded by seeking even more remote and exclusive locations in the northwest area, in developments like Arroyo Manzano and Altos de Arroyo Hondo. The emergence of these expensive suburban divisions represented a clear attempt to maintain social distance from the poor, but even here physical space has been increasingly contested by squatter settlements moving north from settled working-class areas.

These trends are illustrated by two noteworthy features, the first being the spread of irregular squatter settlements throughout the entire urban area. Although concentrated north and east of downtown, squatter settlements are also found close to the rich suburban developments in the northwestern part of the city. The second feature of note is the existence of a sizable middle-income area east of the Ozama River and close to the largest poor settlements. The rapid growth of this area in neighborhoods like Los Trinitarios and Villa Faro represents a recent phenomenon that corresponds well to the trend already observed in other Latin American cities.

In Santo Domingo, this trend was prompted by the western fringe being closed to middle-class expansion and by the adjacent northwest being occupied by the wealthy. Predictably, urban densities and rents increased in the old established middle-class areas. In response, some middle-class groups breached the symbolic divide separating them from working-class areas in search of affordable housing. In Santo Domingo, this decision became known as “crossing the bridge” (across the Ozama) toward new residential developments in the east. This process is essentially the same one observed in Bogotá and other South American cities. While displacing the urban poor toward the west, it has produced a visible reintegration of Santo Domingo, partially reversing its past class polarization (see figure 2).

Port-au-Prince offers the most dramatic example of transformation of the urban spatial order. In the Haitian capital, class polarization has reversed more markedly than in Kingston or Santo Domingo and entirely because of migration by the rural poor. No observable movement could be detected by middle-class sectors in search of new housing, partly because the urban middle class is so small. Instead, urban space has been thoroughly invaded by impoverished masses arriving from the countryside (Manigat 1991). The counterpart of Port-au-Prince’s sharp increase in primacy, as described above, has been the emergence of vast “bidonvilles” like Cité Soleil and the densification of former working-class areas to unbelievable levels (Duquella 1989).

Invasion of the city by the rural poor has not been limited to the creation of irregular settlements but extends to occupying free space in residential districts. No upper-class area of Port-au-Prince, however remote or exclusive, has escaped this invasion. Occupation of urban space by the migrant poor has also spilled over into the streets, several of which have been turned into informal markets that block vehicular traffic. The fragile infrastructure of public services has been swamped by this rapidly growing population, making access to water, drainage, and electricity a privilege accessible to only a few. By 1988, 72 percent of the city’s population lacked running water, and 92 percent had access to basic latrines only (Manigat 1991).

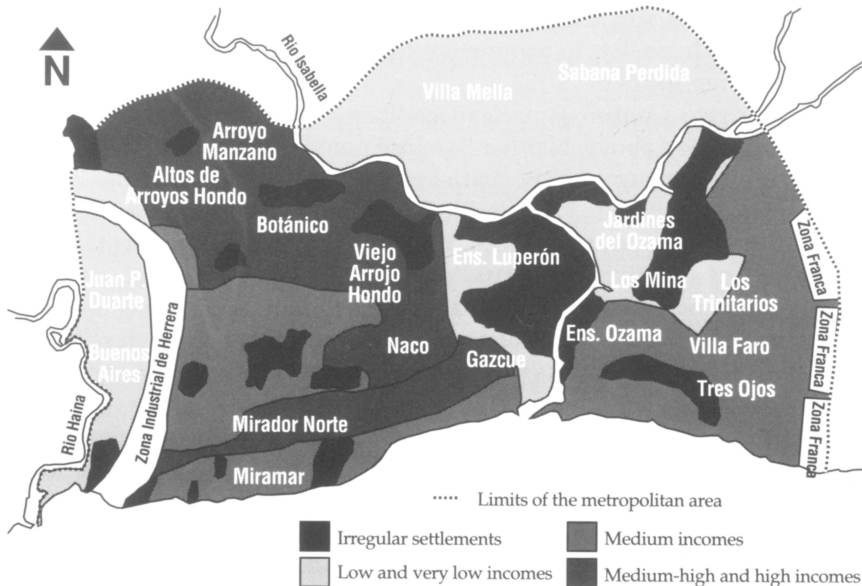


FIGURE 2 Residential Strata and Irregular Settlements in Santo Domingo, 1990 (Sources: Adapted from Lozano and Duarte 1991, Yúnén 1985, Valdez 1987, based on official sources.)

In this context, the gradual displacement of rural migrants toward formerly elite areas like Petionville, Laboule, and Tomassin has been prompted not only by the need for some form of employment but also by the search for basic services. Deprived of legal access to these services, the poor have simply appropriated them via widespread “pirating” of water, electricity, and (in some areas) even the television cable. In 1988, 80 percent of dwellings in Port-au-Prince had access to electricity, but most had acquired it through clandestine hookups. Thus what has emerged is a silent struggle among the classes for open space, basic services, and even the streets. Armed guards are commonly posted in front of the residences of the well-to-do seeking to prevent further encroachments by the poor.

Port-au-Prince today is best described as scattered islands of wealth surrounded by a sea of poverty. It represents an extreme case of “perverse integration” (to use Kowarick’s term), one prompted by exacerbation of the underlying social processes. In Haiti the economic crisis of the late 1970s and 1980s occurred in a context where productivity and employment in agriculture declined and no other industry emerged to take its place. Neither the new export-production zone close to the capital nor the city itself could cope with the material needs of the vast wave of new rural migrants. As in other cities affected by the crisis, the poor gravitated

toward the areas where some wealth existed, but in Port-au-Prince, such areas are much smaller in proportion to the numbers and needs of those seeking refuge in them.

The two Central American capitals represent exceptions to the patterns outlined above. Neither San José nor Guatemala City has experienced significant reversals of spatial polarization, partly because neither was highly polarized to begin with. The reasons for their lower levels of segregation differ, however. The Costa Rican capital is the most socially integrated of the five cities studied due to higher levels of economic development and state policies that sought to reduce economic and spatial inequalities. State intervention in the development of San José has led to a relatively homogeneous urban space without distinct elite enclaves or shantytown belts.

This outcome resulted from three kinds of state policies: subsidized provision of housing for lower-middle- and low-income sectors; rapid response to land invasions by relocating invaders in state-supported housing projects; and dispersion of these projects throughout the metropolitan area. As Mario Lungo, Marian Pérez, and Nancy Piedra observed: "The state has been the central agent in the development of metropolitan San José. Its actions promoted the extension of the urban infrastructure of roads, water, and electricity and the construction of good quality housing for the lower middle-class. . . . These actions generated a more homogeneous urban space where state projects were interspersed with those of the private sector, preventing the radical spatial segregation found in other Latin American cities" (Lungo, Pérez, and Piedra 1991, 117).

The economic downturn of the early 1980s, which coincided with the administration of Rodrigo Carazo (1978–1982), led to a contraction of employment, wages, and state ability to intervene in the housing market. Urban shantytowns and land invasions proliferated, concentrating in specific areas and threatening to initiate spatial polarization. Both the economy and state investment capacity recuperated by the mid-1980s, however. During the administrations of Luis Monge (1982–1986) and Oscar Arias (1986–1990), efforts were made to reestablish spatial equilibrium. The government emphasized providing housing solutions through new programs of subsidized credit for the middle-class, resettling land invaders in new projects, and preventing further land invasions through an innovative sites-and-services program. By 1990, "the tendency for a marked segregation of urban space that emerged in the early 1980s had disappeared because the revamped housing market offered solutions that, although small, were accessible to an impoverished middle class" (Lungo, Pérez, and Piedra 1991, 126).

While San José is primarily a middle-class city, Guatemala City is characterized by the feebleness of its middle-income sectors. Guatemalan society is sharply divided between a wealthy elite and a mass of improv-

erished residents, most of them Indians. For the country as a whole, in 1986–87 one and a quarter million families (83 percent) were classified as living in poverty. Of these, 65 percent lived in conditions of extreme poverty. The situation is better in the capital city, but 56 percent remain poor or very poor (Pérez-Sáinz 1991, 53; Ruiz 1990). This class structure has produced an urban landscape dominated by poor working-class settlements and shantytowns surrounding a well-defined elite enclave.

Guatemala City is administratively divided into some twenty-five “zones” that allow for more refined analysis of its spatial structure. In 1985 only five of these zones in the metropolitan area could be classified as middle-income or higher. The others averaged family monthly incomes of 800 quetzales (U.S. \$120 in 1985) or less. One middle-class residential zone (Number 14) contained a population with average family incomes exceeding \$300 along with a very poor one-third whose family incomes fell below \$45. More remarkable still, the middle- and upper-income enclaves were located not in the suburbs but relatively close to the central city. Most of these areas lie south of downtown in low-density residential developments like Santa Clara and Tivoli, which were established during the late 1940s (Pérez-Sáinz 1991, 31).

Two facts are apparent in the spatial distribution of socioeconomic strata in the metropolitan area of Guatemala City. First, shantytowns are frequently located in central areas, close to elite residential neighborhoods. For example, Zones 10 and 14 are actually shared by low-density residential housing and high-density working-class and squatter settlements. Second, this spatial mix has not prompted upper-income groups to flee the city: no “frontier” of suburban elite developments can be found anywhere in the urban periphery.

Generalized and increasing poverty in Guatemala City during the 1980s and the visible presence of well-to-do neighborhoods should have prompted the most deprived sectors to invade elite areas in search of better employment opportunities. Yet this phenomenon—observable in Kingston, Santo Domingo, Port-au-Prince, and larger South American cities—did not materialize in Guatemala City because of the level of state-sponsored violence. An entrenched elite willing to employ any means to defend its privileges presents a major challenge to any popular attempt at revindication. While a working-class occupation of land near high-income neighborhoods is an everyday affair in other cities, it would be unthinkable in the elite urban zones of Guatemala in the face of violent opposition (Jonas 1991).

The Guatemalan political situation also helps explain the peculiar absence of residential segregation in the capital apparent in figure 3. Classes are not segregated spatially in Guatemala City in part because their social segregation is so vast as to render the proximity of the poor more a convenience than a threat to privileged groups. With the state means of

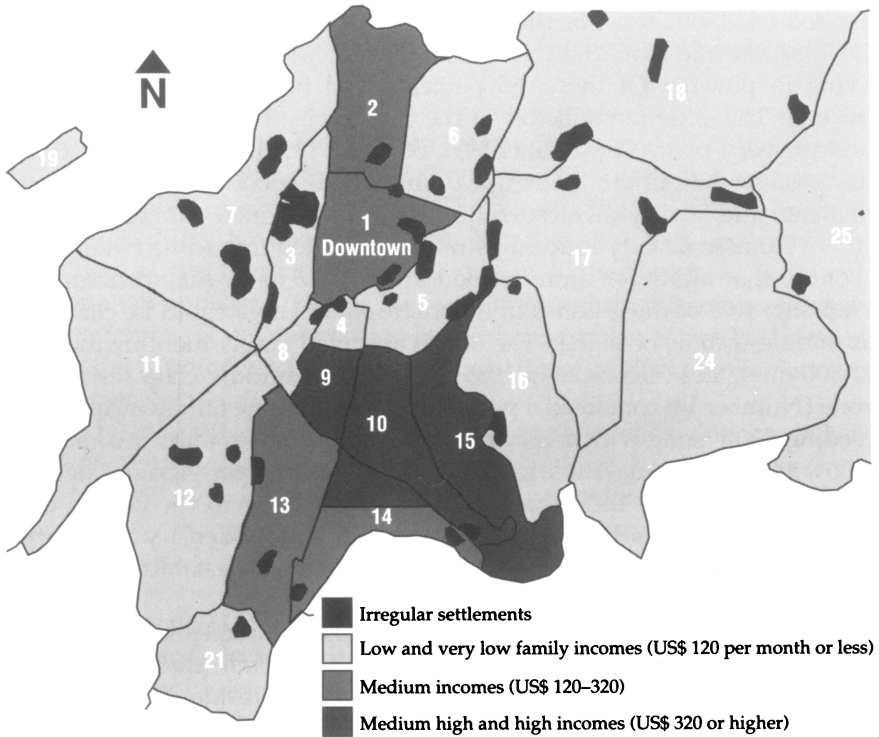


FIGURE 3 Average Income Levels of Administrative Zones and Location of Irregular Settlements in the Guatemala Metropolitan Area, 1986 (Source: Adapted from Pérez-Sáinz 1991, based on official sources.)

violence at their disposal and a population intimidated by years of repression, the well-to-do have little incentive to escape the city. Instead, poor settlements function mostly as convenient sources of domestic labor and personal services of various kinds for elite areas (Roberts 1978).

In sum, the five capital cities studied provide evidence favoring the hypothesis of reversal of spatial polarization, but they also indicate significant variations and exceptions to the process. This comparative analysis highlights the significance of the state role in countermanding the tendency of urban elites to create exclusive residential areas and that of impoverished groups to try to settle nearby in search of better material opportunities. In the two Central American capitals selected for study, these tendencies are absent largely because of state action. In Costa Rica, state policy attempted to meet the basic needs that lead the urban poor to invade elite suburbs, while in Guatemala, state repression foreclosed the possibility of such popular actions and thus removed a major incentive for elite flight from the city.

The second trend leading to reduced spatial polarization, the move-



ment of middle-class groups into formerly low-income areas, can be observed in two of our five cities (Kingston and Santo Domingo). In the other three, the middle class is either too small (Port-au-Prince and Guatemala City) or comprises the majority of the urban population and has received state support to meet its housing needs (San José).

#### THE INFORMAL ECONOMY AND UNEMPLOYMENT

Our analysis of urban labor markets and the role of the informal sector seeks to understand the extent to which irregular forms of employment played a countercyclical role at the height of the economic crisis. Limited to four countries (excluding Haiti), this analysis is guided by the hypothesis that formal and informal sectors represent integral parts of the same urban economies. Haiti is exceptional because formal-sector employment barely exists there. Moreover, the dearth of reliable statistics precludes detecting short-term changes in a labor market that is overwhelmingly informal. According to the International Labour Office, only 7.7 percent of the Haitian labor force in 1987 held jobs that could be considered regulated or formal in any sense, with most of this category consisting of thirty-two thousand state employees (Manigat 1991).

Among the remaining four countries, the best available information comes from Costa Rica. Time-series data on the evolution of the labor market in metropolitan San José are presented in table 5. During the crisis years of 1981–1984, open unemployment rose sharply while informal employment expanded only moderately. Unemployment in the metropolitan area of San José soared by 66 percent in 1980–81 and by another 36 percent in 1981–82, coinciding with an aggregate decline in real gross national product of 9.6 percent over this two-year period. Informal employment expanded more slowly, by 8.2 percent in 1980–81 and by 2 percent in 1981–82. Unemployment remained high during the next three years and then shrank rapidly with economic reactivation in the late 1980s. By 1989, unemployment was approximately half the level at the beginning of the decade. By contrast, informal employment remained steady at about a quarter of the labor force. These contrasting trends indicate that adjustment to the economic crisis of the early 1980s occurred primarily through open unemployment rather than through a massive expansion of the informal sector.

This is not the whole story, however. Additional evidence shows a parallel rise in unstable and lower-paying jobs in both sectors of the San José economy. Female participation in the labor market grew during the decade in connection with the proliferation of export-assembly plants in the metropolitan area of San José. *Maquilas*, as these plants are known locally, more than tripled their employment between 1984 and 1990, reaching forty thousand in the latter year. Most of these unstable and

TABLE 5 *Evolution of the Labor Market in Metropolitan San José, 1980–1989*

	1980 (%)	1981 (%)	1982 (%)	1983 (%)	1985 (%)	1987 (%)	1988 (%)	1989 (%)
Formal employment	71.6	68.3	66.7	67.9	68.9	68.8	70.7	70.7
Informal employment <sup>a</sup>	26.7	29.9	30.5	30.3	29.7	29.7	27.6	27.5
Open unemployment	5.0	8.3	11.3	8.5	7.4	4.8	6.6	2.7
Composition of the informal sector <sup>b</sup>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Informal owners	11.2	8.1	9.4	9.7	7.7	7.2	11.5	8.6
Informal workers	35.6	38.0	37.5	32.2	36.5	32.6	33.6	20.9
Unremunerated family workers	6.0	6.1	5.3	2.4	3.5	2.9	3.2	2.9
Self-employed	47.2	47.8	47.8	55.7	52.3	57.3	51.7	67.6
GNP growth rate	0.8	-2.3	-7.3	2.9	0.7	4.9	3.8	5.0

Source: Trejos 1991, table 2.

Note: Employment in 1980 totaled 210,900, dropped to 208,400 in 1981, and rose yearly thereafter to 265,700 in 1989.

<sup>a</sup>Includes domestic service. Percentages of formal and informal employment do not add up to 100 because of exclusion of agricultural workers.

<sup>b</sup>Rounded figures.

low-paying jobs employ mainly young women. Part-time employment also grew, peaking at 37.5 percent of the economically active population by the mid-1980s. While the minimum wage recuperated in 1989 to its full value in 1980, earnings of skilled and white-collar workers remained below the 1980 figure (Lungo, Pérez, and Piedra 1991). The informal sector registered a parallel evolution in its internal structure. The better-remunerated and more stable category of informal entrepreneurs declined by 45 percent between 1980 and 1986, recovering only in the last years of the decade. Less stable and lower-paying jobs like odd-jobbing and other forms of informal self-employment grew throughout these years. As seen in table 6, they rose 43 percent between 1980 and 1989, by which time they represented two-thirds of all urban informal employment.<sup>3</sup>

These figures suggest a complex adjustment process in the Costa Rican urban labor market. Governmental intervention helped check the rise of open urban unemployment during the 1980s and prevented the deterioration of the minimum wage. Simultaneously, however, lower-paying, more unstable employment increased in both the formal and informal sectors. Part-time work and low-paying “maquila” employment became more common among formal workers, while self-employment

3. Informal entrepreneurs on average earn significantly more than the minimum while the self-employed tend to receive much lower earnings. In 1989 only 22.7 percent of informal entrepreneurs in the metropolitan area of San José received less than the official minimum. The corresponding figures for the self-employed was 44.7 percent (Trejos 1991).

(much of it in marginal odd-jobbing) became predominant in the informal sector. This development is consonant with our third hypothesis because it shows that the informal sector, rather than counteracting trends in the formal economy, followed its evolution.

Unlike the situation in San José, the labor market in Guatemala City has always been highly informal. Among the five cities studied, only Port-au-Prince has a larger proportion of the economically active population in the informal sector. During the 1980s, however, figures for informal employment in Guatemala City barely budged. Estimates based on the measurement criteria employed by the ILO indicate that the informal sector comprised 30 percent of the urban economically active population in 1980 and 33 percent in 1989.<sup>4</sup> Alternative figures, based on the proportion of the economically active population working without legally mandated social coverage, yield a much higher estimate of 54.3 percent for 1980, but they coincide in showing little change over the decade.<sup>5</sup> As in San José, adjustment to the crisis took place mainly through a significant rise in open unemployment. Two sets of estimates are presented in table 6. They coincide in showing that urban unemployment more than quadrupled between 1980 and 1983 and remained at a high level for the rest of the 1980s.

In contrast with what happened in Costa Rica, no significant government intervention took place in Guatemala to bring down record unemployment, a pattern of official policy consistent with that observed on low-income housing in the preceding section. Hence the presence of a large urban informal sector, where average wages are lower than among protected workers, did not cushion the effects of the economic downturn. The quadrupling of open unemployment in Guatemala City during the 1980s fits with our hypothesis concerning the limits of the informal sector as a countercyclical mechanism.

As table 6 shows, the internal structure of the informal sector in Guatemala City has evolved in a direction contrary to that of San José. Comparing estimates available for 1980 and 1989, the relative representation of informal entrepreneurs seems to have increased while that of the self-employed declined. As in San José, entrepreneurs earned incomes significantly above the official minimum, and their presence led to an

4. The ILO Programa Regional de Empleo para América Latina (PREALC) defines the informal sector as the sum of the self-employed minus professionals, unremunerated family workers, and domestic-service workers. Estimates for 1980 came from PREALC; estimates for 1989 were taken from a survey conducted by the Facultad Latinoamericana de Ciencias Sociales (FLACSO). See also Pérez-Sáinz (1991).

5. This estimating procedure is based on defining the informal sector as income-earning activities unregulated by the state. The empirical indicator is the percentage of workers not covered by the country's social security system. It is derived from estimates provided by Mesa-Lago (1991). On alternative definitions of the informal sector, see Portes and Schaufli (1993).

TABLE 6 *Evolution of the Labor Market in Metropolitan Guatemala City, 1980–1989*

	ca. 1980 (%)	1982 (%)	1989 (%)
Informal employment <sup>a</sup>	30.0	—	33.0
Informal employment <sup>b</sup>	66.9	—	53.5
Open unemployment <sup>c</sup>	2.2	9.9	6.2
Open unemployment <sup>d</sup> (1980 = 100)	100.0	450.0	545.0
Composition of the informal sector			
Informal owners	4.0	—	15.9
Informal workers	27.0	—	28.7
Unremunerated family workers	5.0	—	4.3
Self-employed	64.0	—	51.1

Sources: Pérez-Sáinz 1991; Inter-American Development Bank 1990; Mesa-Lago 1991; ECLAC 1992; and PREALC 1986.

Note: Total employment was 323,800 circa 1980 and 322,700 in 1989. In 1989, the average monthly wage was \$149 in the formal sector and \$103 in the informal sector.

<sup>a</sup>Percentage of the urban EAP, PREALC definition.

<sup>b</sup>Percentage of the urban EAP without social security protection.

<sup>c</sup>From ECLAC 1989, table 14; total urban unemployment.

<sup>d</sup>From Inter-American Development Bank 1990, table 10.

improvement of average earnings in the informal sector. By 1989, monthly wages in the formal sector averaged U.S. \$149, as compared with \$103 in the informal sector. Yet despite its apparent decline, self-employment still accounted for the majority of the Guatemalan informal labor force in 1989.

The Caribbean island nations of Jamaica and the Dominican Republic experienced a similar evolution in their urban labor markets in the 1980s. Estimates for both countries indicate expansion in informal employment, especially in street vending and odd-jobbing, along with a contraction in formal employment and earnings. Despite the scarcity of data, figures for the Dominican Republic consistently show a significant rise in the jobless population, a sharp decline in formal-sector wages, and an increase in self-employment.

As shown in table 7, the proportion of the population entering the labor force rose as real industrial and public-sector wages plummeted. Most of the increase in participation occurred in the cities, as indicated by the rising representation of the urban labor force in the national economically active population. Self-employment increased during the last half of the 1980s, but the proliferation of these informal activities did not prevent

TABLE 7 *Evolution of the Urban Labor Market in the Dominican Republic, 1977–1991*

	1977	1979	1981	1983	1985	1987	1989	1991
Labor force participation <sup>a</sup> (%)	32.6	33.3	34.5	35.3	35.0	39.1	40.0	41.9
Urban EAP <sup>b</sup> (%)	56.1	58.8	59.2	60.7	63.8	64.6	65.0	64.2
Self-employment <sup>c</sup> (%)	20.4	16.2	18.5	17.6	—	—	—	25.2
Unremunerated family workers <sup>c</sup> (%)	1.8	1.6	2.4	2.2	—	—	—	1.9
Open unemployment <sup>a</sup> (%)	13.7	18.6	20.7	21.7	25.7	25.6	25.6	26.8 <sup>d</sup>
Manufacturing wages <sup>e</sup>	149.0	142.0	129.4	128.4	92.1	99.1	87.6	75.6 <sup>f</sup>
Export-zone wages <sup>e</sup>	161.2	155.2	123.2	159.0	74.0	80.8	88.5	84.8 <sup>f</sup>
Public-sector wages <sup>e</sup>	57.4	83.7	85.1	74.0	72.3	68.0	54.1	41.7 <sup>f</sup>

Sources: National Statistical Office 1987, 1990; Dominican Documentation Center 1991.

<sup>a</sup>National figures, as a percentage of the total population.

<sup>b</sup>As a proportion of the total EAP.

<sup>c</sup>In Santo Domingo.

<sup>d</sup>As of 1990.

<sup>e</sup>In constant pesos of 1977.

<sup>f</sup>To August of 1991.

a sharp rise in open unemployment, which doubled between 1977 and 1991.<sup>6</sup> It appears that the efforts of Dominican households to compensate for declining wages with an increased labor offer (by women and older children) met with a shortage of remunerated employment in both the formal and informal sectors. Although street vending and similar activities grew, they could not absorb a rapidly increasing labor supply, a situation that led to record levels of open unemployment.

In parallel fashion, informal employment and unemployment increased simultaneously in the Kingston metropolitan area during the economic crisis. Unemployment reached record levels between 1983 and 1985 but declined afterward. This apparent improvement, however, may mask a rise in the number of discouraged workers. As shown in table 8, labor-force participation actually dropped, suggesting a high rate of giving up among prospective workers. As in San José, the internal structure of the informal sector evolved toward an apparent decline in small entrepreneurs and a rise in informal self-employment. Informal street vendors, male and female, increased their participation in the Kingston labor force while entrepreneurial activities in small-scale services and

6. The unemployment series is for the national economically active population. Separate individual figures indicate the same trends for the urban economically active population and the capital city. Between 1980 and 1986, for example, the unemployment rate in the capital increased by 29 percent. By 1990, it stood at 20.3 percent, slightly below the national average for the year (Dominican Republic, Oficina Nacional de Estadísticas 1990).

TABLE 8 Evolution of the Labor Market in Kingston, 1977–1991

	1977 (%)	1983 (%)	1989 (%)
Formal employment <sup>a</sup>	60.4	—	53.3
Public sector and services	23.7	—	14.0
Informal employment <sup>b</sup>	17.4	—	26.0
Vendors			
Males	4.1	—	5.8
Females	8.8	—	12.5
Small services and agriculture			
Males	10.7	—	6.8
Females	8.6	—	7.7
Unemployment			
Males	17.5	21.0	11.4
Females	29.9	35.3	21.8
Labor force participation <sup>c</sup>			
Males	82.9	83.5	78.1
Females	70.1	71.1	64.0

Sources: Gordon and Dixon 1991, tables 8, 9; and Anderson 1987.

<sup>a</sup>Sum of government, formal services, white-collar, and regulated blue-collar employment.

<sup>b</sup>Unregulated employment in domestic service, crafts and manufacturing, street vending, services, and suburban agriculture.

<sup>c</sup>As a proportion of the working-age population.

agriculture declined. The overall trend can be characterized as a simultaneous deterioration in employment opportunities and earnings in both segments of the Kingston labor market.

Despite the scarcity and imperfections of official data, the figures indicate that urban labor markets in the smaller countries of the Caribbean Basin adjusted to the economic crisis in a manner similar to their larger South American counterparts. In both areas, adjustment involved a combination of declining wages, declining formal employment, growing informal employment, and record levels of unemployment. The growth of unemployment in all countries underscores the limitations of the informal sector as a labor-absorbing mechanism. Contrary to the dualistic conceptualization of Latin American labor markets proposed by analysts of the ILO and its Latin American affiliate PREALC, no hydraulic relationship exists between formal and informal sectors in which excess supply in one is automatically absorbed by the other. The overall pattern of results seems to fit the alternative view of unified urban economies in which both types of activities coexist. Thus according to the hypothesis, open unemployment rises as a logical consequence of economic contraction, which reduces employment opportunities and earnings in both formal and informal enterprises.

## SUMMARY AND CONCLUSIONS

Overall, these results support the conclusion of the earlier study (Portes 1989) that significant change has occurred in Latin American urbanization during the last two decades. Although the three dimensions of urbanization examined here by no means exhaust the topic, they capture important aspects highlighted by voluminous research. The new Caribbean Basin findings presented here do not support simplified conclusions such as "primacy is declining everywhere" or "class polarization is everywhere diminishing." Indeed, the evidence from one or more countries contradicts such assertions. What the pattern of results shows is support for the theoretical logic undergirding the three hypotheses: primacy decelerates or does not depending on whether the decentralizing potential of the new outward-oriented model of development is actualized; spatial polarization declines or does not depending on whether middle-class and poor sectors are able to implement novel strategies to cope with economic emergencies; the informal sector can absorb more or less labor depending on the state of the economy and the success of governmental efforts to reactivate it.

The contrasting empirical trends observed in the five countries, added to those included in the earlier research on South American cities (Portes 1989), point toward a second major conclusion. This finding concerns the deeply flawed earlier portrayals of the "urban explosion" in Latin America and the uniform characteristics of peripheral urbanization. Such generalizations may have been useful at an earlier stage of conceptual development, but they are out of step with present findings. Contemporary Latin American urbanization cannot be understood on the basis of blanket notions about peripheral societies, whether they stem from orthodox neo-classical or from unorthodox world-system and dependency theories. The weight of the evidence points instead to an alternative theoretical approach that combines global trends with specific national realities.

At the same time, several similarities among Latin American countries preclude the opposite extreme of asserting that only idiosyncratic national traits count. A more useful level of analysis is achieved by focusing on the changing roles of these countries in the global economy along with characteristics specific to each, particularly their prior level of development and the character of their state systems. In an attempt to reassert the primacy of the state in analyzing national development, Peter Evans has proposed a typology of state systems arranged in a continuum ranging from "predatory" to "developmental" (Evans 1989). Much of what he has to say about the quality and effectiveness of state apparatuses bears directly on our results. All the countries we studied confronted similarly adverse external environments during the early 1980s, and all moved in the direction of promoting exports to reactivate their economies. In some

instances, however, record levels of unemployment lasted throughout the decade (Guatemala), while in others they were promptly brought down by effective state intervention (Costa Rica). Similarly, the decentralizing potential of the new export industries was fully actualized in some countries (the Dominican Republic), while in others it either did not exist (Guatemala) or aggravated the preexisting urban concentration (Haiti).

The effects of the crisis were also felt differently in each capital city. In some instances, the absence or ineffectiveness of state programs exacerbated the "perverse integration" observed in larger South American cities (Kingston, Port-au-Prince). In others, spatial polarization was kept at bay by strong state intervention. Such policies ranged all the way from effective middle-class and low-income housing programs that reduced the impact of economic inequality (San José) to vigorous state repression that prevented popular sectors from implementing their own unorthodox solutions (Guatemala City).

These conclusions reinforce similar trends in analyzing other aspects of national development. They thus support an emerging consensus that the proper analytic focus is not on the level of sweeping theories about global trends nor on that of unique national or local traits but on the interaction between them. The empirical results reported here illustrate the advisability of this middle-range perspective.

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