

GLOBALIZATION, TERRITORY AND INSTITUTIONS: THE CASE OF BARRANQUILLA, COLOMBIA, 1990-2010

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ABSTRACT

This paper studies the relationship between globalization and territory from an institutional economics perspective. The goal is to show that the notion of territory as a specific geographic space is an important factor and that territory exists wherever human agency interacts with social, political, institutional and economic structures. From this perspective, we examine the case of Barranquilla, Colombia, to show that cities must not only be close to the sea to take part in the global economy but that ceremonial/instrumental institutional patterns are also important to understand and evaluate the impact of globalization on a specific territory. When several leaders of Barranquilla's social and economic sectors exhibited a clear civic commitment (i.e., when they supported instrumental institutions), the city achieved a good economic performance. The opposite outcome happened when ceremonial features and inadequate institutions had imposed their logic on the city's economy.

Key words: Globalization, territory, institutions, Barranquilla, Colombia.

JEL Classifications: B52, F02, R19.

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RESUMEN

Globalización, territorio e instituciones: El caso de Barranquilla, Colombia

Este trabajo estudia la relación entre globalización y territorio desde la perspectiva de la economía institucional. Nuestro propósito es mostrar que la noción de territorio como espacio geográfico específico es un factor importante y que el territorio existe dondequiera que la actividad humana interactúa con estructuras sociales, políticas, institucionales y económicas. Desde esta perspectiva, examinamos el caso de Barranquilla, para mostrar que las ciudades no solo deben estar cerca del mar para hacer parte de la economía global sino que los patrones institucionales ceremoniales/instrumentales también son importantes para comprender y controlar el impacto de la globalización en un territorio específico. Cuando varios líderes sociales y económicos mostraron un claro compromiso cívico (es decir, cuando apoyaron a las instituciones instrumentales), la ciudad mostró un buen desempeño económico. El resultado opuesto ocurre cuando las características ceremoniales e instituciones inadecuadas imponen su lógica en la economía de la ciudad.

Palabras clave: Globalización, territorio, instituciones, Barranquilla, Colombia.

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I. INTRODUCTION

Mainstream economics assumes that territories are flat and that transportation costs will define the geographic location of its economic activities. In this paper we look beyond this claim to propose that a territory is a specific geographic and social space, rather than a simple portion of flat land. That is, territory matters. A territory has singular conditions due to complex economic, social, cultural and political processes that evolve in an unfolding manner. This complex set of processes generates ideological views and habits of thought (i.e., institutions), which are different in every territory. Thus, human behavior is different in each territory. Habits of thought – in a particular territory determine the type and pattern of the territory's corresponding social relationships. Hence, the relationship between globalization and territory fits perfectly into the institutional analysis.

In this paper, we will use the institutional economics approach to explain how scholars can address the relationship between globalization and territory.¹ To do so, we study the case of Barranquilla, a port on the Caribbean Coast of Colombia and its fourth largest city, with a metropolitan population of 2 million people. The paper is divided in four sections. The first will examine this relationship and the reasons for studying globalization and territory using an institutional approach. The second section will present the case of Barranquilla to show how agency and structure have determined the city's adaptations in response to globalization. We will find that when the city's leaders show civic commitment through the support of instrumental institutions, Barranquilla experiences economic advances. The opposite occurs when non-progressive ceremonial and predatory institutions are dominant. In the third section, we briefly show the positive and negative effects of the globalization process on Barranquilla, a port city in a developing nation. In the fourth section, we present some concluding remarks.

II. GLOBALIZATION AND TERRITORY FROM AN INSTITUTIONAL APPROACH

Globalization is not a new phenomenon. It has existed for more than 500 years and is even susceptible to changes involving human innovation and creativity (Wallerstein, 2000). Under capitalism, globalization has reached the height of its influence. Globalization has extended its reach not only to the economic but also to the political and cultural aspects of civilization.

During the past 20 years, scholars have taken two basic approaches in studying globalization: they either adopt a radical point of view by simply opposing globalization, or consider globalization as an opportunity to enhance global competition and solidarity. According to Goran Therborn (2000), there are four types of theories of globalization. First, the *competitiveness economics* approach states that the world's countries are competing for the shares of growing markets and

¹ As will be explained later, the institutional economics approach used in this paper derives from the American or «original» Institutional Economics, based on the work of Thorstein Veblen, Clarence Ayres and John R. Commons, and derived from a realist and pragmatist (Dewey) ontology and epistemology, very much different from the traditional Neoinstitutional Economics, which remains within the neoclassical paradigm.

that people have to adapt to this situation to be competitive. Second, the *social-critical* theory, based on the negative consequences of globalization generated by the intensification of international competition within a specific territory. Third, the *cultural effects* theory, related to the evident impacts of globalization on local, regional, or national cultures. These impacts include the possibility of abandoning symbolic forms, social images, cultural practices, and lifestyles. Finally, the *planetary ecological* theory perceives global society as a part of a planetary ecosystem. The most eloquent manifestation of this theory is the idea of global consciousness.

Aside from the recognition that globalization is not a new event and the categorization of these four types of theories, we can observe how globalization has been affected by geography. Specifically, we find that a relationship exists between the globalization process and territory. On the one hand, the territorial aspect matters, given that we can buy and sell anything throughout the world. On the other hand, some specific territories (i.e., cities, regions, or nations) have benefited more from globalization than others. Thus, territory is a useful concept for social analysis because territory is a portion of land over which men and women have historically taken possession. As a consequence, the land owned by the various members of society is linked to their power and to complex social relationships. This finding explains how the spatial aspect of globalization is created (Trinca, 2006).

Another reason for considering territory as a key concept when studying globalization is that territory always exists if social processes occur in real time. Although technological innovations give the impression that the time factor is more important than the territorial factor, nothing can be done with a sense of «when» (i.e., time) if we ignore the question of «where» (i.e., territory). In other words, time occurs through territorial relationships instead of vice versa. Hence, the relevance of the notion of territory (Trinca 2006, p. 5).

Mainstream economics explains the location trends of economic activities using a representative agent who has no capacity to interact with other members of the society, even though he or she is an active member of society. In this sense, mainstream economics does not consider the territorial aspect within its subject matter. If we account for territory, then we have to include the complex social relationships involved with the territory that allow us to define the territory as such. Therefore, territory is a social space in which particular complex social interactions are organized. At the same time, a particular territory has an identity

that regulates the position, form, and structure of the several elements, which, in turn, are characteristic of the territory (Cuervo 2006). Clearly, the interaction between human agency and structure (i.e., composed of institutions) that takes place within a territory is complex. In any given territory both ceremonial (related to predatory behavior, such as corruption) and instrumental (related to the functionality of the technology – i.e., how we do things – to solve human problems) institutions influence social behavior.²

Previous research has found that globalization may change territories that embrace it, through, for example, free trade. Nonetheless, globalization does not exclusively impact the economic aspects of a territory; it also affects its social, cultural, and information flows. According to Acheson (2010, p. 6), «The public management of information provided by local media, controlled media, or powerful cartels allied with local groups has become more difficult because of the proliferation of video cameras, cell phones, instant messaging, social networking sites, blogs open to comment, and information sites on internet».

If we only consider the neoclassical framework while studying these impacts, we will be limited to an economic explanation. We can circumvent this limitation if we seek an institutional account of the effects of globalization. Following this method, we will find that economic integration is incomplete, partial, unequal, and strongly hierarchical (Cuervo, 2006). We arrive at this conclusion because every process of institutional change should take time. That is, change generates effects that are not immediate. It was John F. Foster who suggested the three so-called principles of institutional adjustment: instrumental primacy, recognized interdependence and minimal dislocation.

Globalization induces changes in the sense that societies move towards an unexplored area where means and ends have to continually be modified to reach solutions to the particular problems of the territory. In fact, these changes, not all of which necessarily have socio-spatial effects, are relevant to the socio-space (i.e., the territory). On the one hand, changes may consist of physical modifications to the space to promote economic activities. On the other hand, these changes may modify the broader conception of territory. For instance, how globalization affects the city's ideology, how it affects the notion of a region of reference and

² For the distinction between instrumental and ceremonial features of institutions and for a review of the theory of institutional adjustment, see Foster (1981a and 1981b).

the ethical and political concepts (Cuervo, 2006). In other words, globalization may incorporate changes that consider the burden of institutions in a society. For instance, a society dominated by instrumental behaviors may adapt easily to the idea of a global society; due to the prevalence of instrumental patterns of behavior the adoption of modernity reaches a point where settled habits of thought can be changed and directed toward a more progressive path.³ In consequence, the ceremonial and instrumental institutions of a territory will determine whether globalization becomes a threat or an opportunity.⁴

From an institutional perspective, collective consciousness is an important driving force. Because the internal interactions between agency and structure do not occur in isolation in a global capitalist economy, the collective consciousness of a particular territory is influenced either by the inner, singular processes of these interactions or by external factors. This finding is reaffirmed by Cuervo (2006), who asserts that «the collective consciousness, such as theoretical, ethical and institutional concepts, have a powerful reformer role taking into account that these contribute to synchronize human behavior and give it sense and aims.»

An example of the collective consciousness that has emerged from globalization is the idea of global cities. These cities are examples of economic success. As a result, policymakers have determined that the key to becoming a global city is to follow the policies implemented by these cities. In other words, imitating representative global cities is necessary to becoming a «winner territory» in the globalization process. In this regard, multilateral organizations have proposed a series of reforms based on free trade and financial deregulation as a universal recipe, even though we know that globalization affects countries at the microeconomic level (i.e., through technological advances and the production process). Further-

³ Veblen (1909) defines institutions as «settled habits of thought Common to the generality of men that help to organize their lives».

⁴ According to Bervejillo (1996, p. 13-18), globalization generates four threats to territories: exclusion, where some geographic areas that lack governments may no longer be considered necessary to the global economy; subordinated integration, where territories are taken over by global external players that lack deep-rooted affiliations with the territorial affiliations, as well as a sense of responsibility and accessibility toward local societies; fragmentation and economic and social disintegration, where territories disintegrate because some regions are considered winners and others are considered losers; and environmental crisis, where the application of a non-sustainable model of development causes environmental destruction. Bervejillo also argues that opportunities may emerge from greater access to capital, technology, and markets. However, globalization can raise the value of endogenous resources in the territory.

more, globalization not only affects national cultures and media but also push them to adopt democracy and human rights (Stallings, 2001). Also, from our evolutionary perspective, globalization cannot be taken as a «universal recipe», for it is an unfolding process that will unfold differently depending on the territory.⁵

Unfortunately, globalization has been promoted in developing nations by neoliberal policymakers, whose fundamental objective is to downsize governments and to promote deregulated markets. Yet, this approach is misguided. The purpose of globalization should not be limited to the reduction of the size of government. Instead, globalization should introduce international organizations to compensate for the negative effect of foreign competition, to stimulate lagging sub-national territories, and to regulate economic activities. Some studies have shown that the success of winner regions around the world, such as Catalonia (Spain), Rhone-Alpes (France), and Baden-Württemberg (Germany), can be explained by the strong synergy between regional policies and national governments (Moncayo, 2003).⁶

It should also be pointed out that instrumental institutions, such as civic commitment, affect socioeconomic development and government effectiveness. In sum, a strong society generates both a strong economy and a strong government. Civic commitment indicates that interest in public affairs and devotion to public interest are signals of civic virtue (Moncayo, 2003). We will see below that Barranquilla was able to impose its civic commitment (i.e., an instrumental institution, an instrumental habit of thought) against a local government strongly influenced by the national forms of public administration based on patronage (i.e., a ceremonial institution).

Although some perceive globalization as an exclusively good or bad thing, we argue that this is a false dichotomy. Globalization clearly impacts territories in which complex social processes take place. Therefore, from an evolutionary point of view, globalization may have both positive and negative results. Our view is

⁵ For more insights about the theoretical aspects of what we have called here the «unfolding process», see Veblen (1898 and 1909).

⁶ This argument is also found in Best (1993, p. 3), who says that, «True, the commitment to long term industrial success is backed in these countries (Southeast Asia) with high savings ratios, in some cases in excess of 20 percent of national income, and governmental interest and exchange rate policies that enhance the competitiveness of manufacturing firms. But we also find new strategically oriented industrial policy institutions which channel savings into productive investment. They are established in some cases at the central government level, and at other times at the local government level or by extra-firm agencies that are public and private hybrids.»

similar to that of Moncayo, who argues that «(the) territory is the outcome of a process that emerges from players' strategies and the phenomena of collective learning» (2003, p. 42). In other words, the means and ends are adjusted in a continuous unfolding social process that involves an agency-structure relationship.

The conceptual work carried out in this paper is based on the methodological contributions of Veblen's evolutionary theory, and the American pragmatist philosophical school, in particular John Dewey's fundamental piece, *Human Nature and Conduct* (2008 [1922]). As may be expected, the reader has to leave aside a positivist reading of our analysis, which takes us away from the neoclassical approach and in particular the new institutionalism. Of course, academic discussion is always encouraged.

III. TERRITORY, GLOBALIZATION AND INSTITUTIONS IN BARRANQUILLA SINCE THE NINETEENTH CENTURY

In Barranquilla, both collective and individual agencies have played a role in social processes. These agencies have been touched by a structure shaped by institutions (i.e., habits of thought that are conventionally accepted guidelines by means of a process of habituation and have since become social rules) (Hodgson, 2006). The history of Barranquilla truly began when, in the nineteenth century, the city came into contact with the rest of the world through foreign immigration and dynamic commercial and international trade activities. During the tobacco boom of 1850-1875 its economy grew exponentially. But, had this boom not been made possible by an implicit agreement between the government and the business sector, and similarly, an active and interested civil society, it would not have dramatically impacted the city's economy. Hence, one should explore the relationship among globalization, territory and institutions in Barranquilla. For this purpose, it is useful to briefly survey the history of the city.

Before the first half of the nineteenth century, Barranquilla was unable to import goods because of legal restrictions on free imports in the nearby port of Sabanilla. Furthermore, the population of Barranquilla was exposed to endemic tropical diseases that frequently caused many deaths. The legal restrictions on imports through Sabanilla were finally removed in 1849 at the onset of the federalist period in Colombia. Thereafter, free trade was welcomed in the city. This economic liberalization accompanied the tobacco boom and made Sabanilla the main port of Colombia. After the construction, in 1871, of a railway that connected Barran-

quilla with Sabanilla, the city provided an even more favorable environment for exports. As a consequence, Barranquilla accumulated a large amount of capital and the first formal banking and transportation activities emerged (Minski and Stevenson, 2009).

Although travelers faced problems of navigability when approaching the port of Barranquilla, the consolidation of the city's navigational routes through the Magdalena River enhanced its commercial activities. In addition, between 1851 and 1875, population grew from 6,114 to 16,549; this led to increased demand for urban land for the construction of housing, hotels, storage facilities and factories (Minski and Stevenson, 2009, p. 132). American, German, Jewish and Middle Eastern immigrants helped to stimulate the growth of businesses and entrepreneurship in the rising city, even though these groups only accounted for approximately 2% of the population. Moreover, these groups eventually comprised the city's economic, social and political elite (Minski and Stevenson, 2009).

By the 1880's, Barranquilla began to exhibit signs of modernity, such as the installation of public utilities (i.e., water supply and electricity). Likewise, Barranquilla's economic structure changed subtly from a primary product-based economy to a service-based economy, especially with the expansion of commercial activities. Specifically, during the nineteenth century, many businessmen focused on river transportation and exporting agricultural goods. Later, at the beginning of the twentieth century, business community shifted to multifunctional activities and became importers, merchants, trade commissioners, representatives of commercial houses, and, in some cases, manufacturers of several inputs. For this reason, some historians argue that Barranquilla has profound roots as a pioneer in the commercial sector, not only in Colombia but also in South America (Minski and Stevenson, 2009, p. 238).

Free trade guided by the tobacco boom resulted in high economic growth in Barranquilla after the middle of the nineteenth century. Nonetheless, this free trade was not accompanied by a social policy program. A high concentration of wealth emerged, and the city's commercial and transportation activities generated the highest revenues among all of its economic activities. However, only 5.7% of the population was employed in these sectors; this group had the highest income in the city (Minski and Stevenson, 2009, p.131).⁷

⁷ The second largest income group was the storekeepers (10.4%), and the third were the farmers, craftsmen, and river workers (83.4%). The second activity generated more revenue than the third (Minski and Stevenson 2009, p. 131).

To this lack of a redistributive policy should be added the biased institutional matrix inherent to the federalist era of Colombian history (1850-1880).⁸ During this period, Colombia adopted liberal, anticlerical and federal reforms. Nevertheless, Parada writes, «all the economic decisions related to property rights, land, mines and economic policies were defined at a regional level (by the elites) based obviously on the exclusion of the underlying population» (Parada, 2006). Furthermore, because the judicial system was strongly influenced by the political class, the system favored the elite (Kalmanovitz, 2010, p. 96). Thus, the lack of a redistributive policy along with an increasing accumulation of capital resulted for Barranquilla in a process of internationalization and modernization under a very pre-modern institutional matrix.

By 1897, Barranquilla had a population of 21,953. We should recall that the period of Colombian history known as the *Regeneración* occurred during these years. At this time, Colombia adopted a new constitution (1886), the pillars of which were centralization, protectionism, and clericalism (Parada, 2006). Barranquilla followed the national trend set by the 1886 Constitution. The city's local politics was determined by the dispute between the conservative and liberal elites for the Mayor's office, the town council, the customs office, the Bolivar railway administration (built in 1871) and the other agencies of the national government. In Barranquilla, Rafael Núñez, the leader of the *Regeneración*, enjoyed the support of his cousin, Francisco Palacios, in political and bureaucratic matters and of Pedro Maria Revollo, a priest and friend, and also a confidant of President Núñez's wife. Revollo helped the cause of the *Regeneración* by using the press and church pulpits to defend the conservative ideas that were in vogue (Minski and Stevenson, 2009, p. 153). In sum, Barranquilla at this time had a social order in which the power of privileged socio-economic groups predominated.

A significant manufacturing sector existed within the city during the two last decades of the nineteenth century. For instance, there emerged manufacturers of tiles, food and other goods (e.g., pasta, oils, and ice). Thus, the city experienced vigorous economic growth, even though more than half of its population lived under

⁸ This biased institutional matrix provides clear evidence of the resilience of institutional change in the Colonial period. Specifically, we can assert that a strong dislocation of the Colonial order occurred (Parada, 2006).

adverse socioeconomic conditions (Minski and Stevenson, 2009, p. 153).⁹ Nonetheless, at the end of the XIXth and the beginning of the XXth century, Barranquilla was a working-class city. It was, for example, the epicenter of the rise of union movements in Colombia, contributing both union leaders and strategies to the national labor movements.¹⁰ Although union movements emerged because of the inequitable distribution of income, the road to a mature union movement would be permeated by conservative and liberal political trends such that unionism had its conservative (i.e., Catholic) and liberal (i.e., radical Marxist) movements (Kalmanovitz, 2010, p. 234-238).

The local government handled its affairs through patronage. Neither the *Regeneración* nor the federalist period could abolish the ceremonial practice of patronage as a system of government administration. In fact, the practice was even more heavily reproduced during this era. Patronage still exists today. However, Barranquilla lost the civic spirit of the founders who worked as a counterbalance against the ceremonial features of the political class. Because of the city's contact with the rest of the world, a group of civic entrepreneurs took the initiative to address the problems of Barranquilla's public utilities, infrastructure, education and culture since the XIXth century (Restrepo, 2000, p. 165). Unfortunately, as time passed, cosmopolitan and progressive attitudes disappeared. Additionally, during the National Front period of Colombian politics (1958–1974), Barranquilla was a less receptive city to manifestations of foreign culture, and the rise of ideological manifestations promoted the conservation of traditions in every aspect of city life (Minski and Stevenson, 2009, p. 238).

During this era, opportunities emerged for local predatory governments that were no longer interested in sustaining dialogue with businessmen and the rest of civil society and vice versa. Local politicians focused on consolidating their electoral fiefdoms and perceived the city's treasury as spoils to be shared among their friends. In the 1960's, according to the Canadian economist Lauchlin Currie, no positive coordination existed between the political leaders and businessmen. For instance, between 1925 and 1960, a local administration board composed of a

⁹ The periphery consisted of the Chiquinquirá, Rebolo, San Roque and Barrio Abajo neighborhoods, which had poor socioeconomic conditions. Altogether, 57.32% of the population lived in this area (Minski and Stevenson 2009, p. 153).

¹⁰ By 1948, 70% of Barranquilla's workers were unionized. In contrast, only 14% and 21% of Bogotá's and Medellín's workers, respectively, were union members.

director put in charge by the Illinois Central Trust Company, a representative of the Chamber of Commerce, and a representative of the town council managed the local government's public utilities. This arrangement, which was established through a contract, is evidence of the dialogue between businessmen and political leaders. However, when the contract expired in 1960, the public sector assumed responsibility for the local water works, and the management of Barranquilla's public utilities deteriorated. In fact, between the mid-1950's and 1960's, Barranquilla's version of the local predatory government was at its zenith. The inflow of immigrants from many regions of Colombia represented an opportunity for the political class to enhance its electoral fiefdoms. Most of the time, these immigrants received land without undergoing any sort of legalization process in exchange for their votes. Of course, this practice was endorsed by political leaders (Bell and Villalón, 2000, p. 270-271).

Between 1966 and 1988, the city was engaged in a marked struggle for political control of its governing bodies. As we previously pointed out, during the National Front period of Colombian politics, in which the two traditional parties shared power (1958-1978), the local elite, which was mostly represented by traditional families, had control of the two most important public offices: the municipal and the departmental governments (Barranquilla is the capital of the department of Atlántico). At the same time, other political groups that lacked such prestigious surnames were relegated to seats in the city and departmental councils. Nevertheless, these excluded groups gained more voters and seats during this period in not only these councils but also the National Congress. This historical development has notable implications. For instance, Jose Name Terán, one the leaders of these emergent political groups, became president of the National Congress in 1984. Through his rise to office, he was able to promote the election of Fuad Char Abdala for Governor, the first time in which a member of a non-traditional family had held that position (Villalon, 2003, p. 121). This event paved the way for a considerable power struggle in 1988, during the first election for Mayor in the history of the city (before this time, mayors were appointed by the Governor of the department who, in turn, was appointed by the President).

The 1988 election was important because these two political groups, the traditional family politicians and the emergent «excluded» groups, were natural antagonists. The «new» political groups won the election, and the now lagging traditional political group decided to concentrate on controlling the Barranquilla Chamber of Commerce, where it would work on an alternative political agenda supported

by businessmen. However, this agenda did not have a great impact on the election. Hence, the «new», and formerly «excluded,» political groups and the now reduced traditional politicians and businessmen were working separately and had different economic, political, social, and cultural interests (Villalón, 2003, p. 122-123). Therefore, common goals for the city were put aside and consensus was not sought.

In the following years, the mayoral elections were plagued by demagogy and a lack of serious proposals for the city's development. During the first half of the 1990s, these problems opened the political stage to the *Movimiento Ciudadano*, which was led by Bernardo Hoyos, a priest who had the support by the low-income sectors of Barranquilla. Hoyos ran for Mayor and won the election. Somewhat paradoxically, this political movement offered the same promises of social emancipation proposed by the «new» political groups but gave way to the privatization of public utilities. We will address this development in more detail in the next section. The *Movimiento Ciudadano* governed the city without seriously dealing with issues, such as the local economy, jobs, the port's infrastructure problems, environmental issues, and urban planning. Similarly, the *Movimiento Ciudadano* also antagonized businessmen. Thus, the previously solid institutional matrix between government and business, which was fundamental to the city's functioning from the end of the nineteenth century to the first half of the twentieth broke down completely (Villalón, 2003, p. 124).

In 2008, a new mayor, Alejandro Char, was elected. Char, the son of Fuad Char, and thus part of the «new» political groups that emerged during the mid-60s, was not a member of *Movimiento Ciudadano* and seemed to be interested in promoting a return to those times in which government and businessmen joined together to discuss and make decisions regarding the city's economic and social development. This platform has gained some support from the city's businessmen, who have shown positive interest in the idea. During the Char administration, some evidence of this new relationship emerged (see Section IV). Unfortunately, although the city's policies have shifted toward achieving goals of public interest, the institutions (i.e., the habits of thought) determining local democratic process are still essentially the same. That is, nepotism, corrupt electoral practices (e.g., the buying of votes by candidates and their supporters), and patronage still dominate the city's politics. These factors were summarized by Parada (1990), who argues that there are three «Gordian knots» in the Colombian Caribbean region: concentrated agricultural land ownership, patronage and *patrimonialismo*. Nevertheless, the good results observed thus far may have convinced local public opinion

that positive results are attainable and that Barranquilla does not need to dwell in disagreements among government, civil society, and business or, for that matter, to be led by a unique, messianic and charismatic leader to solve its problems. Instead, a strong institutional matrix and more democracy with a high priority on social consciousness offer some hope for future political and economic improvements. Moreover, this formulation allows civic society to play a more active role in the process of change.

However, external factors with respect to the inner dynamics of the city, such as an inward looking model based on higher import taxes, the poor condition of the Caribbean region's infrastructure and public works, demographic growth accelerated by immigration, and a deterioration of the public utilities' services, have created a pessimistic outlook on industrial and formal job creation. Additionally, during most of the 80s and 90s, the city had low levels of private investment. Nevertheless, the last 20 years have been characterized by a mix of successful outcomes and failures, which we will detail below.

In this context, one could conclude that the resulting social stratification in Barranquilla, and throughout the whole country, has emerged as an interaction between agency and structure based on occupation, status, exploitation, wealth, and power, as described by Veblen in the introduction to *Theory of the Leisure Class*.¹¹ Consequently, under this scenario, predatory behavior may arise.

Barranquilla's social structure fits perfectly with what Bowles (2009, p. 10) calls a pluralistic relationship to the social surplus.¹² Each class is exactly defined as follows: 1) the propertied class, 2) the professional, managerial, and entrepreneurial class, 3) the working class, and 4) the underclass.

«The *propertied classes* own a *share of the surplus* sufficient to produce income adequate to maintain a socially determined, appropriate level of consumption. Members of these classes do not need to work for income (thus, the *leisure classes*) but they often do. And when they do, it is typically in roles that place them among the

¹¹ Bowles (2009) suggests that Veblen brought together the different sociological emphases of Durkheim (occupation and status), Marx (exploitation and wealth), and Weber (power).

¹² By pluralistic, Bowles (2009) points out that the relationship to the economic surplus cannot be made from the perspective of an isolated agent whose only purpose is to maximize his/her utility. The human agent is not absorbent as the conventional economics suggests, but is an intelligent agent always looking for solution, always adapting to the conditions that environment and institutional fabric imposes upon them.

power elite; in these roles, they work both to exercise power and to build additional wealth».

«The *professional, managerial, and entrepreneurial classes* can potentially earn income sufficiently in excess of socially determined levels of consumption to acquire a *share of the surplus*. The goal of surplus acquisition, of course, is membership in the propertied classes. Whether or not this is in fact achievable for any given individual depends, at least in the cases of the managerial and professional classes, on their recruitment and promotion into the power elite».

«The *working classes* can earn no more than a (socially determined) *subsistence* income, i.e., all income is consumed. Saving is possible in theory, but full consumption of income, and even the accumulation of consumer debt, is the norm. Retirement savings are eventually consumed, and any implicit income realized by means of unmortgaged home ownership is not sufficient to a life of leisure at any consumption level».

«The *underclass* cannot earn its own *subsistence* income, and must be socially subsidized. While definition and use of the term *underclass* has a somewhat contested history, its definition here is relatively circumscribed and is consistent with most past usage» (Bowles, 2009, p. 11-12).

As argued above, the definitions of these classes, according to Bowles, fit perfectly with the history of Barranquilla, or at least for the period examined in this essay. Also, it works as a reference for future research that involves an analysis of the social structures of accumulation that is composed of institutions.

IV. THE LAST TWENTY YEARS: THE BALANCE OF GLOBALIZATION IN BARRANQUILLA

Before considering the facts of the last 20 years, it is useful to recall that Parada (2003, p. 53-54) calls for an objective analysis of the impacts of both globalization and the reforms of the 1990's. The privatization of both the public utilities (e.g., water and sewer) and the port has had a positive impact. Parada points out that a few small but valid attempts to restore road infrastructure have also been useful. Nevertheless, the social aspect of the reform process remains a pending task because of high unemployment (though unemployment is currently decreasing, the labor participation rate is still low) and the poor quality of public services, such as health and education. The reforms of the 1990s brought a well-known decentralization

process to Colombia, a greater provision of public funds to the city (i.e., a 14.4-fold increase), and an intervention beneficial for public investment, even if the question remains of whether the public sector can properly allocate these funds. According to Parada (2003), «the results have been neither spectacular nor overwhelming.»

Furthermore, political leaders were more interested in maintaining their bureaucratic power. Likewise, despite their competent organizational skills, the businessmen detached themselves from public affairs. Thus, «from the emergence of progressive businessmen, civic society and politicians will depend that the economic development strategy of Barranquilla is consolidated in order to be in a position to face the globalization process» (Parada, 2003, p. 55).

The last 20 years, especially the 1990s, have been characterized by neoliberal reforms: free trade, reduction of government intervention, privatization, and international financial capital inflows. Before introducing new reforms to encourage Colombia's global insertion, Barranquilla was not ready to attract foreign capital, as was promised. Public utilities, which were efficiently managed throughout Colombia during the first half of the 20th century, had become very deficient in Barranquilla by the early 1990s. Mismanagement led to a proliferation of public health problems, such as diarrhea, conjunctivitis, flu, measles, mumps, varicella (chickenpox), gastrointestinal complications, and respiratory infections, some of which were deadly (Castillo 2008, p. 34). Therefore, a lack of proper waste management (i.e., garbage was thrown on the streets), a lack of a sewage system, and poor water quality were the cause of generalized health problems in Barranquilla during that period.

Though local political leaders resisted the idea of privatizing public utilities, businessmen and civil society pressured the local government to do so. From 1995 to 1997, a private company began to provide the city's water, sewage, and garbage collection services. Immediately, the city's water plant worked at its maximum capacity, and several projects designed to improve the infrastructure were implemented to increase the service's coverage. Moreover, the new company started campaigns to eradicate several of the informal garbage collectors (Castillo 2008, p. 37). By privatizing the electricity companies, as well, Barranquilla improved its electric power services. In general, by privatizing public utilities Barranquilla has overcome problems that originated in its population growth, beginning in the 1950s. The resolution of these problems has promoted the expansion of the city's commercial and, to some degree, industrial activities. According to a recent

survey using a scale ranging from 1 to 5, where 5 represents the highest degree of satisfaction, Barranquilla's citizens gave a rating higher than 4 to the city's electricity and water services (Ipsos Public Affairs – Barranquilla Como Vamos, 2009). Compared with the quality of the utilities' services during the 1980s and 1990s, privatization has been successful, even though the costs to the consumer are higher.

Additionally, utilities of better quality have reduced the impact of several epidemics that were formerly endemic. In addition to improved public services and the resulting benefits to the environment, the implementation of prevention programs has helped to reduce the spread of disease. Vaccination programs have produced positive results (with vaccination coverage reaching 98%, on average). The incidence of diseases such as measles, poliomyelitis, and rubella has declined considerably; most of them have been eradicated. The greater coverage of vaccination programs has contributed to better health conditions, although acute respiratory infection remains an important cause of morbidity. In 2003, there were 12,198 cases of acute respiratory infection. By 2008 and 2009, the number of cases declined to 2,910 and 361, respectively.

As to health insurance coverage, Law 100 of 1993 (Ley 100 de 1993) reformed the health system such that private businesses can now offer health services through a dual system composed of both a private and a subsidized provider. Health insurance coverage has increased. In 2000, 67% of the population had insurance. By 2003, this proportion had risen to 73% (Castillo, 2008, p. 47). Today, one can confidently assert that health insurance coverage has increased, given that the local government is successfully implementing subsidized health insurance, with coverage of people in the low end of income distribution reaching 90%.

In the early 1990's Colombia had a weak public health system. Not only hospitals and health services centers, in general, had inadequate physical infrastructure. Administrative and financial problems prevented them from providing the coverage demanded by the population. Although these problems were common throughout the country, Barranquilla was an extreme case. By 2009, however, according to a recent survey, 99% of the population said that they had received health assistance when requested. Most importantly, the percentage of people who received assistance was exactly the same across all socioeconomic groups (Ipsos Public Affairs – Barranquilla Como Vamos, 2009). In recent years, Barranquilla introduced a program to improve the infrastructure of hospitals and health services centers. Several civic groups and NGOs have monitored these efforts to increase access to health services so that the city has attained good-quality health care.

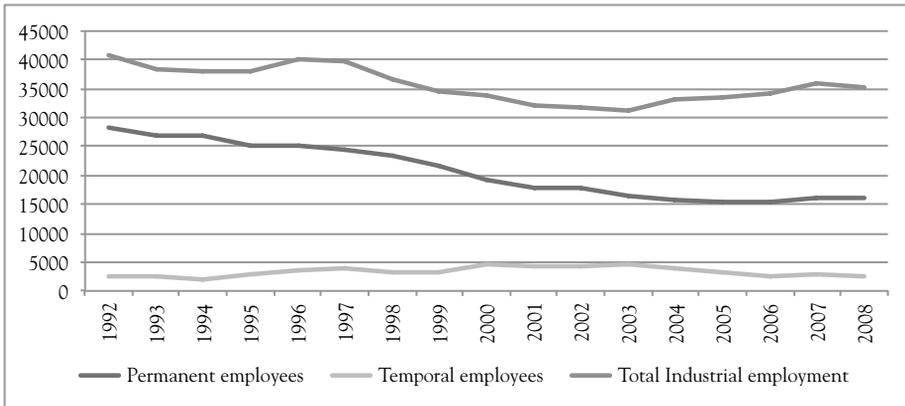
Another important aspect in evaluating the impact of globalization in Barranquilla is education. An educated population means higher productivity and social capital. Since the 1990s, several indicators show that education in Barranquilla has improved. The gross enrolment ratio in basic primary education increased from 32% in 1993 to 46% in 2003 and to 119% in 2009. Similarly, the gross enrolment ratio in high school increased from 11.2% in 1993 to 45% in 2003 and to 107% in 2009. Nevertheless, throughout the 1990s and the first five years of the 2000s, the city did not attain the educational goals set by its development plans (Castillo, 2008, p. 26).

In addition to coverage, the quality of education is also an important indicator of success. Educational quality is a key area in which more advances are needed. Although some infrastructure projects are currently in progress, the lack of qualified, well-trained teachers, insufficient resources for research, and inappropriate pedagogical models, among other factors, reduce the quality of the city's educational system (Castillo, 2008, p. 48). The results of national tests of students' achievement levels attest to the low quality of the city's educational system. For both private and public schools, the results show that between 50% and 70% of the students who are enrolled in 5th grade (i.e., the last year of basic primary school) and 9th grade (i.e., the last year of junior high school) test at unsatisfactory or average levels (i.e., the two lowest levels). Thus, much remains to be done in terms of developing a high-quality educational system (Barranquilla, Secretaría de Educación Distrital, 2009).

The labor market is another element that has to be considered. It was expected that with the opening of the Colombian economy, a port city such as Barranquilla would be able to reduce its unemployment rate because of its geographic location. It was assumed at the beginning of the 1990s that manufacturing plants of the interior of Colombia would relocate to the city and that, as a result, the industrial sector would become the main employer. However, in 2008, Barranquilla had a slightly higher number of industrial employees (35,146) as in 1983 (33,134). Total manufacturing employment fell between 1992 and 2003. Nonetheless, from 2004 to 2008, it rose, although the employment rate has not reached levels similar to those of 1992. Throughout this period, permanent employment has decreased considerably, whereas temporary employment has grown only slightly (Figure 1).

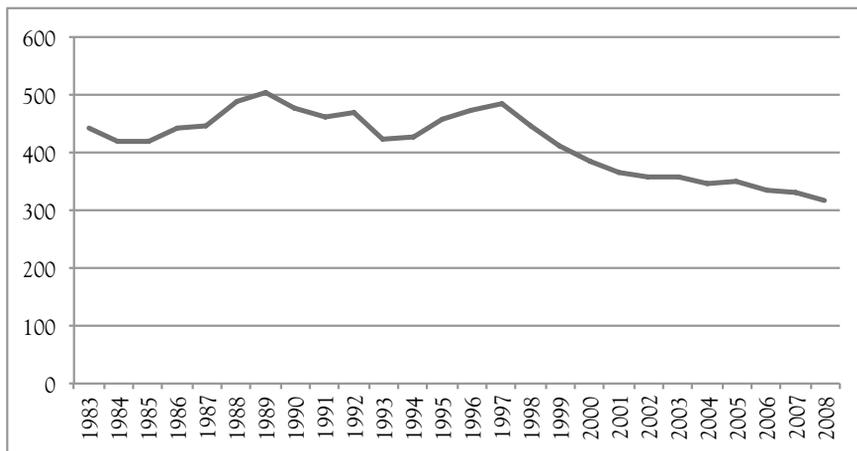
It is interesting to note that the number of industrial establishments has declined (Figure 2) and that industrial employment has risen to a certain degree.

FIGURE 1
Barranquilla Metropolitan Area: Total, Temporal and Permanent Industrial Employment, 1992-2008



Source: DANE, Encuesta Anual Manufacturera.

FIGURE 2
Barranquilla: Number of Industrial Establishments, 1983-2008

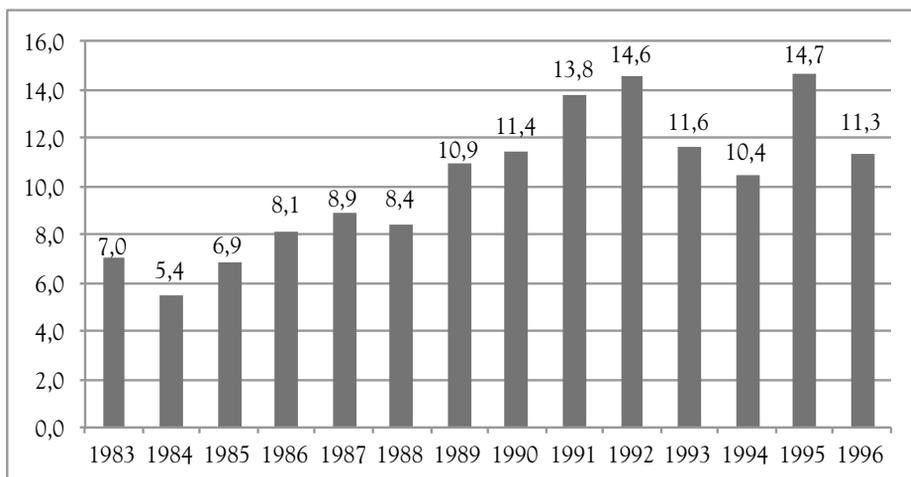


Source: DANE-Encuesta Anual Manufacturera.

The number of commercial and service establishments in Barranquilla has increased in the last few years. According to Bonet (2005, p. 85-87), from 2003 to 2005, 30 new businesses were established at Barranquilla. Only eight of these were related to the industrial sector. The remaining 22 belonged to the retail (i.e., shopping malls) and service sectors. In fact, the industrial sector is more focused today on expanding its current capacity instead of creating new manufacturing plants, although the industry has established new facilities in the metropolitan area due to the creation of new free export zones. Several recent developments have helped to overcome the threat of a regressive tertiary sector in the city, of which Bonet warned several years ago (2005).

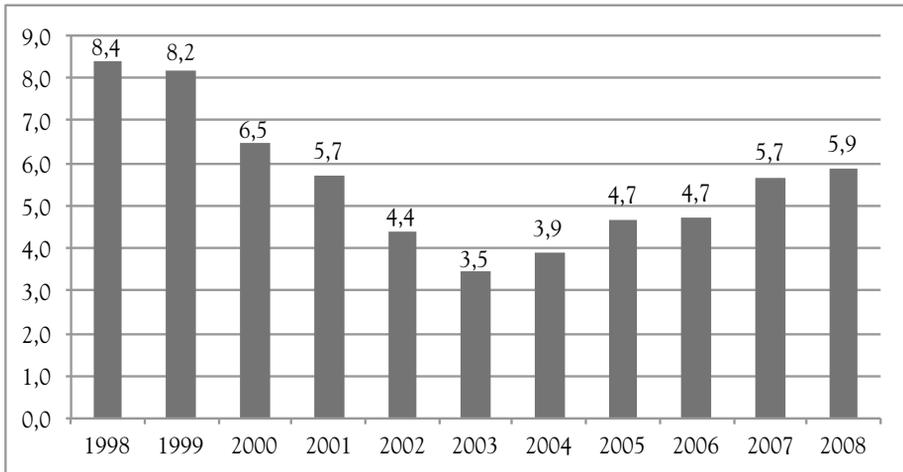
The data show that Barranquilla is moving away from an industrial economy to a more commercial and service-oriented one. The industrial sector's openness coefficient (the ratio of industrial exports to gross industrial production) has changed considerably after the neoliberal reforms of the early 1990's (Figures 3 and 4). From 1983 to 1994, the coefficient showed a positive trend, especially until 1992. Since 1993, the coefficient has fallen, reaching an almost insignificant degree

FIGURE 3
*Barranquilla: Industrial Sector Openness Coefficient,
1983-1994*



Source: DANE-Encuesta Anual Manufacturera.

FIGURE 4
Barranquilla: Industrial Sector Openness Coefficient,
1998-2008



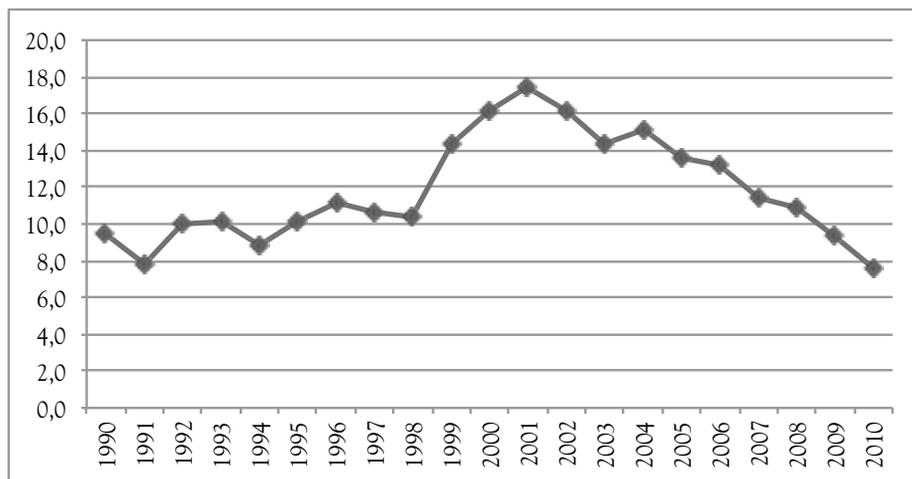
Source: DANE-Encuesta Anual Manufacturera.

of openness (1998-2007). By 2008, the coefficient had begun to increase again because of the growth in exports (i.e., from 7.2% in 2007 to 11.6% in 2008) and of gross industrial output (i.e., from -5.5% in 2007 to 5.7% in 2008¹³), though these levels have not reached the levels of previous years (e.g., the 1980s). Therefore, globalization has not spurred industrial exports, despite the predictions that accompanied these reforms. However, why does Barranquilla's industrial sector play such an important role, even though it is no longer the economic engine of the city? The answer is that industry is the sector that, by far, contributes the most to total exports and pays the highest wages. More precisely, the manufacturing sector accounts for 98% of total exports (DANE-ICER 2008).

¹³ Clearly, industrial exports grew more than gross industrial output. As a result, the openness coefficient of the manufacturing sector increased. In addition, demand from Venezuela has contributed during certain periods to the increase in manufactured exports, especially textiles, metal working and metal products, clothing, designer clothes, food and beverages.

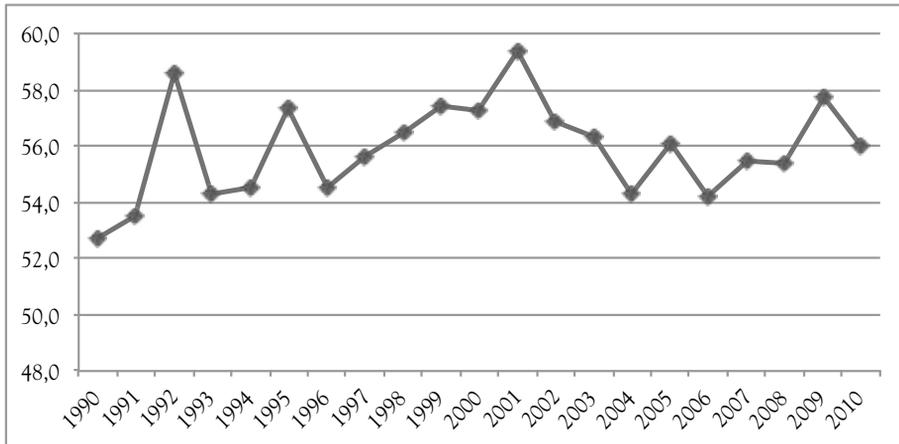
The unemployment rate has fallen to less than 8% (Figure 5). The fall in the unemployment rate from 2001 to 2004 occurred alongside a decrease in the labor participation rate, which indicates that unemployed people felt too discouraged to search actively for jobs. However, between 2005 and 2010, the reduction in the unemployment rate has been accompanied by an increase in the labor participation rate, though this rate did not reach the previous highest peak of almost 60% in 2001 (Figure 6). Nonetheless, Barranquilla has the lowest unemployment rate among the major cities of Colombia. This success is due, in part, to a massive local program to hire non-qualified laborers to repair the city's roads. In addition, in the Barranquilla metropolitan area several businesses have begun to take advantage of the free export zones promoted by the national government. The city has the two largest free export zones in the country, with a total area of 1.2 million square meters. Moreover, Barranquilla will have free export zones in such sectors as energy and health (*El Herald*, 2010). These factors have helped reduce the city's unemployment rate considerably in the last six years. We now know that

FIGURE 5
Barranquilla Metropolitan Area: Unemployment rate, 1990-2010



Source: DANE.

FIGURE 6
Barranquilla Metropolitan Area: Labor participation rate,
1990-2010



Source: DANE.

these results were never going to be immediate, as several orthodox economists had claimed at the beginning of the 1990's. Rather, the process took 20 years.

With a lower labor participation rate, Barranquilla should stake its future in lower unemployment rates through a higher number of free export zones and a dynamic local economy that is diversified across the industrial, commercial, and service sectors. Although the Unsatisfied Basic Needs Index fell from 28% to 18% between the national censuses of 1993 and 2005, poverty and extreme poverty remain key structural problems. Further, in the lowest stratum, 49% of the people consider themselves to be poor, whereas 31% of the people in the middle stratum and 9% of the people in the highest socio-economic stratum believe the same of themselves. The major reason Barranquilla's inhabitants feel that they are poor is because they do not have enough money to satisfy their needs (45%), with the second most important reason being the absolute lack of money (43%) (Ipsos Public Affairs, 2009). The people of Barranquilla clearly lack a full-fledge social policy program that gives them a hand in their interactions with the global economy.

V. CONCLUSIONS

The main conclusion of this paper is that the relationship between globalization and territory is crucial. Scholars have historically defined territory as the human occupation of space. Thus, any event, such as globalization, should consider the fact that human behavior is explained through the agency/structure relationship. In this sense, we believe that institutional economics can make positive contributions to the study of different social phenomena. In our institutional framework, we include claims from the geography field that globalization should be addressed while considering the territory's role along with the agency/structure interactions.

Instead of taking a radical or a favorable position, we argue from an institutional viewpoint that both negative and positive features can emerge from globalization or any other phenomena. Therefore, we can observe that globalization has had both favorable effects (i.e., better health and education coverage, although quality problems persist) and unfavorable effects (i.e., the persistence of poverty and extreme poverty). This framework represents a pragmatic form of analysis for the type of change imposed by the so-called global agenda.

Our hypothesis is that agency/structure may follow either a ceremonial or an instrumental pattern and, at the same time, affect social stratification. Therefore, the impact of phenomena such as globalization will depend on how the agency/structure relationship follows these institutional patterns. For instance, in the case of Barranquilla, we do not only identify instrumental institutional patterns during the period under study but also ceremonial institutional patterns. One of these patterns could offset the influence of the other. For example, during parts the XIXth century, Barranquilla took advantage of free trade because its instrumental institutions were stronger than its ceremonial and predatory institutions. Clearly, openness to the world has resulted in different and better views of development in Barranquilla. This contact with the rest of the world has encouraged civic commitment among civil society, businessmen, and political leaders, though this last group preferred predatory modes of action.

Finally, the prevailing assumption in the early 1990's that all economic activities would relocate in cities close to the sea (e.g., Barranquilla) was misplaced. One must not only consider the lower transportation costs but also the way in which the territory and its particular agency/structure relationship are adapted to the proposed change. Because the social process is unfolding and continuous

in its adjustments of means and ends, Barranquilla required 20 years before it began to see strong signals of integration into the global economy. The future counterbalance between instrumental and ceremonial institutions will determine how it will take its place within global society. The success or failure of this process is still at play.

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