

The Territorial Dimension of Manufacturing Restructuring: The Transformation of Places in Contemporary Argentina

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Abstract

Since the early 1970s the manufacturing sector of most Latin American countries has changed dramatically. This process can be described as manufacturing restructuring. One important consequence of manufacturing restructuring is the deconcentration from one or two metropolitan areas. The objective of this paper is to characterize and interpret this trend using Argentina as an example. The paper defines the meaning of manufacturing restructuring in the Argentine context. The spatial dimension of manufacturing restructuring is examined by looking at two areas: the Province of La Rioja, in northern Argentina, and the Buenos Aires Metropolitan Area. The paper argues that spatial deconcentration may not be a worthy goal in itself.

Keywords: *restructuring, manufacturing, decentralization, Argentina, La Rioja, Buenos Aires.*

INTRODUCTION

The geography of industry and manufacturing in Latin America remains little explored. This contrasts with the situation in the United States where, "Industrial geography is clearly one of the most dynamic subfields of economic geography" (Beyers et al. 1989, 290). A recent essay on the state of the art in Latin American geography failed to cite any related work (Robinson 1989). The few studies completed either by Latin American researchers or by North American scholars have been mostly the work of economists and planners. Geographers do not seem to have paid much attention to this topic despite the importance and relevance it has had for economics and sociology. Some exceptions are Andrade (1981), Bromley and Bromley (1982,59-77), Geiger and Davidovich (1986), Gilbert (1974,39-82), Gwynne (1987), Katzman (1977), Storper (1984), and Borello (1984, 1989b, 1989c). Yet, the importance of the topic reaches beyond an academic concern. Industrialization is a central concern to many Latin American countries.

For decades, many of these nations have based their development on the expansion of manufacturing. In the Southern Cone, for example, industrialization allowed governments to expand the welfare state which attended to the widening of middle and working classes (Scarpaci 1990). Moreover, regional and urban policies have been designed mainly around industrial promotion schemes. The well known cases of Ciudad Guyana, Venezuela, the northern Mexican border, and Arica, Chile, are examples. Since the early 1970s, however, the manufacturing sector of most Latin American countries has changed dramatically. This process can be described as manufacturing restructuring.

One important consequence of manufacturing restructuring since the 1970s is the deconcentration from one or two metropolitan areas. A substantial literature is emerging around the characterization and interpretation of this trend even though we are still far from describing the intricacies of the problem.

The objective of this paper is to characterize and interpret this trend using Argentina as an example. The paper has two parts. The first part defines the meaning of restructuring in the Argentinean context and identifies the origins and consequences of that process. The second part examines the spatial dimension of manufacturing restructuring in terms of two kinds of areas: those receiving industrial investment and the those losing it. To clarify the discussion two specific areas are examined: the Province of La Rioja, in northern Argentina, and the Buenos Aires Metropolitan Area.

The restructuring process and its concomitant territorial consequences are described using three major sources of information: (i) recently completed works by Argentinean researchers, (ii) the economic censuses of 1974 and 1985, and (iii) the author's research in La Rioja and the Buenos Aires Metropolitan Area. Especially useful are the data presented in the works of Gatto et al. (1988) and Beccaria and Yoguel (1988). These authors have used unique unpublished census data from the Census Bureau (Instituto Nacional de Estadísticas y Censos, INDEC).

MANUFACTURING RESTRUCTURING IN ARGENTINA

The Meaning of Manufacturing Restructuring

Manufacturing restructuring refers to changes in the circuits of capital which reflect modifications in the conditions of capital accumulation. Accumulation refers to the employment of surplus value as capital (Harvey 1986). Modified conditions of accumulation result from a fall in the rate of profits caused by competition from other firms. Workers may also pressure management for a greater share of surplus value or greater control over the work process. Because manufacturing restructuring takes place in specific locations and industries, it is a process through which existing capital flows and allocations among the three major circuits of capital are transformed (Harvey 1985,3-13). The primary circuit is where production takes place. The secondary circuit involves fixed capital and the built environment. And, the tertiary circuit refers to investments in science and technology and social expenditures.

The restructuring of Argentina's manufacturing involves a sustained process of disinvestment in the secondary and tertiary circuits of capital. This means a process of disinvestment in fixed capital and the built environment (secondary circuit), and in science and technology and social expenditures (tertiary circuit) (Katz and Muñoz 1988; Katz and Kosakoff 1989): At a lower geographical and sectoral level of aggregation, manufacturing restructuring has meant the devaluation of the existing fixed capital and built environment of the older industrial districts of the country. In Argentina, investments previously directed to production, machinery and equipment, or to social services are now directed to financial speculation at home and abroad (Basualdo and Azpiazu 1989). The diminishing domestic capital which is redirected into manufacturing finds its way mostly into new regions and new industries that are increasingly linked to external markets (Bisang 1989; Gutman and Feldman 1989).

The Crisis of Import-Substitution Industrialization

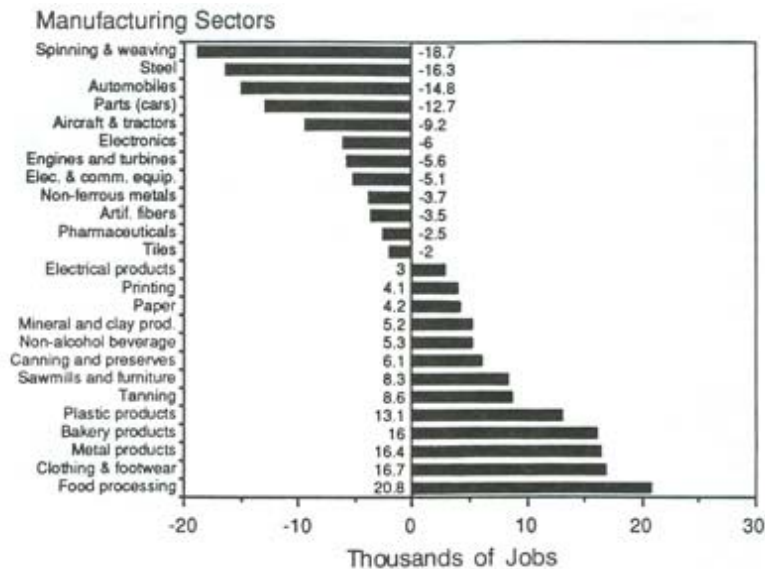
Argentina is one of the semi-industrialized countries of Latin America along with Mexico and Brazil. Venezuela, Chile, and Colombia fall to some extent into this category. Through a process of import-substitution industrialization (ISI) Argentina industrialized rapidly after the 1940s. The "golden age" of Argentina's industrial development occurred between the end of the 1950s and the beginning of the 1970s. In those years, manufacturing expanded its output and employment, and made productivity gains (Katz and Kosacoff 1989).

By the mid-1970s the ISI model showed signs of exhaustion. Manufacturing stopped expanding and a process of plant closures and layoffs began. Plant closures and employment contraction concentrated within the older industrial regions, within some industries, and among the larger plants. This trend led some researchers to talk about this facet of restructuring as deindustrialization, particularly because plant closures and employment contraction were very visible (Khavisse and Azpiazu 1983; Nochteff 1984). As well, the annual survey of manufacturing revealed a dramatic decline in output and employment (Beccaria and Yoguel 1988). The first accounts spoke of the destruction of Argentina's industry. Most of these accounts were based on incomplete and erroneous data sources (Beccaria and Yoguel 1988).

It was not until a democratic government took power in 1983 and the 1985 economic census became available, that more detailed studies could be undertaken. Census data showed that between 1974-84 there had been a small increase in output and employment, so that we could not speak of deindustrialization in absolute terms (Censo Económico 1985). The census also showed that there had

been dramatic shifts by industry, by region, and by size of plant.

The production of steel and basic metal products and machinery (including automobiles) declined significantly, particularly in terms of employment. Employment losses in steel and basic metals amounted to 16,300 and 14,800, respectively. Spinning and weaving, automobile components, airplane construction, engines and turbines, and radio, TV, and electronics also declined. In spinning and weaving, for example, employment dropped by almost 19,000 jobs; whereas close to 13,000 positions were lost in the production of automobile parts and components. In these sectors labor productivity expanded.¹ This affected the traditional industrial regions of Argentina. Other sectors like plastic products, apparel, bakery products, tanning, other metal products, food processing, and lumber, among others, expanded their employment (Fig. 1). The leaders in employment expansion were food processing (almost 21,000 jobs), clothing and footwear (almost 17,000 jobs), metal products (around 16,000 jobs), bakery products (16,000 jobs), and plastic products (13,000 positions). Because investment did not expand accordingly in these sectors, labor productivity declined. Taking the manufacturing sector as a whole, employment expanded in the period by about four percent if we take the average blue collar employment during the years previous to the censuses (1973 and 1984), and by one percent if we take employment on the date the census was taken.



Source: Adapted from Beccaria and Yoguel (1988). Original data from the 1974 and 1985 economic censuses.

Fig. 1. Employment change in manufacturing, Argentina, 1973-1984.

In many industries, such as textiles, clothing, foot-wear, food products, and electronics, firms closed plants and lines of production in old industrial areas and expanded operations in peripheral regions, mostly under one or another regional promotion scheme. Investments in intermediate industries such as petrochemicals, paper and pulp, aluminum, cement, and some metal products were also directed to areas outside of the main metropolitan areas (Table 1). As demonstrated in Table 1, manufacturing production value dropped in the Federal District (Capital Federal) for almost all sectors. A drop or little positive change was also recorded in the 19 counties surrounding the Federal District for most industries. The rest of Buenos Aires Province and the provinces of Córdoba and Santa Fe recorded small gains except for significant expansions in steel production (along the Paraná River in Santa Fe) and petrochemicals (Bahía Blanca, Buenos Aires Province), with both developments taking place outside the major metropolitan areas. Finally, it is in the interior, that is in all the provinces except Buenos Aires, Santa Fe, and Córdoba, where the share of manufacturing production value has expanded for most manufacturing

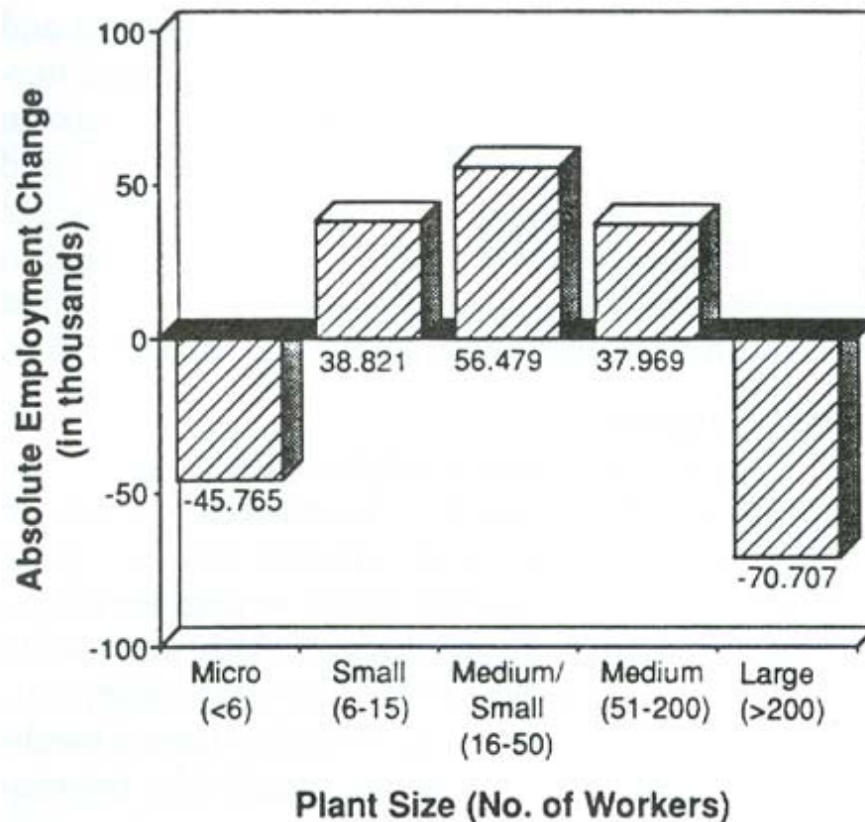
sectors.

Table 1. Share of Argentine manufacturing production value (percent), by sector and region, 1973 and 1984.

	Federal District		Rest of BA Prov.		19 Counties		Córdoba		Santa Fe		Interior Sectors	
	1973	1984	1973	1984	1973	1984	1973	1984	1973	1984	1973	1984
Food and beverages	16.8	9.4	14.5	16.6	16.9	22.5	6.8	7.8	10.8	13.8	34.2	29.9
Textiles and clothing	39.6	31.4	6.1	6.8	34.3	33.4	1.7	1.9	5.3	5.4	13.0	21.1
Wood and furniture	18.3	11.1	13.9	11.1	28.4	33.3	4.3	4.2	7.8	11.1	27.3	29.2
Paper and printing	38.9	31.8	12.2	11.8	28.2	29.7	4.1	3.1	8.8	6.7	7.8	16.9
Chemicals and plastics	14.5	10.9	23.4	34.1	42.5	31.8	1.4	1.7	5.5	7.4	12.7	14.1
Non-metal. minerals	7.7	5.4	22.3	20.9	33.9	37.2	11.7	10.1	6.8	4.6	17.6	21.8
Basic metals	7.7	2.2	14.7	59.4	25.7	10.4	1.0	0.9	23.1	13.1	27.8	14.0
Metal prods. and machin.	17.2	13.8	5.3	7.8	46.3	47.7	13.8	12.2	8.6	8.6	8.8	9.9
Other industries	34.5	45.4	12.4	9.1	41.3	27.3	3.9	0.0	4.3	9.1	3.6	9.1

Source: Consejo Federal de Inversiones (1988) Vol. 2, 16.

In terms of plant size, employment has declined in the group of large plants and has increased in the small and medium establishments. Employment in the stratum of micro establishments under six workers has also declined (Fig. 2). Thus, while employment in manufacturing plants with over 200 employees dropped by almost 80,000, employment in small and medium sized plants (6 to 199 employees) expanded by more than 130,000 jobs. Units of production under 6 employees also recorded losses (almost 46,000 positions). Generally speaking, productivity has declined in small and medium plants but it has increased in large plants. These changes in sectors, regions, and size of plants suggest that restructuring, not deindustrializing, is occurring (Beccaria and Yoguel 1988; Gatto et al. 1988).



Source: Adapted from Gatto et al (1988:89).
Original data from the 1974 and 1985 economic censuses.

Fig. 2. Employment change in manufacturing (in thousands), by plant size. Argentina, 1973–1984.

The Origin of Manufacturing Restructuring

The ISI model was the pivot of growth for the previous thirty or forty years in Argentinean manufacturing. Manufacturing restructuring is a response to an exhaustion of that model. The exhaustion of ISI produced two major political and social crises. On the one hand, the model reached a ceiling in terms of the size of the domestic market. On the other hand, the inherent incompleteness of the ISI model provoked repeated balance of payment problems (Fajnzylber 1987; Katz and Kosacoff 1989).

Argentinean analysts use the term *fordismo criollo* to refer to the prevailing mode of regulation and capital accumulation in the Southern Cone that was derived from ISI (Lipietz 1976, 32). Manufacturing restructuring is the corporate response to the break in the model of *fordismo criollo* prevailing in the previous decades. This model presupposes mass production and consumption, organized labor, and state regulation (as Fordism in the core countries) under conditions substantially different from those prevailing in the industrial North Atlantic.

Manufacturing restructuring also reflected changes in the dominant fraction of capital that commanded the accumulation process. The military coup d'etat of 1976 was the political manifestation of these

changes. The coup responded to an emerging hegemonic sector and to the disintegration of the coalition of labor and fractions of small capitalists supporting the Peronist government of 1973-1976 (Villareal 1985). The economic policies of the end of the Peronist government and of the military dictatorship accentuated the signs of the crisis that surfaced in the early 1970s.

Restructuring as a Sum of Firms' Strategies

The problems firms in Argentina faced at the beginning of the 1970s were exacerbated by the events following the military takeover of 1976. Problems varied according to a myriad of factors: size, ownership, goods produced, markets, and demand, among others. Accordingly, responses to the crisis have been diverse, even when comparing similar firms operating in similar markets (Gatto et al. 1988; Katz 1989; Petrei and de Melo 1985) (Table 2). Indeed, without taking into consideration the "structural heterogeneity" of Argentinian manufacturing, very little can be understood of its dynamics (Katz 1989, 194). Notwithstanding, the common central objective of these strategies was to "recover the capacity of accumulation of the firm" (Gatto et al. 1988, 33). Strategies may be classified under four major headings: internal organization, external linkages, markets, and private-public liaison.

Not all the strategies are available to all the firms. Some firms are unable or unwilling to follow a certain direction. For example, small and medium-sized firms in the Buenos Aires Metropolitan Area have not been able to take advantage of industrial promotion schemes mainly because of organizational and financial constraints (CFI/CEPAL 1988). To continue operating, these firms have pursued a number of strategies which vary in relation to the market(s) in which each firm operates. Many firms have opened their production mix trying to tap more profitable markets. Many are also trying to increase their exports to new foreign markets. Most firms are investing in ways and means to rationalize production and administration (CFI/CEPAL 1988; Borello 1989a).

Large firms and firms belonging to conglomerates are following several lines of actions. The reduction of employment per plant is a widespread trend. This is accomplished by the introduction of modern machinery in old plants and by the partial or total relocation of lines of production from old to newer plants. Most of the new investments of the large and medium-sized firms are in plants located in the interior of the country (INDEC/CEPAL 1989).

THE TERRITORIAL DIMENSIONS OF MANUFACTURING RESTRUCTURING

Spatial Concentration in Latin America in Recent Decades

Until recently, most writings on industrialization and regional change in Argentina and elsewhere in Latin America noted that "the distinctive spatial character of industrial development has been its exaggerated added (Gwynne 1986, xii). Or, in Coraggio's (1987, 65) more critical vision:

"How has the regional [issue] been posed in Latin America in the last two decades? The recurring themes in the different countries, with all their heterogeneities, have been the same ones one has been the 'excessive' geographic concentration diagnosed by using a borrowed percentage norm applied to very different populations masses, located in very heterogeneous countries as far as their productive forces" (my translation).

The fixation with spatial concentration, an empirical constant that can only be observed in relation to the models of North America and Europe, is laden with ethnocentricity and diverts attention from an appreciation of the industrial geography of Latin America in its own terms. One of Gwynne's (1986, 100) main conclusions on industrial concentration is that such process "can only become more accentuated in the future. The analysis showed that forces promoting the decentralization of analyses, rightly point out that "the events taking place during the years of the crisis make obsolete past descriptions of the Latin American urbanization" (Portes 1989, 128). Portes shows that twelve to fourteen countries out of fifteen Latin American countries have reduced their levels of urban primacy in the period 1970-85. Portes also

points to another widespread phenomenon throughout Latin America, the growth of intermediate-sized cities. He argues that because both phenomena are present in a number of Latin American countries, a common explanation must be found. This explanation lays with "the changes in the productive structures which followed the failure of import-substitution industrialization" (Portes 1989, 122-123). Although it remains unclear whether Portes' hypothesis is applicable to all Latin American countries, the two trends identified by Portes, the reduction in urban primacy and the growth of intermediate-sized cities, have been paralleled by a surge of publications and debates.

Polarization Reversal

One of these debates centers around the reduction in urban primacy and has led to the concept of polarization reversal, a term coined by World Bank researchers in a series of studies in the State of São Paulo (Rogerson 1986; Brown and Lawson 1989). The assumed advantages of polarization reversal in Brazil have been challenged by Michael Storper (1984). The critique of the larger philosophical framework which sees the problem of regional development as one of an uneven distribution of physical objects in space has been posed by a number of writers, notably by José Luis Coraggio (1987, 137). The polarization reversal debate is far from resolution and it is spilling over into such related themes as intermediate-sized cities and decentralization policies. The data for Argentina support the claim that polarization reversal is indeed taking place in the country. Yet, as we will see, the meaning of the concept in the Argentinean context does not translate into either a better income distribution or a strengthening and expansion of democratic institutions.

Intermediate-sized Cities

Urban historians have long argued that national historical interpretations will continue to be incomplete as long as attention is confined to primate cities (Flemming 1986; Scobie 1988; Cerutti 1989). A variety of situations lead to the growth of intermediate sized cities (Hardoy and Satterthwaite 1986). Hence Portes' claim that the growth of intermediate sized cities in Latin American can be linked to the crumbling of the ISI model and to the emergence of an export-led industrialization process needs to be examined in more detail. It is necessary to determine the mediations and linkages between the macro changes and the local outcomes (Coraggio 1987, 68-69). Moreover, at least in the Argentinean case, the growth of intermediate-sized cities seems to have begun during the height of the ISI process (Vapnarsky and Gorojovsky 1986), though it has accelerated in the 1970s and 1980s. This can be observed in the case of La Rioja, as we will see below.

Decentralization

The writings on the deconcentration of population and economic activities have been paralleled by a discussion on the issue of decentralization of administrative functions and political power. Some writers see decentralization as advantageous (Boisier 1987; Rondinelli, McCullough and Johnson 1989). Others are more critical, arguing that decentralization suffers from a mechanistic policy ploy that has been heralded by international development and lending agencies. As such, decentralization becomes a thinly veiled policy for promoting transnational investments in intermediate-sized cities. Similarly, the primacy doomsday advocates of the 1960s were proven wrong in their forecasts that primate cities like Buenos Aires, Mexico, and Santiago could not prosper without decentralization (De Mattos 1989; Laurelli and Rofman 1989; Slater 1989). From this discussion and from the empirical examples that follow it seems that the decentralization issue cannot be seen as divorced from the state, the social structure, and the functioning of politics at the local level.

The overview of some of the main themes related to spatial deconcentration shows a need for closer and more refined analyses of specific situations. The next section sets the stage for the analysis of two sides of the same restructuring process: La Rioja and Buenos Aires.

Summing up, the change in the conditions of capital accumulation in Argentina at the beginning of the

1970s led individual manufacturing firms to restructure their operations. Strategies pursued by firms have been varied although some regularities can be observed by sectors, or size of firms. The territorial consequences of manufacturing restructuring are a break in the historical pattern of concentration of population and economic activities in a few metropolitan areas. The data for Argentina show that manufacturing restructuring will impact harshly on traditional core manufacturing centers.

Factors that facilitated spatial de concentration

Until at least the second half of the 1970s, most Argentinean analysts spoke of a process of spatial concentration of industry in a few metropolitan areas, particularly in Buenos Aires (Coraggio 1971; Rofman and Romero 1973; Rofman 1981). The population census of 1980 and the economic census of 1985 revealed that one could no longer speak of spatial concentration. Industrial dispersion from the Buenos Aires Metropolitan Area towards the interior was under way. To many analysts this was a surprise: a fact which under-scored very sharply the lack of studies on industrial location in Argentina (Manzanal, Rofman, and Lindenboim 1985).

Industrial deconcentration of the 1970s and 1980s was possible because of a number of new and long-standing factors. New push factors included an increase in the demands of organized labor (until 1975-76), guerrilla warfare in the main urban areas (until 1977-78), the lowering of import tariffs, depreciation of the dollar, the financial reform of 1978 (1978-81), and the approval of sectoral and regional industrial promotion schemes through which investment could be recuperated at an attractive rate, unheard of before 1978 in Argentina. Long-standing factors included: infrastructure improvements; an expansion of the spatial knowledge and experience of firms based in traditional industrial areas accompanied by a greater acquaintance with promotion schemes; and the development of an important group of sophisticated firms in terms of internal organization and management (Katz and Koosacoff 1989; Katz 1986 1987).

Pull factors operating in the industrial deconcentration of Buenos Aires include improvements in the industrial infrastructure of the interior provinces of Argentina. Telephone and telex networks were extended and expanded. Roads were paved. Community and personal services once available in a few urban areas of the country could now be enjoyed in intermediate and even small centers. Power lines and new electric power plants made electricity available and reliable in areas far from Buenos Aires (Chiozza and Figueira 1985). These improvements meant that modern industrial plants could now be located in previously prohibitive areas. At the same time, these changes in infrastructure tended to equalize production costs by lowering transportation costs to and from areas far from the major centers of consumption and also of production of many inputs (BND 1983; Boneo 1985). Another long-standing pull factor was the existence since the 1950s of a variety of industrial promotion schemes. These regional promotion schemes induced industry away from traditional industrial areas through tax holidays and subsidized infrastructure. Pull was greatest in cities to the south and to the north of Buenos Aires, the primate city. Although these schemes were not very successful before the 1970s, some firms began producing in these areas (SP y D 1979; Lindenboim 1982). Medium and large manufacturing firms increased their "spatial knowledge", particularly in those sectors where enclave type production was possible. Such enclave production included spinning and weaving, clothing, and assembly of household goods, among others.

Changes in the location of manufacturing, 1974-85

Manufacturing employment has increased in most of Patagonia, in Tierra del Fuego, and in most of the provinces of the northwest and the northeast. However, it has declined or remained stagnant in the old industrial regions of Buenos Aires, Rosario, and Córdoba (Fig. 3) (Gatto et al. 1988). Employment change in manufacturing, by province during the 1973-1984 period is illustrated in Figure 3. The city of Buenos Aires experienced a drop of 9 percent in manufacturing employment during the period. The other traditional manufacturing centers of the country, Córdoba and Santa Fe, show little expansion in

employment. Tucumán and Mendoza, two provinces with a sizable agriculturally based manufacturing sector, show a modest employment gain. However, most of the other provinces have had an important expansion in their manufacturing employment. The most dramatic evidence of this is in the provinces of La Rioja, San Luis, Neuquén, and Tierra del Fuego. Almost all of the new investments outside of the major metropolitan areas (Buenos Aires, Rosario, and Córdoba) result from regional or sectoral industrial promotion schemes. Land in industrial parks and the basic infrastructure are provided by provincial authorities or the national government. Huge transfers of income have been made to a relatively small number of firms which have the financial, technical, and strategic capabilities to take advantage of these schemes (Basualdo and Azpiazu 1989; BND 1983; Boneo 1985; Kosacoff and Azpiazu 1989; Borello 1989b).

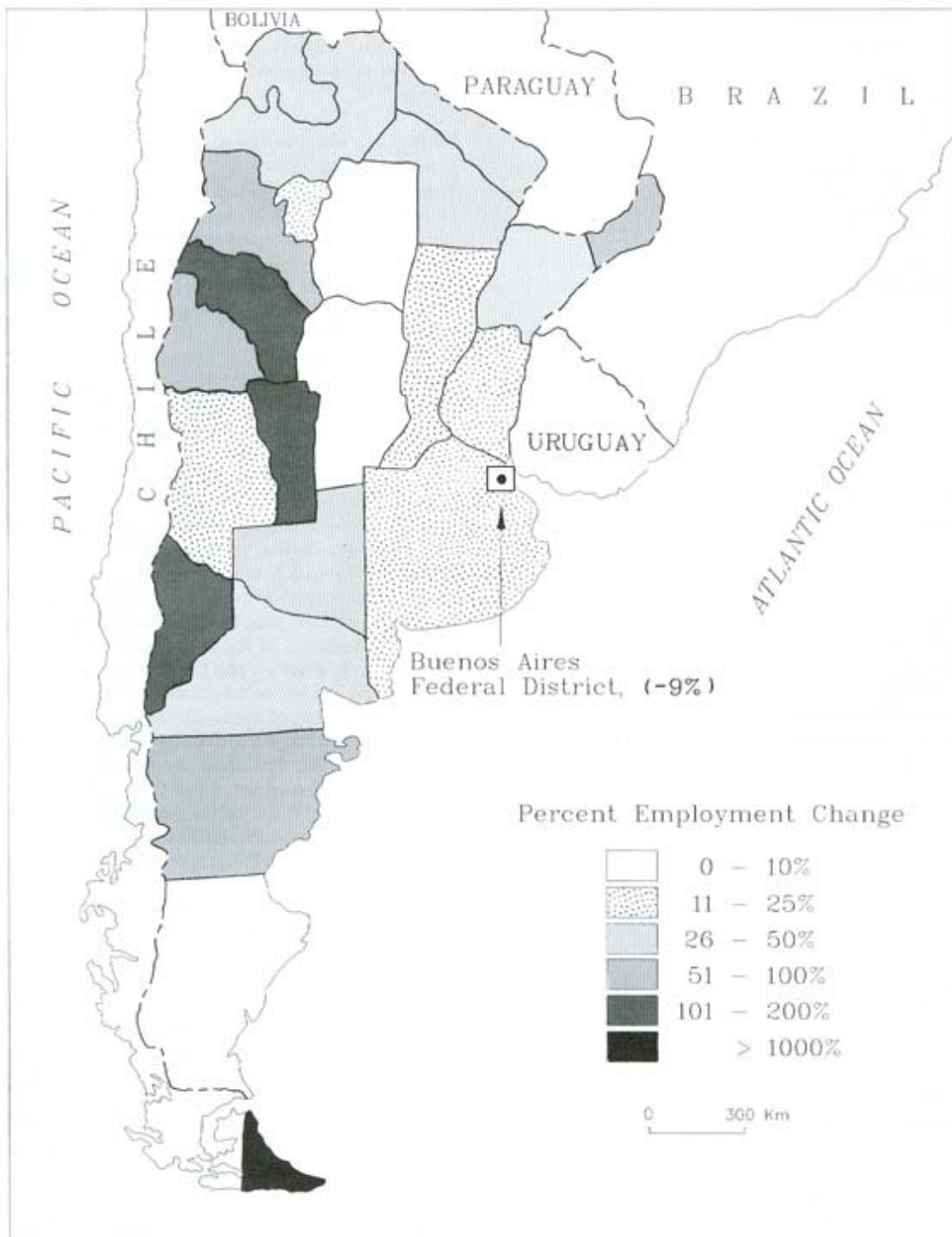


Fig. 3. Employment change in manufacturing by province, Argentina, 1973-1984.

These general trends hide a number of important subtleties. In the Buenos Aires Metropolitan Area, a city of 12 million people, many firms have closed or reduced their operations in the south-central part of the city, but they may be opening facilities in the northern and western suburbs. Firms expanding their operations within Buenos Aires tend to prefer the northern part of the city (CFI 1988). The movement of industry from the core areas of large cities to the suburbs and to peripheral regions is paralleled by investment in small cities and towns in both central and peripheral regions (INDEC/CEPAL 1989).

However, the opening up of branch plants in peripheral regions and in small localities by firms with headquarters in Buenos Aires, Rosario, or Córdoba is not a new trend. The beginning of this process can be identified even in Lindenboim's (1982) analysis of the 1964 Argentinean economic census.

The Case of the Province of La Rioja

La Rioja Province is located in northwestern Argentina. In 1980 it had a population of a little over 160,000. The capital city, La Rioja, had a population of almost 70,000 though its present population is estimated to be over 100,000. La Rioja is one of the poor provinces of northern Argentina: 55 percent of the rural population is considered to have its basic needs unsatisfied--the figure for the relatively affluent province of Buenos Aires is 27 percent (INDEC 1984). For decades, La Rioja could be described as a province of exodus, underpaid civil servants, and sleepy agricultural settlements.

In 1979, a national industrial promotion scheme was approved. This scheme, known as Law 22.021, was designed to attract investment to the province in three areas: manufacturing, agriculture, and tourism. The establishment of new industrial plants in La Rioja was accompanied by public investments in communications (telephones, telex), power (an upgrading of the local plant and interconnection with the national system), the extension of the gas pipeline to reach La Rioja, and the basic infrastructure available at the city of La Rioja industrial park. By the end of 1987, about 500 projects had been approved, 463 of them in manufacturing. Out of this total, 194 projects were under way on December 1987. They involved about US \$160 million and generated around 6,000 direct jobs. Indirect job creation was estimated at 1,000 to 2,000 positions. Most of the new factories were established in the capital city and in its industrial park. The city and its surrounding area received about 77 percent of the jobs, 69 percent of the plants and 73 percent of the total investment (Borello 1989b).

The establishment of these new plants had a number of consequences in La Rioja province. It accelerated the growth of the city which was already growing at very fast rates in the preceding decades. Annual population growth rates were 27.2, 21.9 and 37 per thousand for La Rioja city, compared to 17.2, 15.4 and 17.9 per thousand for all of Argentina, in the periods 1947-60, 1960-70, and 1970-80, respectively. Thus, in the period 1970-1980, the built-up area of the city doubled and the population grew by a rate that was more than twice the national average (Hardoy et al. 1989). This growth accelerated rural-urban migration, it increased relative local prices of food and housing, taxed the existing infrastructure and community facilities of the city (education, water, electricity), and pressed greater provincial state involvement in covering labor reproduction (Hardoy et al. 1989; Borello 1989b). Labor reproduction is understood here as the process by which labor renews itself. This process involves the fulfillment of basic needs related to shelter, food, health, and education. While production normally, but not always, takes place at the work-place, reproduction is centered in the household (Lawson and Klak 1990).

La Rioja is one of a number of provinces in the interior of Argentina where firms have been increasingly directing their investments (CFI 1986; Azpiazu 1988; FIEL 1988; Schvarzer 1987; Gutman et al. 1988; Kurzinger et al. 1985; Roitter 1987; Ciccolella 1989; Cimillo, Gutman, and Yoguel 1988; and others). As noted above, investing outside of the traditional industrial areas was one of the strategies available to firms which needed to recuperate or to expand their accumulation capacity. Spatial deconcentration benefited firms locating a plant in La Rioja in three major ways. These benefits are linked to financial matters, labor, and politics.

First, plants locating in La Rioja after 1979 earned tax breaks. The sheer size of these subsidies in relation to either the total investment or the sales generated by the project made this strategy attractive. On average, the fiscal (public) cost of the industrial projects approved under Law 22.021 equals three times the investment made by the firms (Gutman et al. 1988, 84489; FIEL 1988, 346). Production costs in La Rioja have been estimated to be equal to or lower than in the Buenos Aires Metropolitan Area (Borello 1989b; Gutman et al. 1988). This has also been suggested by other writers for the provinces of Chubut

and Tucumán (BND 1983; Boneo 1985). Land in the La Rioja industrial park is provided at nominal prices while infrastructure charges are limited to connection costs. Moreover, the projects approved after August 1984 and locating outside of the city of La Rioja and its immediate vicinity, were also exempted from paying all provincial taxes.

Second, firms locating a plant in La Rioja not only can bank on state subsidies but also on labor advantages. Labor productivity is equal to or higher than in the Buenos Aires Metropolitan Area as a result of newer machinery, better plant layout, and a flatter employee structure (less workers in the middle positions such as foremen). Labor costs for most firms are lower due to lower wages, weaker unions, and fewer labor demands than in the Buenos Aires Metropolitan Area (Borello, 1989b).

Another contributing factor to low labor costs may be the fact that the provincial government subsidizes labor reproduction through a number of policies.² For example, it has created a large number of jobs in the provincial or municipal bureaucracy or in public works. In the case of public works sometimes these jobs are created through subsidies to local construction firms. In addition, the provincial government has historically subsidized local producers and manufacturers. Moreover, in recent years it has provided land (free or at nominal rates), basic infrastructure, and even construction materials to low-income families squatting around the city of La Rioja and in smaller towns of the interior of the province.

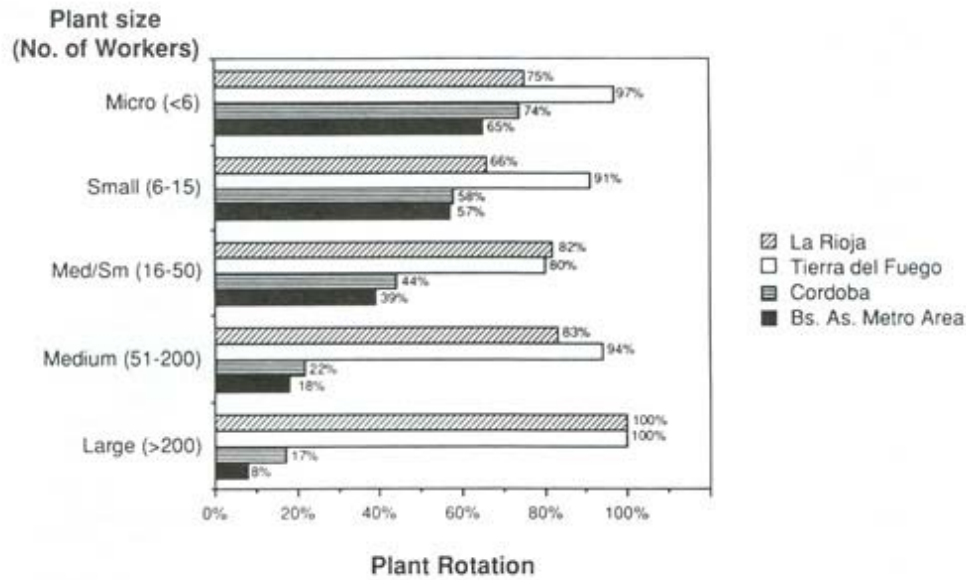
For a firm which already has one plant in Buenos Aires, for example, changing the spatial orientation of investment has other advantages in term of labor. Workers in the new location have no direct connection with workers at the older plant. This reduces the bargaining strength of the workers at both locations. The new workers in the new plant may be now socialized and taught their skills without receiving the social learning accumulated by workers at the older plant.

A third advantage of investing in areas outside of the traditional industrial regions of Argentina is the greater control incoming firms may acquire in local politics. In general, public regulatory institutions in La Rioja are politically weaker and their professional teams less sophisticated technically and politically than in the larger provinces and cities. Political parties, public institutions and private associations are usually only superficially powerful; real power expresses itself through a complicated web of patron-client relations, corporativism, and nepotism (Hardoy et al. 1989). This web may be disentangled behind closed doors by the representatives of incoming corporations. A concrete example was the so-called "Grupo del Hotel Plaza", a consortium composed of representatives of the major firms with plants in La Rioja and some of the top local politicians. The main focus of the periodic meetings at the Hotel Plaza seem to have been the setting up of an agenda of local policies without the intervention of the provincial or municipal chambers of representatives.

The Buenos Aires Metropolitan Area

The Buenos Aires Metropolitan Area is one region of the country, along with the cities of Rosario and Córdoba, where firms have disinvested, and closed plants and lines of production in the last 15 years. Although firms have closed operations in other areas, there has been more contraction and less plant openings in the Buenos Aires Metropolitan Area (Fig. 4). Plant rotation by size of plant in four selected areas of Argentina - the provinces of La Rioja, Tierra del Fuego, Córdoba, and the Buenos Aires Metropolitan Area-is illustrated in Figure 4. Plant rotation is defined as the percentage of new plants created between 1973 and 1984 to the total number of plants registered in 1984. Figure 4 demonstrates that, for all plant sizes, plant rotation is lower in Buenos Aires Metropolitan Area than in the other three regions, particularly with respect to La Rioja and Tierra del Fuego. In the period 1974-85, the Buenos Aires Metropolitan Area lost employment in absolute terms; there was also a reduction in the number of establishments and in the value added. Within the Buenos Aires Metropolitan Area, the federal district and the older industrial areas of the main counties (*partidos*), particularly in the southern part of the city, lost jobs and plants. Counties farther away from downtown, especially to the north and west, have

increased their absolute and relative share of employment and industrial output (CFI 1988; Yoguel and Gatto 1988, 32).



Source: Gatto et al (1988:112)
Original data from the 1974 and 1985 economic censuses

Fig. 4. Establishment replacement rates. Argentina, selected regions, 1973-1984.

The case of the Buenos Aires Metropolitan Area is the reverse side of the situation depicted for La Rioja. Disinvesting in the Buenos Aires Metropolitan Area or reshuffling existing investments by either modifying plants, upgrading machinery, or moving investments from the south to the north of the metropolitan area, are all strategies that aim at recreating the accumulating capacity of firms and increasing their rate of profits.

Financial and labor-related benefits are associated with reducing or restructuring operations in the Buenos Aires Metropolitan Area. Financial benefits are directly associated with a replacement of obsolete capital and the devaluation of constant capital. Labor-related advantages are linked to both a reduction of real wages and unions' control and power (Webber 1986, 202).

Financial advantages accrue from the closing down or trimming of inefficient operations. These inefficiencies stemmed from inadequate plant layout or outdated machinery and equipment inherited from previous rounds of investment under the ISI model. In many cases, it was more advantageous to close down operations than to refurbish an existing plant. The policies pursued by the military government in the 1978-81 period, subsidized the replacement of obsolete fixed capital by devaluing existing equipment and machinery (a result of bankruptcies and firms' closures) and reducing artificially the cost of imported equipment through exchange rates that over-valued the local currency. The state also contributed to subsidize investments in capital goods and equipment in the 1970s and 1980s. With total investment declining, the share of private investment undertaken under industrial promotion schemes had risen dramatically to 90 percent of total private industrial investment in Argentina by 1985 (Basualdo and Azpiazu 1989, 17). In the 1970s several pieces of legislation were passed restricting industrial activities within the Buenos Aires Metropolitan Area. Most of the large plants that remained in operation were substantially modified. The result was a generalized scale down in terms of employment.

Restructuring production in the Buenos Aires Metropolitan Area altered labor's relationship with management in several ways. Firms could get rid of forms of labor organization inherited from the import-substitution period; forms which usually implied at least some measure of control by labor of the work process (Nun 1989). Fragmenting the work process by moving lines of production or parts of industrial processes to other areas also fragments the power workers may attain if they are together. Labor can then be more easily disciplined at both the old and the new plants.

Disinvesting in the old industrial districts of Buenos Aires has had deep social consequences. Local authorities have had their tax bases eroded. A number of ancillary activities and services have closed down or moved to other areas (Economic Census of 1985). Many parts of the old industrial districts have become moon-like landscapes. Blocks of empty and abandoned buildings now contain piles of rubbish. Former blue-collar neighborhoods have become no-man's land after dark. Abandoned grocery stores and neighborhood cafés alternate with rusting "for sale" signs on decrepit buildings. The flight of jobs from these areas has sharpened the old division between the northern and southern parts of the city. The south concentrates more and more of the poor while the rich and their investments move north (Clarín, 1989).

SUMMARY AND CONCLUSIONS

The geography of Argentine manufacturing is undergoing profound changes that stem from the manufacturing restructuring initiated at the beginning of the 1970s. The military takeover of 1976 accelerated restructuring by providing domestic industry generous subsidies. Manufacturing firms have followed a number of strategies in responding to modified conditions of accumulation no longer associated to forms of production and regulation prevailing in the previous decades. One strategy has been to shift the geographical direction of their investments from old industrial districts to new locations in the periphery of the large metropolitan areas. Similar manufacturing relocation has occurred between the large cities to the small cities and towns, and from the more developed provinces to peripheral ones. A group of firms has been able to upgrade its productive capacity aided by attractive state subsidies, while improving its bargaining position vis-a-vis labor and state institutions.

Restructuring has both direct and indirect costs. Direct costs have been partially paid by the state in the form of tax concessions, subsidies, and infrastructure in the new industrial regions. The indirect costs have been paid by the taxpayers and the residents and workers at both old and new industrial areas. In the old industrial areas the production base of communities has been partially destroyed. The consequences have been unemployment, lower incomes, lower health levels, and rising crime (Nun 1989). The explosive food riots of 1989, when prices jumped dramatically, are an example of this human dimension. In the new industrial areas, new investments have accelerated rural-urban migration and have increased local living costs. Local infrastructure and services have been taxed.

In political terms, manufacturing restructuring has been accompanied by a restructuring of society at large. Disinvestments in the sectors and regions at the core of the ISI model reduced the strength of unions and the working class (Quintar 1989). The implicit alliance supporting the ISI model and the alliance between organized labor and fractions of capitalists has been broken. That rupture eclipses the Argentinean welfare state (Kosacoff and Azpiazu 1989, 22-23; Katz and Kosacoff 1989, 85; Scarpaci 1990). President Alfonsín (1983-89) could not regain bargaining power vis-a-vis the large domestic firms. The latter gained an upper hand in the restructuring process of the 1970s and 1980s and precipitated the economic crisis of early 1989. The political side of this crisis was the resignation of Alfonsín and his government six months before the end of the six-year term. The incoming Menemista government seems resigned to complete the destruction of the welfare state by reducing social expenditures and privatizing state enterprises.

In sum, spatial deconcentration cannot be taken to mean solely a more balanced distribution of people and economic activities. Nor can we think of deconcentration as taking place in a historical or social

vacuum or as a natural stage all countries follow (Storper 1984, 159). This paper has attempted to move beyond those studies which conclude that industrial deconcentration is a worthy goal in and of itself. It has tried to tease out some of the complexities in the spatial restructuring of manufacturing in Argentina.

In terms of methodology, the fixation with the geometry of space, and its concentrating or deconcentrating features, has to be replaced by a detailed account centered in the social and political dynamics at different geographical levels. Other categories of analysis are pertinent in this kind of approach. At a national scale, the question of capital accumulation is central, but so are the questions of democracy and the peripheral state. At a meso-scale, the question of industrial organization is very important. Finally, at a local level it is necessary to distinguish between small firms and large conglomerates. Increasingly, it appears relevant to include in the analysis the local state and local political dynamics.

NOTES

1. Labor productivity is defined here as the ratio between the value of production and the number of workers by manufacturing sector.
2. This idea is suggested by Pedro Pirez (1989), Jorge Hardoy et al. (1989), and by the ideas of Amin (1983) with respect to southern Italy.

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Resumen

. El sector manufacturero latinoamericano ha cambiado drásticamente desde el comienzo de los años setenta. Podemos caracterizar a este proceso como de restructuración manufacturera. Una consecuencia importante de esta restructuración es la desconcentración espacial a partir de una o dos grandes ciudades. El objetivo de este trabajo es caracterizar e interpretar esta tendencia a partir del ejemplo Argentino. El trabajo define el significado de la restructuración manufacturera en el contexto Argentino. La dimensión geográfica de la restructuración manufacturera es examinada en terminos de dos lugares: la provincia de La Rioja, en el noroeste Argentino, y el area metropolitana de Buenos Aires. El artículo sostiene que la desconcentración espacial no es necesariamente algo positivo en sí mismo.

Palabras claves: *restructuración, industria manufacturera, descentralización, Argentina, La Rioja, Buenos Aires.*