

## **UNEMPLOYMENT, UNDEREMPLOYMENT AND LABOR IMPORTS IN THE DOMINICAN REPUBLIC: A SKETCH OF SOME OF THE PROBLEMS**

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One of the fundamental problems of the Dominican economy is its inability to generate employment opportunities for the increasing labor force. The country faces unemployment rates which historically have varied between 20 and 30 percent and levels of underemployment ranging from 40 to 60 percent. Paradoxically, these high rates of unemployment and underemployment coexist with a massive import of foreign labor. The sugar industry, which is the principal productive activity of the country and the prime generator of employment, imports a substantial part of its labor force.

This paper will deal mainly with the problem of unemployment and underemployment in rural and urban areas, as well as with the Dominican sugar sector and its dependence on the use of Haitian laborers. An answer will be sought as to why 90 percent of the industry labor force consists of Haitian nationals despite the high levels of unemployment and underemployment existing in the country.

The highest rate of open unemployment is found in the urban areas. The urban labor force has been growing at a rate eight times greater than the rate of growth of the rural labor force. This difference is mainly due to the strong migration from rural to urban areas which has taken place in the Dominican Republic. We shall try to analyze the causes of this rural-urban migration process and attempt an explanation as to why the peasants migrate to the cities despite the high rate of urban unemployment and underemployment.

During the last decade, most sectors of the economy have been growing at extraordinary rates. However, the employment situation in the country remains practically unchanged. This paper will examine the present growth structures of the Dominican economy, dedicating

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particular interest to the question of why growth has not generated greater employment opportunities.

Since the Dominican Republic falls within the category of countries identified as having "dualistic" economies, a short critical exposition of the theory of dualism will be presented. In light of this theory we analyze the economic structure of the country and try to show that the assumptions and predictions of this theory do not apply to the Dominican reality.

To sum up, the intention of this work is to present a sketch of the Dominican economy and analyze, in very summary terms, some of its relevant problems. For this purpose we have gathered some empirical evidence. Naturally, the paper will suffer from the frequent sluttiness of the Dominican statistics and from the fact that most figures used here are second and sometimes third hand material.

## I. On "Dualism"

The theory of dualism<sup>1</sup> identifies the simultaneous presence of a "modern", "commercialized" industrial sector and a "traditional", "subsistence" agricultural sector as one of the outstanding characteristics of the underdeveloped countries. The origin and functions of the two sectors are totally different. It is supposed that one sector of the economy became "modernized" by the impact of the developed countries on the otherwise traditional underdeveloped countries. This sector is dynamic, market-oriented and follows profit maximizing norms; output is a function mainly of capital and labor. The remainder of the economy, it is proposed, has been excluded from modernization, which is why this sector remained "traditional": it produces for subsistence and it does not follow profit-maximizing rules of behavior; output is a function of land and labor while capital is lacking.

The coexistence of the two sectors is what defines the "dual structure" of the economy. A flow of unemployed labor from agriculture to industry is the only link between the sectors. The profits saved by capitalists in the modern sector generate a demand for labor. As the sector grows, transfer of labor from the agricultural to the industrial sector will continue until unemployment and underemployment are eliminated in the traditional sector. Labor becomes scarce and the traditional sector will be forced to modernize.

Thus, what the theory of dualism affirms is that the "impact" of colonialism, and other "contacts" of the underdeveloped countries with the developed ones, was merely "the introduction of a modern component into the structure of the otherwise traditional underdeveloped countries"<sup>2</sup>. It implicitly assumes that the traditional

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<sup>1</sup> For a detailed exposition of this theory see e.g. Lewis (1954), and Fei and Ranis (1964).

<sup>2</sup> Kuznets (1971), pp.256-257.

(indigenous) society remained undisturbed and unchanged. Supposedly, development will take place once this unchanged indigenous society also becomes modernized. No further direct "impact" from the developed countries is needed to modernize the "traditional" unchanged society. The task is left to the already "modernized" component of the society.

Obviously, this theory is totally ahistorical. It ignores the history of the underdeveloped countries of today. In this respect, the dualistic theory has been severely criticized<sup>3</sup>. The aftermath of colonialism e.g. in the Dominican Republic can by no means be depicted as a modernization of one sector of the indigenous society with all others remaining unchanged as the theory assumes. On the contrary, colonialism destroyed the total structure of the indigenous society.

Colonialism had an impact upon and transformed all the sectors of the colonized countries. The economic state of these countries today, is simply the result of the transformations these territories went through during the colonial era. As André Gunder Frank exposes it, "the expansion of the capitalist system over the past centuries effectively and entirely penetrated even the apparently most isolated sectors of the underdeveloped world. Therefore, the economic, political, social and cultural institutions and relations we now observe there are the products of the historical development of the capitalist system no less than are the seemingly more modern or capitalist features of the national metropolises of these underdeveloped countries".<sup>4</sup>

The possibilities for economic development in a country are determined, to a large extent, by institutional factors which influence growth variables such as capital accumulation, technological change, and human capital. The institutions (and structures) which emerged from the capitalist penetration of the underdeveloped countries carried with them some development "impacts", but total development often was and is hindered by the very character of these institutions. The impact of development frequently initiated the transformation from a state of undevelopment to one of underdevelopment.<sup>5</sup>

Contrary to what the dualistic theory assumes, it is now widely believed that a necessary condition for an underdeveloped country to reach real development is the introduction of profound changes in the political institutions and economic structures of the country.<sup>6</sup> Both the "modern" and "traditional" sectors have to undergo structural changes.

The "modern" sector is, as a rule, unable to realize the task which has been left it. This sector does not generate sufficient capital-widening investments to absorb the labor inflow. What has happened

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<sup>3</sup> For a critical exposition of the dualistic theory, see e.g. Griffin (1969), pp. 19-31, and Frank (1967).

<sup>4</sup> Frank (1967), p. 6.

<sup>5</sup> Beckford (1972), p. 210.

<sup>6</sup> Ibid., Griffin (1969), Frank (1967), Furtado (1969).

in some underdeveloped countries is that industries substitute capital for labor. This capital deepening process has been subsidized by price distortions and encouraged by government industrialization policies.<sup>7</sup>

## II. Economic Structures: Dual "Dualism"

The Dominican economy, as many other Third World economies, is characterized by the presence of an industrial enclave within a semi-feudal frame and by the dependence of the economy as a whole on those of the North Atlantic countries.<sup>8</sup> This situation has its origin in the colonial era. It was at that time when the present economic structure of the country first took form. It began with the capture of land and subjugation of indigenous labor by the Spaniards. Later, after the extermination of the Indian population, sugar plantations with African slave labor were introduced. The chief aim of the plantation was export production. While the plantation system produced subsistence income for the colony and entailed the introduction of minimal amounts of capital and technology, it did not spread any further development in the colony. The plantation is characterized by the lack of linkages outside its own boundaries.<sup>9</sup>

After the abolition of slavery, the ex-slave workers were extremely reluctant to accept continued plantation work. They often tried to settle on small plots of land outside the plantation complexes. These lands were usually located on hillsides or in arid areas, while the best cultivable land had already been occupied by the plantations and haciendas. Thus, the latifundia-minifundia system was born. As will be seen below, this archaic system still remains fundamentally intact.

The agrarian census of 1971 reveals that in the Dominican Republic 71.9 percent of the farms are of a size of less than 5 hectares and occupy 12.7 percent of the total area, while 0.1 percent of the farms are of the size of more than 1,000 hectares and occupy 19.7 percent of the total area. These figures, as shown in Table I, reveal the retrograde agrarian structure of the country and the inequality of land distribution.

The economic inefficiency and the inequality of income distribution generated by this type of agrarian structure has been emphasized by many agricultural economists.<sup>10</sup> The latifundia system has led to inefficiency and slow growth, both to underutilization of most of the land and to underemployment of labor.<sup>11</sup>

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<sup>7</sup> Little, Scitovsky, Scott (1970).

<sup>8</sup> A similar description is given by Díaz Santana (1969), p. 3.

<sup>9</sup> For a detailed description of the plantation system see Beckford (1972), ch. 7.

<sup>10</sup> See Griffin (1969), Griffin (1976), Griffin and Enos (1970), Furtado (1969), Barraclough and Domike (1965), Feder (1971), Beckford (1972).

<sup>11</sup> Griffin (1969), p. 77.

Table I: Number and size of farms

Size (hectares)	Number	%	Total area (1000s hectares)	%
From 0.5 to 4.9	182,222	71.9	339	12.7
From 5.0 to 9.9	30,782	12.2	210	7.9
From 10.0 to 49.9	33,479	13.2	677	25.5
From 50.0 to 99.9	3,734	1.5	253	9.5
From 100.0 to 199.9	1,785	0.7	248	9.3
From 200.0 to 499.9	873	0.3	262	9.8
From 500.0 to 999.9	223	0.1	150	5.6
From 1,000 and more	202	0.1	526	19.7
<b>Total</b>	<b>253,300</b>	<b>100.0</b>	<b>2,665</b>	<b>100.0</b>

Source: I.L.O. (1975), p. 145.

The owner of a latifundio estate as a rule monopolizes most of the important agricultural resources: land, credit and water. The high growth rate of the population, and the inability of the industrial sector to generate employment enables the "latifundista" to exercise monopsony power in the labor market. The presence of monopolistic and monopsonistic elements in the economy creates a market situation where prices no longer reflect the opportunity cost of the factors of production.

The behavior of the agricultural sector has conditioned the evolution of the economy as a whole. The inability of the sector to provide enough food to a rapidly increasing population constitutes a serious burden on the balance of payments. Scarce foreign exchange that could be used to stimulate other sectors of the economy has to be diverted to the import of agricultural commodities. This obstructs the process of industrialization in two ways: first by reducing the country's capacity to invest, and second, by maintaining a low level of income for the majority of the population. Nevertheless, most Latin American countries have managed to start an industrialization process in one way or another. Let us briefly consider the conditions under which this process started in the Dominican Republic.

Until the occupation of the country by American troops in 1916<sup>12</sup>, the economic activities were only loosely coordinated and communication between regions was far from adequate. Some of the most prominent results of the occupation were the construction of railways, the creation of the National Guard, and the redirection of external trade (formerly dominated by Europe) towards the United States. In 1924 Dominican exports to the U.S. market only reached 30.7 percent of the country's export total.<sup>13</sup> In 1977 the country sold 71.7 percent of its total exports on that same market.<sup>14</sup>

<sup>12</sup> For details on the American occupations of 1916 and 1965 see Franco (1967). Díaz Santana (1969) analyzes their economic consequences.

<sup>13</sup> Díaz Santana (1969), p. 3.

<sup>14</sup> Comercio Exterior de la República Dominicana (1979), p. 7.

The high export prices of the forties plus the difficulties created by World War II in the international commercial activities facilitated the installation of import-substituting industries. These industries faced a very limited market. The semi-feudal character of the economy impeded the market participation of the majority of the people. The maintenance of the retrograde agrarian structures and their implications for income distribution ruled out the possibility of any sustained industrial development.

To encourage industrialization, deliberate economic policies, such as tariff exemption for capital-goods imports, were adopted. The reliance on government protection was a disincentive to private initiative, and made the industrial process weak and deformed. The relative facility to import equipment, raw materials and intermediates largely explains why industries are more linked to foreign industries than they are to other industries within the country. Internal demand among domestic industries themselves is very limited.

Tariff exemption and credit facilities encourage industries to employ relatively less labor and favor the use of excessive quantities of imported machinery and equipment. The limited general import capacity of the country, plus the inability of the authorities to administer the distribution of licenses and credits have led to industrial "dualism" and economic inefficiency, leaving disposable capital unjustly distributed among the country's various economic activities. Many of the favored industries have a very high capital-labor ratio, while the unfavored ones often have a capital-labor ratio which is far below the national average. An example of this is small artisans who work with very rudimentary instruments. If we consider the coefficients of production, the market to which their products is oriented, and the form in which their labor is recruited, we would expect sharp differences between small artisans and the manufacturing industries.

Most studies about the structure of the Dominican industrial sector only include the officially registered industries. Considering that many small industries and small artisans activities are not registered, it is not possible to study in detail the dualistic structure of the sector. However, taking the average productivity per employed person as a measure of productivity among registered industries, it is found that artisan industries show productivity levels lower than 50 percent of the average productivity, while manufacturing industries have productivity levels higher than 150 percent of the average<sup>15</sup>. As will be seen, the difference in labor productivity is due to the fact that manufacturing has been highly benefited by the law of industrial incentives while industries which make use of local raw material are totally excluded from the benefits of this law.

From the situation described above we draw the conclusion that the economic structures prevailing in the Dominican Republic aberrate a bit from those predicted by the theory of dualism. The

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<sup>15</sup> I.L.O. (1975), cuadro 56, p. 146.

origin and functioning of the agricultural and industrial sectors are the economic legacy of the incorporation (through colonialism) of the Dominican economy into the world capitalist system. The two sectors are neither so much "traditional" nor so much "modern" as the theory assumes. Neither the agricultural nor the industrial sector is uniformly structured. In the former we find the coexistence of enormous farms (*latifundios*) and small plots (*minifundios*), in the latter, the coexistence of capital-intensive industries and small artisans. Thus, the extent of "dualism" within sectors may be even greater than the one separating them. If we insist upon using "dualistic" terminology, we find that instead of being immersed in a state of "dualism", the Dominican economy finds itself in a situation of dual "dualism".

### III. The Sugar Industry

The Dominican Republic, as with the rest of the Caribbean, became integrated into the world economy through the establishment of the plantation system around 1654<sup>16</sup>. The plantation was created for overseas trade. It produced one commodity, sugar. Capital, enterprises and technology came from the metropolis; slave labor came from Africa. Since then the sugar industry has remained the most important productive activity of the country.

Sugarcane production occupies about 37 percent of the land under permanent cultivation<sup>17</sup>. The leading producer is the "Consejo Estatal del Azúcar" (State Sugar Board), an organ controlling the 12 sugar mills that belonged to the late dictator Trujillo<sup>18</sup> and which became State property after the dictator's fall in 1961. Second largest is Gulf and Western, an American conglomerate that, in the last decade, has penetrated many important sectors of the Dominican economy. The third largest producer is the Vicini family who owns 3 sugar producing mills.

As Table II shows, production in the American-owned mill is six times greater than the average production of a State-owned mill. The Gulf and Western mill accounts for 35 percent of total sugar exports, whereas the twelve State-owned mills account for less than 60 percent. The American-owned mill definitely has the highest productivity among all the sugar mills of the country. Differences in productivities may be due to reasons as land quality, irrigation facilities, timing of the cane harvest, etc.

More than 90 percent of total sugar production is exported, principally to the United States. The remainder, 10 percent, is consumed

<sup>16</sup> The first economic activity in the island was gold mining. After the decline of the indigenous population this activity was replaced by livestock-raising which became the main source of income for the colony. With the introduction of plantations livestock became a complementary economic activity. See Palmer (1976), pp. 48-51, and Stanley and Stein (1974), pp. 42-48.

<sup>17</sup> Díaz Santana (1976), p. 122.

<sup>18</sup> At the moment of his death, Trujillo controlled 63% of the sugar production, 63% of the cement production, 73% of the paper industry, 86% of the paint industry, 71% of the tobacco industry, 85% of the milk industry, 68% of the wheat and flour imports; he also controlled the major commercial bank in the country, etc. All of these properties were transferred to the State's patrimony. (*Breves Dominicanas*, Vol. 1, May 1978, p. 19).

Table II: Sugar Production and Exports by Type of Mill Ownership, 1972

Type of Ownership	Sugar Mills		Annual Production *		Exports	
	Number	%	Short Tons**	%	Short Tons**	%
State Property	12	75.0	899,761	60.8	715,760	58.6
Private U.S. Property	1	6.0	477,222	32.3	427,641	35.0
Private Dominican Property	3	19.0	102,638	6.9	78,043	6.4
Total	16	100.0	1,479,621	100.0	1,221,444	100.0

\* Includes left-over stocks.

\*\* 1 short ton = 0.907 metric tons = 2000 lbs.

Source: Díaz Santana (1976), p. 122.

domestically. This reveals the importance of the sugar industry as a source of foreign exchange for the country. The proportion of the country's foreign-exchange income earned by the sugar industry has continuously increased, reaching 60.5 percent of total foreign exchange earnings in 1971. However, in 1972, after the start of ferro-nickel exports, it fell to 50.5 percent<sup>19</sup>. In spite of the dependency of the sugar industry on international markets, this industry plays a very significant role in the country's economy, providing jobs and income to the working-class and affording the foreign exchange needed for industrialization. The sixteen sugar mills represent only 1.4 percent of all industrial capital and employ 74.9 percent of the industrial labor force; they pay 53.5 percent of all wages in that sector<sup>20</sup>.

Since the calling of the American boycott of Cuba in 1961, Dominican sugar has been awarded significantly higher quotas in the United States. A large parts of the Cuban quota has been granted to the Dominican Republic, as well as the privilege of compensating a significant portion of the occasional deficits of other sugar-exporting countries<sup>21</sup>. This rise in demand has been met by the incorporation of new land into sugar growing. The methods of production employed in the sugar industry are land-intensive and productivity per hectare is very low. During the last 30 years, the yield per "tarea" (= 629 m<sup>2</sup>) has remained almost constant, being 3.5 short tons per "tarea" in 1940 and 3.9 short tons per "tarea" in 1970. With respect to the percentage of sucrose extracted per volumen unit of sugarcane juice, productivity has fallen from 13.0 percent in 1940 to 11.7 percent in 1970. Regarding these results, Díaz Santana asserts:

"The fact that the yield per area cultivated land has remained stagnant indicates that both the quality of the means of production and of the corresponding work forces have remained constant, despite innumerable recommendations by official studies that production be modernized... The expansion into new cane-growing areas represents a concrete expression of a policy designed to maintain the present

<sup>19</sup> Díaz Santana (1976), p. 122.

<sup>20</sup> Ibid. p. 121.

<sup>21</sup> Díaz Santana (1969), p. 20.



productive forces. What is more, this policy perpetuates monoculture and economic dependency upon the United States."<sup>22</sup>

Sugar production has continuously increased in the last decade. From a total volume of 0.66 million metric tons in 1968, it reached a volume of 1.29 million metric tons in 1976<sup>23</sup>. Only in the 1968-72 period did sugar production increase, by 46 percent; employment in the sugar industry increased by 30 percent during the same period. There have been few technological improvements in the sugar refineries, and the installation of new equipment has not appeared to affect employment in any significant form<sup>24</sup>. The wages paid by the sugar industry are relatively low -whereas the monthly salary of a worker in the manufacturing industry (excluding sugar) was 147.80 pesos<sup>25</sup> in 1971, the corresponding salary of a worker in the sugar industry was only 59.50 pesos per month<sup>26</sup>.

About 90 percent of the sugarcane cutters are Haitian nationals. The abundant supply of cheap labor induces producers to continue the use of labor-intensive production methods.

#### a. Mechanization

In general, the methods of production used in the agricultural sector are land-intensive. Incorporation of new land into agricultural activities increased from 2,258,000 hectares in 1960, to 2,665,000 hectares in 1971. But expansion seems to be reaching its limit<sup>27</sup>.

The unequal distribution of land creates a situation where land is not scarce for the landowner but for the country as a whole. Although the population density by 1965 was 74 inhabitants per square kilometer, nearly all agrarian exploitation was very land-intensive. The scope for expanding the area presently exploited within traditional methods of production is very limited. The country simply has no more agrarian frontiers to be put under the plow<sup>28</sup>.

Now, given the limited amount of land, the importance of the sugar industry in the Dominican economy and the fact that most work in the industry is performed by imported labor, why has this sector not been modernized? What are the factors that impede mechanization and higher labor productivity in this sector?

A possible answer could be found in the dependent character of the economy and in the abundant supply of cheap Haitian labor whose pres-

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<sup>22</sup> Díaz Santana (1976), p. 126.

<sup>23</sup> Statistical Year Book, (1977), p. 732.

<sup>24</sup> I.L.O. (1975), p. 155

<sup>25</sup> 1 Dominican peso = 1 U.S. dollar, (official rate). The black market rate was 1.20 U.S. dollars in 1978.

<sup>26</sup> I.L.O. (1975), p. 76.

<sup>27</sup> Ibid., p. 130.

<sup>28</sup> Plataforma (1968), p. 119.

ence is condoned both by Dominican and Haitian authorities. The fact that 90 percent of the sugar production is exported makes the sector totally dependent on the international market. The quantity to be produced and the prices at which it is to be sold are determined by the forces of that market. Since prices are given, the only means of raising profits is by minimizing production costs. In minimizing costs, producers revert to the use of the cheapest available resources: land and unskilled labor.

As long as labor is abundant, it is cheaper to produce in extensive land portions. The application of modern production methods implies the use of highly specialized machinery and consequently higher investments. In this respect, it is argued that in a price taker country which produces to meet a given demand, has a very limited market size and an undynamic demand structure, the use of modern machinery and techniques is very limited<sup>29</sup>.

One of the characteristics of plantation economies is the coexistence of high rates of unemployment with a concurrent shortage of labor for plantation work. This situation has forced producers to substitute capital for labor. There have been certain shifts in the concentration of capital in the production process throughout plantation history. In the beginning, investments in the plantations were tied up in the procurement and maintenance of slaves; but after the abolition of slavery, capital concentration shifted towards machinery and equipment. More recently, a continuous shortage of labor for plantation work has led to an increase in the importance of machine capital for field operations. The trend has been in the direction of relatively more capital-intensive methods of production; a trend attributable to the nature of technological changes and to difficulties in the acquisition of labor<sup>30</sup>.

Clearly enough, this is not the pattern followed in the Dominican Republic. It is widely known that Dominican laborers refuse to work in the sugar fields, but since the supply of cheap labor is guaranteed by the Dominican and Haitian governments, the planters need not confront the necessity of investing in machinery and equipments. On the basis of this information, it may be said that the relations of production existing on the Dominican sugar plantations today hardly differ at all from those existing centuries ago.

It has been estimated that the intensive use of modern technology on the Dominican sugar plantations would reduce the labor demand by 14 percent per hectare, and even more if machinery were used in sugar cutting. On about 30 percent of the area dedicated to sugar crops modern technology is already in use<sup>31</sup>.

In countries like the Dominican Republic, rich in labor but lacking in capital, the use of modern technology is usually not recommended. It has however been argued that no harm would come to the economy

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<sup>29</sup> Díaz Santana (1976), p. 127.

<sup>30</sup> Beckford (1972), pp. 85-86.

<sup>31</sup> I.L.O. (1975), p. 101.

were the sugar industry to be modernized, because mechanization would not entail increased unemployment in the country, since most of the work in this industry is carried out by imported labor<sup>32</sup>. This point-of-view totally ignores the welfare of the Haitian workers. Any measure taken towards the transformation of the Dominican sugar sector should include an improvement of the standard of living of Dominican and Haitian immigrants alike.

#### b. The Haitian Labor

One of the legacies of the first American occupation of 1916 was the habit of importing Haitian laborers to the sugar plantations<sup>33</sup>. The American military governor of Santo Domingo solved the problem of labor shortage for road construction work and sugar cutting, by importing cheap unskilled Haitian labor<sup>34</sup>. This practice has continued to this very day<sup>35</sup> although, far from lacking any manpower, the Dominican Republic lacks jobs for 20 to 30 percent of its labor force, while nearly 50 percent of the working population is underemployed<sup>36</sup>.

The exact number of Haitian nationals living in the Dominican Republic remains a mystery, since the majority have immigrated illegally. In 1968, the Border Commission estimated that 200,000 Haitians lived legally or illegally in the Dominican Republic<sup>37</sup>. Other sources estimate that 200,000 - 300,000 are permanent residents and that an additional 20,000 come every year for the period of the cane harvest only<sup>38</sup>. The I.L.O. commission estimated that there are 40,000 Haitians working in sugar production, half of whom live permanently on the sugar plantations; the other half coming and returning every year to their country<sup>39</sup>.

The only time this traffic of laborers was interrupted was after the massacre of 1937 carried out by Trujillo. This tragic incident resulted in the persecution, expulsion and death of thousands of Haitians<sup>40</sup>. Though very soon migration was reestablished<sup>41</sup>, and it was intensified when the dictator became owner of the majority of the sugar mills in 1950.

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<sup>32</sup> Ibid., p. 101.

<sup>33</sup> Already by 1875 the participation of Haitian workers in sugarcane production was significant, but it was not until during the occupation that workers were brought to the country by the government itself.

<sup>34</sup> Hernández (1973), p. 55.

<sup>35</sup> The Dominican government negotiated the hiring of 15,000 Haitian canecutters to work during the 1978-79 sugar-cane harvest. (Breves Dominicanas, No. 6, February 1979).

<sup>36</sup> The unemployment and underemployment problems will be discussed in the next section.

<sup>37</sup> Hernández (1973), p. 54.

<sup>38</sup> Lundahl (1979), p. 626.

<sup>39</sup> I.L.O. (1975), pp. 135-136.

<sup>40</sup> Hernández (1973), p. 30. For details on this horrible incident see Prestól Castillo (1973).

<sup>41</sup> In 1939, the Dominican government paid 750,000 pesos to the Haitian government as indemnity for the incident of 1937. (Hernández, 1973, p. 31). The number of Haitians killed in that murderous epoch is estimated to be over 25,000. (Lundahl 1979, p. 626).

This demographic movement has been inefficiently regulated by official agreements between the two governments. In those agreements, a quota regulating the use of Haitian "braceros" in the sugar cutting is established. For this activity, apart from the wages received by the "braceros", the Haitian government receives a certain economic compensation<sup>42</sup>. Despite the existence of these agreements, a great number of Haitians are introduced clandestinely into the Dominican Republic. This has been admitted even by Dominican authorities<sup>43</sup>.

The fact that both Haitian and Dominican military forces control the borders confirms the belief that there are powerful economic interests helping to maintain the clandestine migration. It is argued that relegating Haitians to a state of clandestinity is just a means of containing Haitian laborers within a specific social category which makes them susceptible to the control and exploitation exercised by the sugar industries<sup>44</sup>.

Generally, Haitian laborers are brought to the Dominican Republic with the illusion of procuring a better life, but what they get is hard work under conditions which are unacceptable to Dominicans. During the harvest period, which lasts about 200 days, they work as sugar cutters, earning 1.05 pesos per short ton. They work all day without any break in order to cut two tons, or for the most skilled, three tons<sup>45</sup>. Although the work and living conditions in the sugar fields are inhumane the Haitian "braceros" continue coming and many of them prefer to stay. Obviously, the alternatives in their home country must be even worse<sup>46</sup>.

When the Haitian "braceros" arrive, they are distributed to the "bateyes" (small communities located in the vicinity of the mills). In the "bateyes", the "braceros" live in barracks where there is no ventilation, light or sanitary facilities.

The working conditions of the Haitian laborers today are merely the continuation of those their ancestors were subjected to at the time of their arrival from Africa generations ago. The "braceros" are, as were their forefathers, the property of the sugar industries. Their existence is totally limited to the sugar fields; they have no claim to identity papers and thus no freedom of mobility within the country. Even to those children born in the "bateyes", in some cases by Dominican mothers, identity documents are denied; de facto, they are adjudicated the condition of "Haitians"<sup>47</sup>.

The "braceros" are cheated and plundered without any consideration. After working from sunup to sundown the weight of the cut cane is falsified, thus reducing the cutter's pay<sup>48</sup>. The pay becomes so re-

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<sup>42</sup> Hernández (1973), p. 40.

<sup>43</sup> Ibid., p. 36.

<sup>44</sup> Ibid., p. 63.

<sup>45</sup> Díaz Santana (1976), p. 128.

<sup>46</sup> For a recent study on Haiti see Lundahl (1979).

<sup>47</sup> Hernández (1973), p. 64.

<sup>48</sup> Ibid. p. 74, and Díaz Santana (1976), p. 128.

duced that the "bracero" can hardly provide himself with a subsistence diet. Savings are almost impossible for these workers and the possibility of returning to their country is very limited, even for those willing to do so. When describing how onerous the work and life of the Haitian migrant workers are, Roland Wingfield writes:

"The life of a Haitian migrant worker in the Dominican Republic is reminiscent of slavery days. Their work consists of cutting or carting cane from dawn to dusk. The companies provide them with shacks and hammocks but they have to shift for themselves for food. It is incredible how they subsist on a meager diet of a little rice and beans which they cook themselves on open fires with occasionally some bread and very rarely some meat. They get their energy from the cane that they chew all day long while working... The return trip is at the expense of the worker and sometimes uses up half of his savings. Some actually walk all the way back. Since the majority are illiterate, they are occasionally short-changed when converting their Dominican pesos into Haitian gourdes... it is on the whole a shocking exploitation of people who are educationally and economically deprived and defenseless."<sup>49</sup>

That the Haitian "braceros" live under subhuman conditions is well known both by the Dominican people and the authorities. But, with some notable exceptions, the situation is seen as normal since Haitians are considered as inferior human-beings unable to provide themselves with a better life. For some Dominicans, Haitian is not only synonymous with "Negro", but also has the connotation of barbarian, deformed by sickness, corruption and superstition. This racism is vividly expressed in the now forgotten words of Joaquín Balaguer, president of the Dominican Republic until 1978:

"The Haitian immigrant in Santo Domingo has also been a breeder of idleness. The Ethiopian race is indolent by nature and does not apply its effort to any useful purpose... The Negro that emigrates to Santo Domingo is a being marred by horrible physical defects... from the pathological point of view, trade with Haiti has brought with it an undeniable deterioration of the race."<sup>50</sup>

Thus, in addition to the humiliating conditions in which they are forced to live, the Haitian laborers have to endure the racism of a society which considers itself different and superior.

#### IV. Unemployment and Underemployment

In the Dominican Republic there is a substantial and increasing number of workers in search of jobs and who are unable to maintain an adequate living standard due to the shortage of employment opportunities in the country. The bulk of unemployment is initially generated in the rural (agricultural) sector but, because of the rural-urban

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<sup>49</sup> Wingfield (1966), pp. 99-100, 101.

<sup>50</sup> Balaguer (1947), pp. 104, 102. (Author's translation.)

migration process, a considerable portion of open unemployment is concentrated in the urban (industrial) sector.

In this section, we will discuss the migration problem as well as the unemployment and underemployment situation in the rural and urban areas.

#### a. Rural-urban migration

From 1960 to 1970, the Dominican population increased at the rate of 3.0 percent per annum. This is estimated to be the net result of a natural rate of increase of approximately 3.5 percent less a strong migration movement, mostly to the United States. During this period, the urban population expanded at the rate of 6.2 percent and the rural at the rate of 1.1 percent per annum. In the rural zones, about 2/3 of the yearly population increase was offset by emigration to the cities or to other countries. This migration has been so significant that around half of the yearly urban population increase may be attributed to rural migrants<sup>51</sup>. The Dominican Republic is thus experiencing an intensive rural-urban migration process which puts very serious strains on employment, both by changing the composition of the labor supply and by placing a burden on the capacity of the economy to absorb the flow of an increasing number of people into the cities.

Due to the migration to other countries and because of the lower growth rate of the population in the forties, from 1960 to 1970 the Dominican labor force<sup>52</sup> increased at a lower rate than the total population, i.e., at 2.7 percent per annum<sup>53</sup>. The rural labor force increased at the rate of 0.7 percent per annum and the urban one at the rate of 6.0 percent, while in the capital the corresponding rate was 6.3 percent. The masculine and feminine labor force increased at the same rate in the rural zones but not in the cities, where the former increased at the rate of 5.1 percent per annum and the latter at 8.5 percent per annum.

Table III. Rate of Growth of the Labor Force, 1960-1970

	Rural Zones	Urban Zones	Total
Men	0.7	5.1	2.1
Women	0.7	8.5	6.7
Total labor force	0.7	6.0	2.7

Source: I.L.O. (1975), p. 6.

<sup>51</sup> I.L.O. (1975), p. 6.

<sup>52</sup> The "labor force" consists of employed and unemployed persons. "Employed" are those persons who have a job. "Unemployed" are those persons who do not have a job and are currently looking for one. "Inactive" are those persons who do not have a job and are not looking for one. The sum of the labor force plus the inactive constitute the total population. (I.L.O., 1975, p. 31).

<sup>53</sup> Ibid., p. 6.

The higher rate corresponding to women is partly due to their increasing participation in the urban labor market. Most women who migrate to the cities leave in search of work, especially as domestic servants. Another reason could be the strong emigration abroad of men in work age.

Rural migration was one of the factors contributing to the urban unemployment which emerged in the sixties and has continued in the seventies.

#### b. Urban unemployment and underemployment

In a survey made in 1973<sup>54</sup>, it was found that one out of every five persons belonging to the labor force of Santo Domingo was unemployed and was actively looking for a job in the week of the survey. This means that the rate of unemployment in that city was of 20 percent. However, the level of unemployment was not uniform among the different population groups. It depended on the relative necessity of employment of each group. The rate of unemployment among family heads (men between 25 and 54 years) was 6 percent, while among the rest of the referred population (persons over 15 years of age integrated in the labor force), the rate of unemployment reached 26 percent.

The reason for these differences is that the supply of labor is very inelastic among male heads of family, while being very elastic among other members of the labor force. The need of gainful employment in the first group is so acute that its members are forced to accept any job they may come across, irrespective of salary and working conditions. For this reason, as Table IV shows, this group exhibits the greatest rate of participation in the labor force and the lowest unemployment rate. On the other hand, since the members of the second group are not heads of family, and since they have the possibilities of carrying on alternative activities outside the labor market (such as studies and house-work), their attitude towards job-hunting is more selective than that of the first group. Their participation in the labor force is very low, while their unemployment rate is higher than the average.

The survey of 1973 also reveals that the level of family income depends on the combined employment situation for the members of the family. Half of the poorest families of Santo Domingo (those with a level of income of less than 20 pesos per week), have all their family members unemployed. Frequently, their means of subsistence are the money-orders which they receive from relatives working in the United States<sup>55</sup>.

In Santo Domingo<sup>56</sup>, 35 percent of the families have an income of

<sup>54</sup> Ibid., pp. 31-34.

<sup>55</sup> Ibid., p. 34.

<sup>56</sup> Santo Domingo is the capital of the Dominican Republic. Approximately half of the total urban population is concentrated in that city.

Table IV. Employment situation in February 1973  
(Expressed in percent)

Rates	Group I (Men head of family within the ages of 25 to 54 years)	Group II (Population over 15 years of age ex. Group I)	Population (Aged 15 years and more)
Rate of participation*	92	44	53
Rate of employment**	94	73	80
Rate of unemployment**	6	26	20

\* Percentage of the respective population category that belongs to the labor force.

\*\* Percentage of the respective population category in the labor force.

Source: I.L.O. (1975), p. 47.

less than 12 pesos a week and a level of employment of less than one person per family. At the same time only 22 percent of the families have an income of more than 60 pesos a week although their level of employment is almost 2 persons per family. These figures reveal the magnitude of the problem of open unemployment, especially among the members of Group II. Although the level of unemployment is relatively lower among the members of Group I, this in no way implies that their employment situation is less serious. Since the members of this group do not have any other alternative than to accept whatever kind of job they may be offered (because of the need for income to support their families), it is impossible for them, in most cases, to use all their potential productive capacity in the work they do. Since they cannot afford to be totally unemployed, they become underemployed. Thus, if the problem of open unemployment is a serious one, then that of underemployment is even worse.

In the above-mentioned survey, it was found that about 60 percent of the employed workers of Santo Domingo were underemployed<sup>57</sup>, mainly because of the occasional character of their work, the fluctuations in the magnitude of their activities and income, the limited number of hours worked per week or because they were earning less than they did in previous jobs<sup>58</sup>.

The highest degree of underemployment was found among the workers who did not hold a fixed job but who held a temporary one in the week of the survey. The most common type of jobs for this group are all-round chores that only last for a few days. Their income was less than 15 pesos a week.

<sup>57</sup> "Underemployed" are those persons who are seeking more work at going wages but are unable to find it. (Turnham, 1971, p. 83).

<sup>58</sup> I.L.O. (1975), pp. 35-42.



### c. Causes of rural-urban migration

The situation described above gives rise to a number of unanswered questions: -Why does the Dominican peasant migrate? What are the factors influencing his/her decision?

The Dominican peasants are not unique in their exodus from the country to the cities, the phenomenon is common to nearly all underdeveloped countries<sup>59</sup>. When the peasant decides to migrate to another country it is taken for granted that his decision is influenced both by the situation in his home country and by the one in the prospective country. If possible, he will choose to migrate to a country where he would have the opportunity of obtaining improved living conditions<sup>60</sup>. One may think that this same type of reasoning exists when the peasant migrates from the rural zones to the cities within the same country, i.e., that the peasant will migrate to a city where he would have the opportunity of a better way of life. However with the existing levels of urban unemployment and underemployment in the underdeveloped countries being as extreme as they are <sup>61</sup>, the decision to migrate seems totally irrational, unless the situation in the countryside is indeed much worse than that in the city.

There are empirical studies in which it has been demonstrated that the decision to migrate to cities afflicted by rising levels of unemployment, often represents a rational economic decision from the point-of-view of the individual. In a study on rural-urban migration and employment in Africa, Michael Todaro <sup>62</sup> assumes that the decision of each potential migrant to move to the city or not is based on an implicit "expected" income maximization objective. The principal economic factors involved in the decision to migrate are the urban-rural real wage differential that prevails for different skilled and educational categories of workers, and the degree of probability that a migrant will be successful in securing an urban job. Thus, the expected income relates both to the actual wage paid to an urban worker and to the probability that a certain individual will be successful in securing wage employment in any period of time. The combination of these two variables is what determines the rate and magnitude of rural-urban migration.

If, as pointed out above, migration represents a rational economic decision for the rural worker, despite the high risk of being unemployed for a long period of time, it must be because he judges the situation he left behind to be worse.

As for the Dominican case, there is no doubt that the situation in

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<sup>59</sup> A World Bank study reveals that in the L.D.Cs migration from rural areas accounts for half of urban population expansion. See Meier (1976), pp. 207-213.

<sup>60</sup> For the Dominican peasant that country is the United States. It is estimated that during the period of 1962-1969, 200,000 Dominicans migrated, the majority of them to the United States. (I.L.O., 1975, p. 83).

<sup>61</sup> The problem of unemployment in the L.D.Cs is thoroughly discussed by Turnham (1971), and Meier (1976) has many different articles about the same topic (ch. 4).

<sup>62</sup> A summary of Todaro's model is found in Meier (1976), pp. 201-206.

the rural zones is significantly worse than in the urban zones. It is estimated that more than 50 percent of the rural families have an income of less than 35 pesos a month to live on, while the official minimum salary is established at 60 pesos a month <sup>63</sup>.

Obviously, the main factor behind the migration decision of the Dominican peasant is the dire poverty in which he finds himself. There could be other reasons, such as the possibilities of enjoying social services and amenities -since these conveniences are absent in the rural zones- but whatever the case may be, the peasant is aware of the fact that urban wages are higher than rural wages, and that, although with some difficulties, he may be able to find a job and possibly benefit from the city's services.

#### d. Underemployment and labor shortage in the agricultural sector

One of the causes of the strong rural migration taking place in the Dominican Republic is the inability of the agricultural sector to provide enough work and income for the rural population. The sector employs more than 50 percent of the country's labor force, but the level of underemployment in the sector is estimated to be between 40 and 50 percent <sup>64</sup>.

The land tenure system existing in the country is likely to be responsible for the high degree of underemployment of the rural labor force and the high level of rural-urban migration. In effect, it is found that the multitude of minifundistas and their families do not have sufficient work, i.e., the labor-time required to cultivate and care for their small land plots is not enough to fully occupy their total labor capacity. In a way, they are almost unemployed since the concentration of the entire family on a small piece of land necessarily implies that part of the employed labor is effectively non-productive.

It is estimated that families cultivating farms of less than 10 hectares are occupied only six months of the year. Underemployment among the minifundistas is greater than among landless laborers. The latter are occupied about 2/3 or 3/4 of the year. The reason for this difference seems to be that the minifundistas have less freedom of movement because they are obliged to take care of their yields; this would be impossible if they were to work at any greater distance from their farms <sup>65</sup>.

Labor demand in the agricultural sector fluctuates throughout the year. The month of greatest activity is December. During this month part of the sugarcane zafra, the coffee and part of the rice, tobacco, peanuts and cacao harvest all coincide. However, even in December

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<sup>63</sup> I.L.O. (1975), p. 58.

<sup>64</sup> Ibid., p. 132.

<sup>65</sup> Ibid., pp. 131-134.

and the following months when the concentration of the sector's activities is at its maximum, underemployment remains while in the harvesting areas a tremendous labor shortage exists. It is reported that in some zones it is impossible to pick the entire coffee yield because of labor scarcity, while in the areas outside the hillocks where coffee is cultivated, labor exists in abundance <sup>66</sup>.

This situation seems totally absurd. It is difficult to grasp that people should acquiesce to underemployment and poverty knowing their labor is in demand some miles away from their homes, but it is even harder to understand that in a country as poor as the Dominican Republic, with an extraordinarily high level of unemployment and underemployment, part of the product of the most important sector of the economy is actually lost because of labor shortage.

A complete explanation of this phenomenon is not easy to find. Certain research must be done before a definitive answer can be given. Nevertheless it seems that a possible explanation could be found in the non-economic character of the country's agrarian structures and in the inability of the Dominican authorities to implement effective economic policies. Referring to this problem, the I.L.O Mission argues that the coexistence of underemployment and labor shortage in such a small country, with a relatively good network of paths and roads, shows that the Dominican labor force has very little mobility. The low mobility is said to be a consequence of the composition of the rural labor force; at least four of every five rural workers are minifundistas, who have no desire to move from their small land plots to far away places for any greater length of time. This immobility of the rural labor force is also put forth by the Mission as the explanation of the necessity of bringing in Haitian laborers every year to the sugarcane plantations <sup>67</sup>.

However, the tremendous rural migration which has taken place in the Dominican Republic, gives one strong reasons for doubting the validity of this argument. Why should rural workers take the paths and roads to the cities venturing the risk of becoming unemployed or underemployed instead of choosing the roads leading to those areas where a demand for labor exists? It is true that the minifundistas "refuse" to leave their "fundos", but it is also true that the working conditions and the salaries paid in most agricultural activities are anything but attractive.

Obviously, if a person is to choose to work and live on subsistence land plots, or to migrate to a city risking unemployment and misery in the slums, the other alternatives before him must be even worse. Thus, if the rural worker prefers to continue to be underemployed on his small farm instead of moving to areas where labor is scarce, it must be because he is aware of the fact that moving will not award him any income increase. Although he may very well secure employment, he judges the salaries paid in those areas to be too meager to justi-

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<sup>66</sup> Ibid., p. 133.

<sup>67</sup> Ibid., p. 134.

fy the move. The opposite situation occurs when he decides to move to the city, i.e., although employment is far from being secured, he judges the salaries paid in the urban areas as being worth the move.

Both the Dominican planning authorities in 1967 and the I.L.O. Mission in 1973 agreed on the necessity of an agrarian reform <sup>68</sup>. In the last decade the Dominican government has been implementing an "agrarian reform" from which very timid results have been obtained, mainly because the majority of the latifundios have been untouched, i.e., the land dedicated to sugarcane and livestock production <sup>69</sup> is totally excluded from this reform <sup>70</sup>.

The inability of the Dominican authorities to enact a deep and effective agrarian reform could be due to the fact that any step in this direction could affect the economic interests of the landowners who throughout the history of the country, have been the most influential group in its political and economic spheres.

## V. Growth and Employment

The Dominican economy has been growing relatively quickly during the last decade but, contrary to international expectations, growth has not been accompanied by any improvement in the standard of living of the majority of the population. In this section we will discuss just what are the factors obstructing the spread of growth and consequently retarding the economic development of the country.

Since 1968, the economy has grown at a very intense and stable rate, varying from a maximum of 12.1 percent in 1969, to a minimum of 9.5 percent in 1971. The average percentual growth rate per annum during the period 1969-1973 was 10.9 (Cf. Table V) <sup>71</sup>. The sectors which have experienced the strongest growth have been the non-agricultural ones. However, despite the extraordinary rates of growth of production in almost all the sectors of the economy, evidence reveals that this growth did not bring about any substantial change in the employment situation of the country.

In order to trace the effects of growth on employment, the I.L.O. Mission compared the results of a sample survey on the employment situation in 1969 with another one made in 1973. The study concluded that the rate of open unemployment in Santo Domingo did not decrease during the period 1969-1973 <sup>72</sup>. One of the possible reasons for the persistence of unemployment could be that the economic expansion actually created employment, but that these job opportunities were

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<sup>68</sup> Ibid., pp. 141-144.

<sup>69</sup> Livestock production occupies 57 percent of the country's total land area. (I.L.O., 1975, cuadro No. 55, p. 146).

<sup>70</sup> Ibid., pp. 138-140.

<sup>71</sup> After 1973 the Dominican economy has continued growing at about the same rate, possibly with the exception of 1978, when political incidents may have affected the economic activities of the country. For the period 1970-1976, the average growth rate was of 9.1 percent per annum. See Statistical Year Book (1977), p. 732.

<sup>72</sup> I.L.O. (1975), pp. 68-69.

**Table V. Evolution of G.D.P. per sector of the Economy, 1960-1972.**  
(At prices of 1962, in percent)

Sectors	Period (1960-1968)	Period (1968-1972)
The economy as a whole	3.7	10.9
Agriculture	0.0	4.9*
Mining	2.5	39.5
Manufacturing	3.1	17.1
Construction	11.2	17.5
Electricity	8.2	13.2
Transport and Communication	7.6	9.9
Commerce	3.6	13.2
Finance	4.2	5.4
Housing	6.1	6.5
Public sector	7.4	4.5
Other services	6.2	8.5

\* 1968 was a year of abnormally poor yields, if this year is excluded, the average annual rate for the period would be 7.6 percent. (I.L.O. 1975, p. 7).

Source: I.L.O. (1975), cuadro 27, p. 74.

absorbed by the group of underemployed and not by the unemployed <sup>73</sup>. Another reason may be that the absorption of labor is very low in the most productive activities, while most employment is concentrated in the sectors with the lowest productivity.

Hence, the mine and energy sectors have the highest productivity but they employ less than 0.3 percent of the labor force while the agricultural sector employs 55 percent. The manufacture and construction industries employ, respectively, slightly less than 8 and 3 percent of the labor force, while the public sector and other services concentrate 34 percent of the labor force.<sup>74</sup>

Evidently, one of the fundamental factors which have contributed to the maintenance of unemployment has been the structure and the type of growth which have characterized the Dominican economy over the last years. Growth has been concentrated in those industries of the modern sector which operate with a high concentration of capital. This had led to greater differences in productivity levels, to a sluggishness in the creation of employment opportunities and to a deterioration in the living conditions of the majority of the population <sup>75</sup>.

<sup>73</sup> Ibid., pp. 69-72, and 112-113.

<sup>74</sup> Ibid., p. 98.

<sup>75</sup> In 1973, the group of people with the lowest income level was found to receive an income proportion which was inferior to the one they had 5 years before. Ibid., p. 61.

Statute No. 299 on industrial "incentives", from 1968, has played a key role in the recent development of the Dominican industry. This law allows newly established industries to import raw material, intermediate products and combustibles totally duty-free during a period of at least eight years. The majority of the industries which make use of local raw material cannot benefit from this law <sup>76</sup>.

Statute No. 299, as well as other government dispositions, concedes exemptions of as much as 100 percent of taxes on profits of those industries which invest their profits in new equipment. The capital-labor ratio in the majority of the favored industries is 25 percent higher than the average ratio of the rest of the registered industry excluding the sugar industry <sup>77</sup>.

Government protectionist policies have had, as a result, the outcome that capital is priced below its opportunity cost. For this reason, some of the privileged industries tend to have an installed capacity which is out of proportion to the size of the market and this in turn leads to an underutilization of the factors of production. On the other hand, since income is concentrated in a few hands, the internal market grows very slowly thus reducing the possibilities of fully utilizing the installed production capacity.

## Conclusion

The evidence presented in this paper shows that the retrograde agrarian structure of the rural sector as well as the incapacity of the modern sector to provide sufficient employment and income are important forces contributing to the maintenance of the economy in a state of underdevelopment. These forces are continuously in action making underdevelopment a dynamic process. In this process, the economy may grow, but the economic structures of the country and the institutions that maintain them pose strong obstacles for real development. As long as these economic structures remain unchanged, conventional economic policies for achieving self-sustaining growth will hardly meet with any success.

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<sup>76</sup> Ibid., p. 156.

<sup>77</sup> Ibid., pp. 156-162.

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