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Income Levels, Income Distribution, and
Levels of Living in Rural Honduras:

A Summary and Evaluation of Quantitative
and Qualitative Data

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May 1979

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Agency for International Development

INCOME LEVELS, INCOME DISTRIBUTION, AND
LEVELS OF LIVING IN RURAL HONDURAS:
A SUMMARY AND EVALUATION OF QUANTITATIVE
AND QUALITATIVE DATA

Prepared for

U.S. Department of Agriculture,
Office of International Cooperation and Development

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INTRODUCTION

In public speeches he gave during the late 1950s, Ramón Villeda Morales, then president of Honduras, referred to his country as "the land of the 70s." He then went on to explain what he meant by this progressive-sounding phrase: "Seventy percent of our people are illiterate, 70 percent are illegitimate, and 70 percent are living in rural poverty."

Villeda Morales did not quite manage to finish his term of office. In October 1963, only 10 days before its completion, he was overthrown in a military coup by Colonel Oswaldo López Arellano.¹ This was the 136th revolution in the 142 years since Honduras had gained its independence from Spain. During these same years since 1821 only two constitutionally elected chiefs of state completed their terms of office, and the nation operated under 16 different constitutions, the latest of which went into effect in June 1965.

In the 20 years since Villeda Morales spoke, some things have changed. Illiteracy has been substantially reduced, and perhaps illegitimacy as well. Yet today almost 70 percent of the Honduran people still continue to live in rural poverty. Data presented later in this report indicate that the large landless rural labor force, very small farmers (with less than one hectare of land), and "traditional" farmers (with

¹This is the same López Arellano who was ousted as chief of state in 1975 for his alleged role in the Honduran "Bananagate" affair. He was deposed by the military who accused him of accepting a \$1.25 million bribe from United Brands, Inc. in return for arranging a reduction in the Honduran banana export tax.

one to 35 hectares) together make up approximately 66 percent of the national population--and they receive less than 21 percent of national income.

The late Richard Harding Davis, journalist, war correspondent, and world traveler, was once asked to describe the topography of Honduras. In reply, he took a piece of typing paper from his typewriter, crumbled it up in his fist, and tossed it onto his desk--an effective short-hand way of depicting the surface of a country which is 75 percent mountainous. Because of this rugged terrain, most of the Honduran land area is not suitable for farming.

Approximately 83 percent of total land area is best suited for forest or grazing...Of the remaining land, only about one-third of that suitable for annual crops and one-fourth of the potential for perennial crops are being utilized. The unutilized land includes some of the better land in the country...The result is that there is a concentration of farm population in areas of relatively low land quality.²

This accounts, in part, for the prevalence of rural poverty throughout the nation. But there are many other reasons as well--including the perennial political instability already mentioned--which have caused Honduras to be the poorest of the Central American countries, and one of the very poorest in all of Latin America.

However, the purpose of this study is not to attempt to identify

²"Agriculture Sector Assessment for Honduras", Agency for International Development, August 1978, p. 7. (This estimate of arable land in Honduras is corroborated by an even more stringent estimate by the FAO, which states that only 14 percent of Honduran land is truly suited for agricultural purposes. This datum reported in "Sector Agropecuario de Honduras--Situación y Perspectivas," a thesis written by Julio César Panchame Maradiga in 1974, in fulfillment of the requirements for a Licenciatura in economics from the National Autonomous University of Honduras).

the many complex and inter-related causes of Honduran underdevelopment. Rather, the purpose here is to survey the income levels, the pattern of income distribution, and the quality of life of the rural population of Honduras. We begin with a look at the overall picture of national income and product, then concentrate on the rural sector, with analyses of rural income and wealth distribution, other indicators of rural conditions, and finally case studies of specific rural communities.

CHAPTER I

NATIONAL INCOME AND PRODUCT

By all methods of measurement, Honduras always has been and continues today as a predominantly agricultural country. Principal exports of this 43,277-square-mile nation (a trifle larger than the state of Tennessee) are bananas, coffee, lumber, tobacco, beans, abaca (manila hemp), and coconuts. Altogether, agricultural products make up 75 percent of all Honduran exports and account for one-third of the country's Gross Domestic Product. At the same time, agricultural activity occupies almost 70 percent of the Honduran people.¹

The dependence of the economy on agriculture, while very substantial, appears to be somewhat less than a generation or two ago. Statistics for 1950 show that 83 percent of the economically active population was engaged in agriculture, and agricultural production was responsible for about one-half of the Gross National Product. According to the same source, by 1961 only 66 percent of the economically active population was engaged in agriculture.² Another source states that in 1970 about 60 percent of the economically active population was engaged in

¹"Agriculture Sector Assessment for Honduras," Agency for International Development, August 1978, p. 7.

²Biagio DiVenuti, Economics for Hondurans in the Perspective of Central America, published under auspices of the OAS and the National Autonomous University of Honduras, Tegucigalpa, Honduras, 1962, p. 39.

agriculture.³

It is difficult to make accurate comparisons of the agricultural labor force between that time and today, because then (1961) and previously, the "economically active" population was defined as persons 10 years of age and older. Since then this definition has been changed to include only persons 12 years of age and older. However, according to a recent source, 68.8 percent of the entire population is now engaged in agriculture.⁴

An overview of macroeconomic trends in Honduras from 1950 through 1973 is provided by Table 1. This shows the average annual real growth rates in agricultural production, gross domestic product, and GDP per capita. The small average annual growth rates in GDP per capita is indicative of the high average annual population growth rates Honduras has experienced. For example, the World Bank reports that for the period 1960-1973 the population of Honduras grew at an average annual rate of 3.2 percent.⁵

The population of Honduras in 1975 was estimated to be 2,881,000, which increased to 2,959,000 in 1976, and 3,039,000 in 1977, the latest year for which figures are available.⁶ The same source estimates per

³ Area Handbook for Honduras, American University, Washington, D.C., 1971, p. 137.

⁴ "Agriculture Sector Assessment," op. cit., p. 7.

⁵ World Tables 1976, from the data files of the World Bank, published for the World Bank by the Johns Hopkins University Press, Baltimore, 1976, p. 115.

⁶ World Bank Atlas, 1978 Edition, Washington, D.C., p. 30.

Table 1

Selected Economic Development Indicators for Honduras
(Average Annual Real Growth Rates)

	<u>T i m e P e r i o d s</u>			
	<u>1950</u> to <u>1960</u>	<u>1960</u> to <u>1965</u>	<u>1965</u> to <u>1970</u>	<u>1965</u> to <u>1973</u>
Agriculture	2.3%	5.3%	5.0%	4.8%
Gross Domestic Product	3.5%	4.9%	4.3%	4.1%
Gross Domestic Product per Capita	0.4%	1.5%	1.3%	1.2%

Source: World Tables 1976, from the data files of the World Bank, published for the World Bank by The Johns Hopkins University Press, Baltimore, 1976, pp. 396-397.

capita GNP in each of these same three years (in terms of current market prices) to be \$370, \$400, and \$450, respectively.

Mentioned earlier in this study was the fact that Honduras is the poorest of the Central American countries and one of the very poorest of all Latin American and Caribbean nations. Table 2 shows that among 29 countries Honduras ranks second from the bottom in terms of per capita income.

It should be mentioned that the figures shown in Table 2 are based on average 1975-77 prices and exchange rates. Also, it is well to repeat here the caveat given on page 2 of the introduction to the 1978 edition of the World Bank Atlas, from which Table 2 is drawn:

...the data shown in the Atlas provide only an approximate measure of economic conditions and trends in the countries of the world. They are merely rough indicators of the absolute state of poverty in the developing world and reveal nothing about its distribution within countries.

For the moment, suffice it to say that income distribution in all of the countries shown in Table 2 is highly concentrated. Concentration of income in Honduras is neither the highest nor the lowest among the countries listed.

Another aspect of income comparison between nations deserves mention here, particularly when comparisons are made between the less developed and the more developed nations--as between, for example, Honduras and the United States. National income accounts usually encompass only market transactions. In a highly developed country such as the U.S. dirty clothes are washed in automatic washing machines or in

Table 2

Per Capita Gross National Product of
Latin American and Caribbean Countries
in Market Prices in Terms of 1976 US Dollars

<u>Rank</u>	<u>Country</u>	<u>Per Capita GNP</u>	<u>Rank</u>	<u>Country</u>	<u>Per Capita GNP</u>
1	Venezuela	\$2,540	16	Belize	\$ 790
2	Trinidad & Tobago	2,190	16	Dom. Republic	790
3	French Guiana	1,820	17	Nicaragua	770
4	Barbados	1,620	18	Antigua	700
5	Argentina	1,580	18	Ecuador	700
6	Uruguay	1,370	18	Guatemala	700
7	Suriname	1,360	19	Colombia	650
8	Brazil	1,300	19	Paraguay	650
9	Panama	1,170	20	Guyana	570
10	Jamaica	1,150	21	El Salvador	530
11	Costa Rica	1,130	22	Bolivia	510
12	Mexico	1,060	23	Grenada	410
13	Chile	1,050	24	Honduras	400
14	Peru	840	25	Haiti	220
15	Cuba	820			

Source: World Bank Atlas, 1978 edition.

thousands of laundromats to be found in small towns and large cities throughout the country. All this laundry work thus enters into the Gross National Product of the developed country--via the purchase of washing machines (and dryers) and the incomes of laundromats, all of which are market transactions.

But in the less developed country, such as Honduras, most of the laundry is done by hand in the home--or, more often, in the nearby creek or river, beating the clothes on the rocks and rinsing them in the stream. The result in each case is the same: clean clothes. In the one instance this activity adds many, many millions of dollars to the GNP, but in the other instance it adds practically nothing. On the other hand, some non-market economic activities in developing countries are sometimes included in their national accounts. For example, in the 1967-1968 Honduran survey of family incomes and expenses, food raised on the small family farm plot and consumed by the family was included as part of the family's annual income.

Nevertheless, the effect of generally counting only market transactions is to somewhat understate the GNP of the less developed nations in respect to the more highly developed nations.

Index numbers of Honduran agricultural production from 1966 through 1977 are given in Table 3. The significant drop in 1974 and 1975 was due to the destruction wrought by Hurricane "Fifi", which struck the north coast of Honduras and swept inland for some distance. While Table 3 covers total agricultural production, Table 4 which follows deals only

Table 3

Index Numbers of Agricultural
Production for Honduras
(1969-1971 = 100)

<u>Year</u>	<u>Index No.</u>
1966 - - - - -	78
1967 - - - - -	91
1968 - - - - -	97
1969 - - - - -	101
1970 - - - - -	96
1971 - - - - -	103
1972 - - - - -	112
1973 - - - - -	108
1974 - - - - -	99
1975 - - - - -	88
1976 - - - - -	99
1977 - - - - -	109

Source: 1977 FAO Production Yearbook, Vol. 31,
Rome, Italy, p. 73.

Table 4

Index Numbers of Food Production
Per Capita for Honduras
(1969-71 = 100)

<u>Year</u>	<u>Index No.</u>
1966 - - - - -	88
1967 - - - - -	99
1968 - - - - -	103
1969 - - - - -	104
1970 - - - - -	96
1971 - - - - -	100
1972 - - - - -	105
1973 - - - - -	98
1974 - - - - -	86
1975 - - - - -	74
1976 - - - - -	81
1977 - - - - -	86

Source: 1977 FAO Production Yearbook, Vol. 31,
Rome, Italy, p. 77.

with the per capita production of foodstuffs in Honduras over the same period of time, 1966-1977.

CHAPTER II
RURAL INCOME DISTRIBUTION

The most recent national survey of Honduran incomes is that carried out in 1967-'68 by agencies of the Honduran government, the Encuesta de Ingresos y Gastos Familiares 1967-1968, which is described in some detail later in this report. Data from this survey show that national income in Honduras at that time was distributed in this manner:

- The poorest 50 percent of the population had 13 percent of total income.
- The next 30 percent received 24 percent of total income.
- The very well-to-do, 15 percent of the population, received 30 percent of the income.
- And the very richest five percent enjoyed 33 percent of total income.

Another study done for the same point in time yielded very similar results. Montek Ahluwalia, reporting on income distribution for Honduras in 1968, found that the poorest 40 percent of the population received 6.5 percent of total income, the next 40 percent had 28.5 percent of total income, and the top 20 percent enjoyed 65 percent of total national income.¹

The two Lorenz curves shown in Figure 1 are drawn from these two

¹Montek S. Ahluwalia, "Income Inequality: Some Dimensions of the Problem," Finance and Development, Vol. 11, No. 3, Sept. 1974, p. 4.

sets of data. The Gini coefficients are .61 for the innermost curve and .64 for the Ahluwalia curve. Both these coefficients tally with the .62 Gini coefficient derived by Shail Jain, who also analyzed Honduran income distribution for 1967-1968, the same time for which the two curves in Figure 1 are drawn.²

If Jain's curve were added to Figure 1, it would lie between the two curves shown. The reason for the slight differences in the three Gini coefficients mentioned in this paragraph probably is due to the fact that Ahluwalia and Jain used earlier and perhaps preliminary figures from the 1967-1968 Encuesta--while the Lorenz curve drawn for this present study is derived from data of a revised edition of the Encuesta published more recently, in 1976.

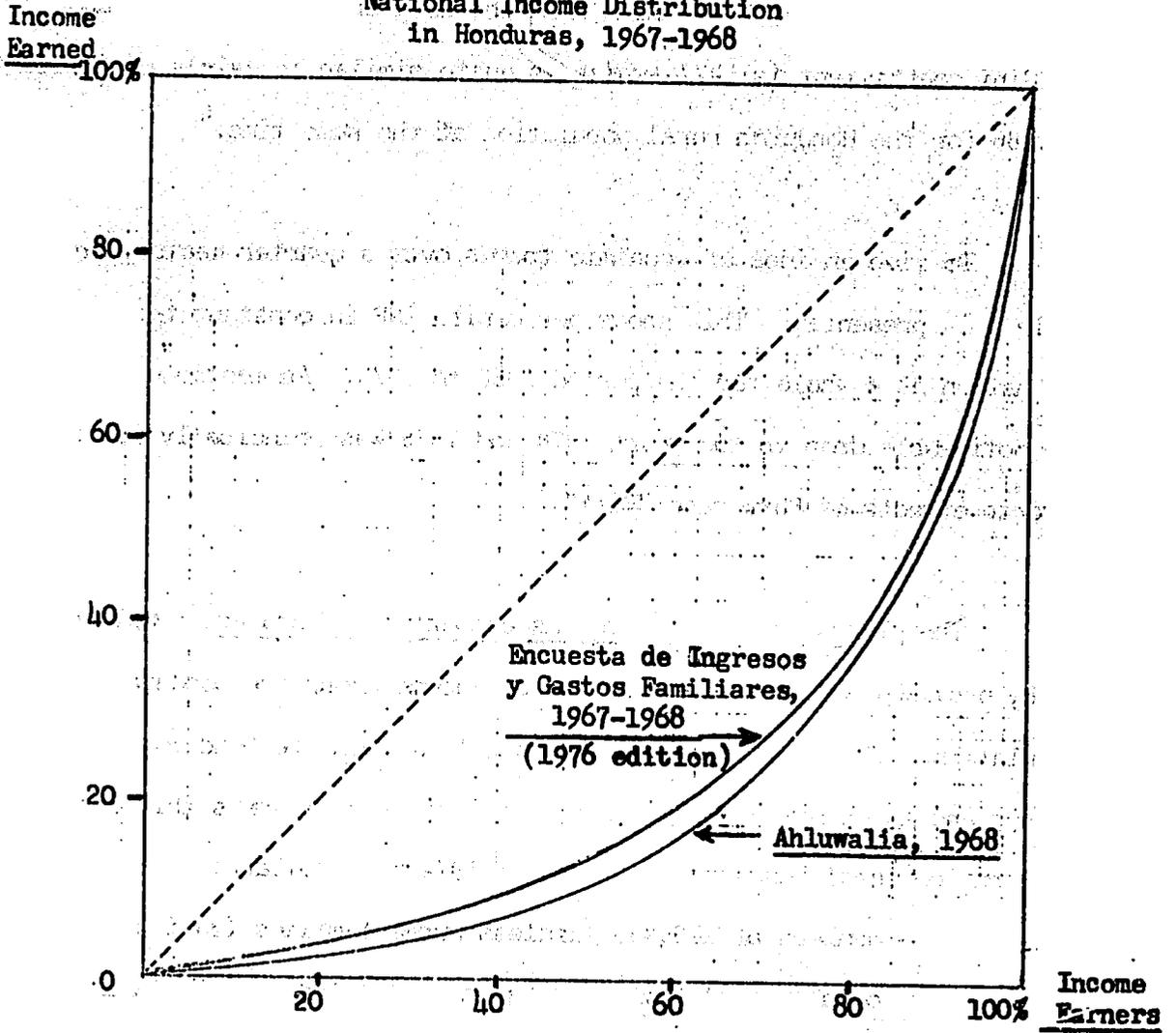
Looking at income distribution among only the rural population³ of Honduras, we find a rather different pattern, in that income in the rural sector is less concentrated than for the nation as a whole. Data from the 1967-1968 Encuesta show distribution of rural income by households to be as depicted in Table 5. It should be noted that this Encuesta reports all income per rural household but does not distinguish between

²Shail Jain, "Size Distribution of Income: Compilation of Data". IBRD Staff Working Paper 190, Washington, D.C., Nov. 1974.

³Since 1961 the Honduran Dirección General de Estadística y Censos defines "urban" in this way: A population center with 1,000 or more inhabitants which contains a primary school (first through sixth grade), plus (1) a post office, or a public telegraph, or a public telephone; (2) a road giving access to it, or a regular air or maritime service; (3) a public water system with water mains; and (4) electricity. All places which do not meet these criteria are considered "rural".

Figure 1

**National Income Distribution
in Honduras, 1967-1968**



income earned from purely agricultural activity and income from other sources. The total household income reported does include an imputation for food raised on the family farm and consumed within the household. The Lorenz curve of Figure 2 is drawn from the data shown in Table 5, and its Gini coefficient is .477--which is quite similar to Jain's coefficient of .486 for the Honduran rural population at the same time.⁴

To give an idea of economic trends over a quarter century or so, Table 6 is presented. This shows per capita GNP in constant terms for the nation as a whole for the period 1950 to 1976. As mentioned earlier, the noticeable drop in the years 1974 and 1975 was principally due to the adverse effects of Hurricane "Fifi".

The AID Agriculture Sector Assessment for Honduras, completed in 1978, provides a more recent picture of income among the Honduran rural population. This Assessment, using data from both the Honduran agricultural census and the Honduran population census of 1974, reports this income pattern for rural Honduras, in terms of 1974 U.S. dollars:

- Members of 119,433 landless rural families (34.5 percent of all rural families) had an estimated per capita income of \$50.
- Members of 33,774 families (9.8 percent of all rural families) with less than one hectare of land had an estimated per capita income of \$63.
- A total of 32,165 families (9.3 percent of all rural

⁴ Ibid.

Table 5

Honduran Rural Income Distribution
by Household, 1967-1968

<u>Percentage of Households</u>	<u>Cumulative Percentage</u>	<u>Percentage of Total Rural Income</u>	<u>Cumulative Percentage</u>
60.61	60.61	26.39	26.39
24.95	85.56	25.69	52.08
5.80	91.36	10.77	62.85
2.29	93.65	5.94	68.79
2.30	95.95	7.87	76.66
1.53	97.48	6.39	83.05
1.32	98.80	6.60	89.65
1.20	100.00	10.35	100.00

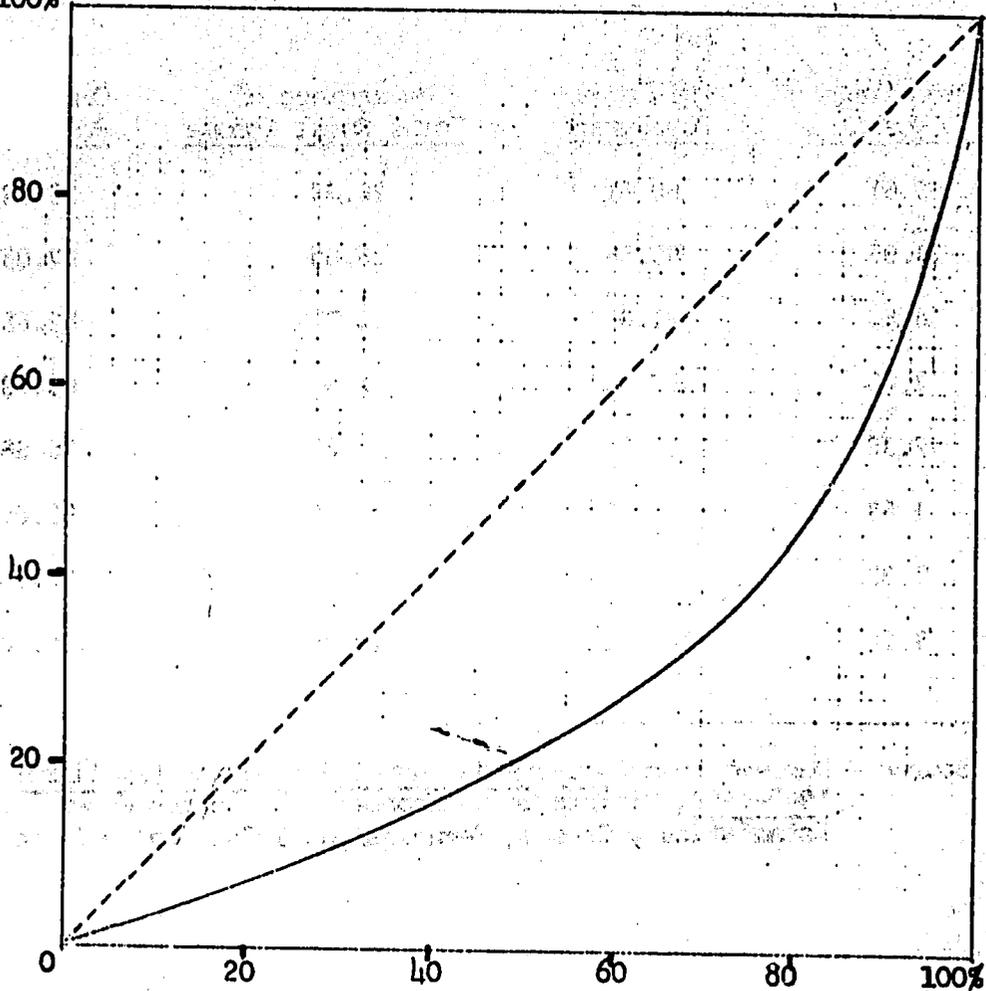
Source: Derived from Encuesta de Ingresos y Gastos Familiares 1967-1968, Ministerio de Economía, Dirección General de Estadística y Censos, Tegucigalpa, 1976, Cuadro I, pp. 1-3.

Figure 2

**Rural Income Distribution
in Honduras, 1967-1968**

Income
Earned

100%



Source: Drawn from data presented in Encuesta de Ingresos y Gastos Familiares, 1967-1968, 1976 edition.

Income
Earners

Table 6

Per Capita GNP for Honduras in Constant 1970
US Dollars for the Years 1950-1976

Year	Per Capita GNP	Year	Per Capita GNP
1950	\$ 190	1964	\$ 220
1951	199	1965	230
1952	205	1966	241
1953	212	1967	243
1954	208	1968	255
1955	208	1969	254
1956	209	1970	259
1957	226	1971	261
1958	222	1972	261
1959	226	1973	267
1960	231	1974	246
1961	225	1975	249
1962	226	1976	266
1963	225		

Source: Statistical Abstract of Latin America, Volume 19, edited by James Wilkie, UCLA Latin American Center Publications, University of California, Los Angeles, 1978, Table 2201, p. 239. As the source for the figures in this table, this publication cites AID and International Financial Statistics compiled by the International Monetary Fund.

families) were in what is called the "agricultural reform" sector--working on cooperative or communal farms. Per capita income for members of this group was estimated to be \$106.

- Farms of one to 35 hectares are known as "traditional farms" in Honduras. There were 149,104 families (43.1 percent of all rural families) on farms of this size, and their per capita income was estimated to be \$135.

Using the Implicit Price Deflator for U.S. Gross National Product, these per capita income figures can be brought more up-to-date and expressed in terms of 1978 U.S. dollars, thus:

- Landless rural families	- \$ 64.66
- Families with less than one hectare of land	- \$ 81.37
- Families in the Agricultural Reform Sector	- \$137.08
- Families on Traditional Farms	- \$174.58

Then, taking into account the size of each of these four groups as a percentage of the total Honduran rural population, we arrive at an overall per capita income figure for the rural sector of Honduras of \$122.30, in terms of 1978 U.S. dollars.

CHAPTER III
RURAL WEALTH DISTRIBUTION

In Honduras, as in every society, the distribution of wealth is more concentrated than income, and this in turn affects income distribution. "Other things being equal, total income will be more equally distributed the higher the wage and salary share and the lower, therefore, the share of property income. This is so because wealth, from which property incomes are derived, is always distributed more unequally than current income."¹ In 1970 an analysis of the functional distribution of Honduran income showed that 49 percent of it was derived from wages and salary, 38 percent from individual proprietorships and self-employment, eight percent was income from property ownership, and the remaining five percent came from several miscellaneous sources.²

One important form of wealth in any rural sector is land, and there is a rather high concentration in the pattern of Honduran land distribution, as shown in Table 7.

The concentration of wealth in the form of land is even greater than shown in Table 7, because this table of farmland distribution does not take into account the fact that 34.5 percent of the rural families own no land at all. Taking this fact into account, along with the data

¹Clarence Zuvekas, Jr., Income Distribution in Latin America: A Survey of Recent Research, Essay Series No. 6, Center for Latin America, University of Wisconsin-Milwaukee, July 1975, p. 10.

²"Honduras: El Nivel de Ingreso y Consumo," op. cit.

Table 7

Distribution of Farmland by Farm-Size
Category in Honduras - 1974

<u>Size Category</u>	<u>Percentage of Total Farms</u>		<u>Percentage of Total Farmland Area</u>	
	<u>Each Category</u>	<u>Cumulative</u>	<u>Each Category</u>	<u>Cumulative</u>
Less than 1 ha.	17.3	17.3	0.8	0.8
1-2 has.	19.8	37.1	2.0	2.8
2-3 has.	14.7	51.8	2.6	5.4
3-5 has.	12.1	63.9	3.5	8.9
5-20 has.	24.3	88.2	17.6	26.5
20-50 has.	7.8	96.0	17.5	44.0
Over 50 has.	4.0	100.0	56.0	100.0

Source: Derived from 1974 Agricultural Census, INA, Tegucigalpa, Honduras.

shown in Table 7, Figure 3 can be drawn. This Lorenz curve showing distribution of farmland among Hondurans indicates that a relatively few own a great deal of farmland, while many own very little or none at all. The Gini coefficient of this curve is .82. This may be compared with the Gini ratio of .477 for rural income distribution, derived from the Lorenz curve of Figure 2.

In addition to land, another measure of wealth among the rural population can be obtained by examining the ownership of farm capital equipment, such as plows, tractors, etc. One report, dating back 20 years, gives these findings:

Five out of six of the small Honduran farms do not even possess a wooden plow. Of the total of 117,000 farms of less than twenty-five acres, only 184 have steel plows; 10 have electricity; none have tractors. Even including farm units of all sizes, there is only one plow of any kind for every 4.3 farms, or for every 14.4 persons engaged in agriculture.³

A more recent study comments on the limited data available in respect to rural-urban differences in personal property asset levels and distribution, and then gives this information:

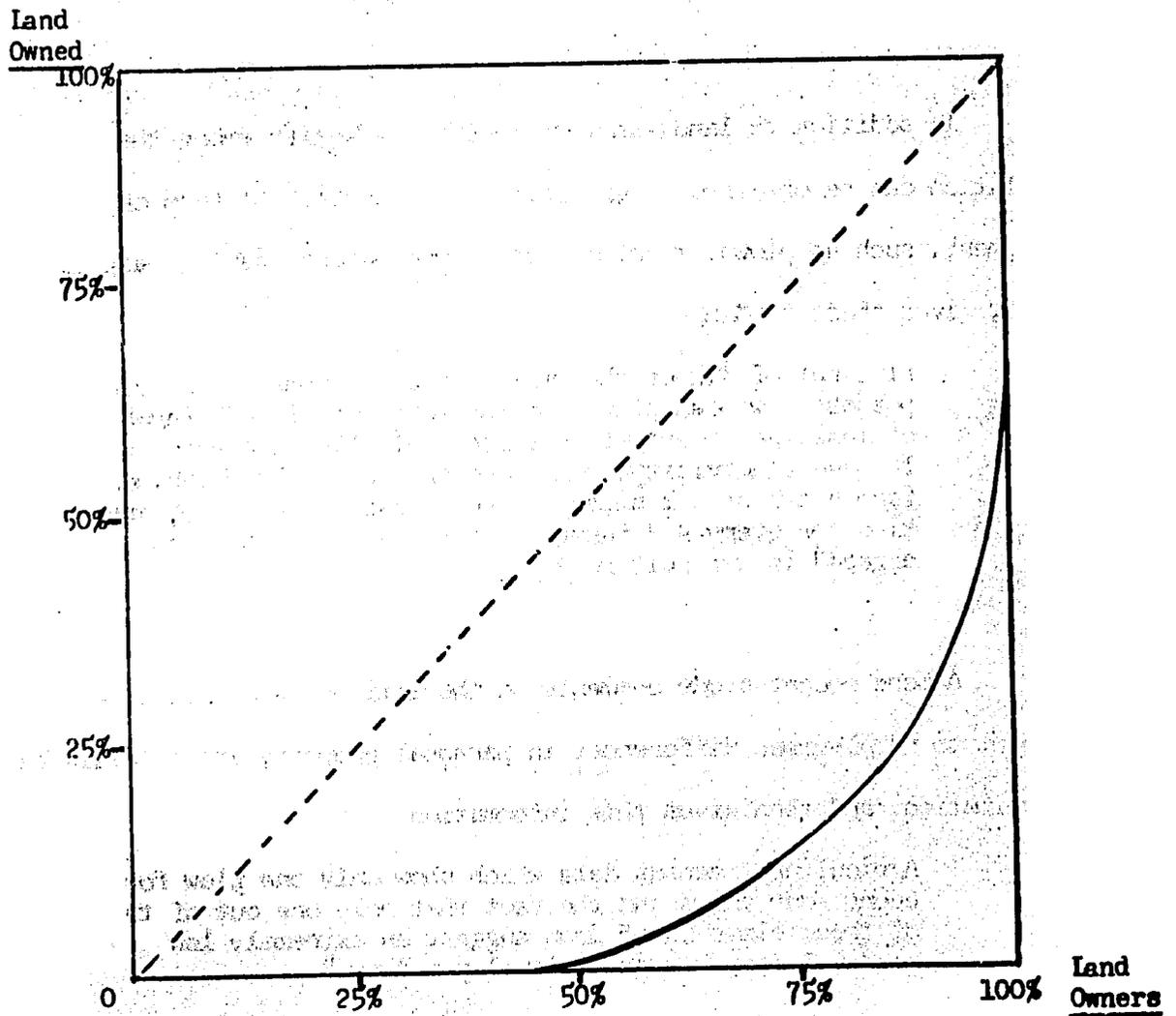
Agricultural census data which show only one plow for every four farms and the fact that only one out of ten of these plows is of iron suggest an extremely low personal property asset level per farm.⁴

A more comprehensive view of wealth distribution in the agriculture!

³ Honduras - A Problem in Economic Development, Vincent Checchi & Associates, The Twentieth Century Fund, New York, N.Y., 1959, p. 52.

⁴ Papers on Agricultural Development No. 6, op. cit., p. 12

Figure 3
Distribution of Farmland in
Honduras - 1974



Source: Drawn from data shown in Table 7, plus findings of land tenure given in Agriculture Sector Assessment for Honduras, AID, 1978.

sector can be had by looking at the average net worth of farms by farm size-category. This was done recently by the USAID study group that prepared the Agriculture Sector Assessment for Honduras in 1978. Their findings are summarized in Table 8.

Combining data from Table 8 with the percentage of total farms represented by each size category, it is possible to draw another Lorenz curve (Figure 4), comparing cumulative percentages of total farm assets (net worth) with cumulative percentages of all farms. The Gini coefficient for this curve is .39--which indicates that the distribution of wealth in the form of farm capital (tools, buildings, etc.) is considerably less concentrated than is wealth in the form of land.

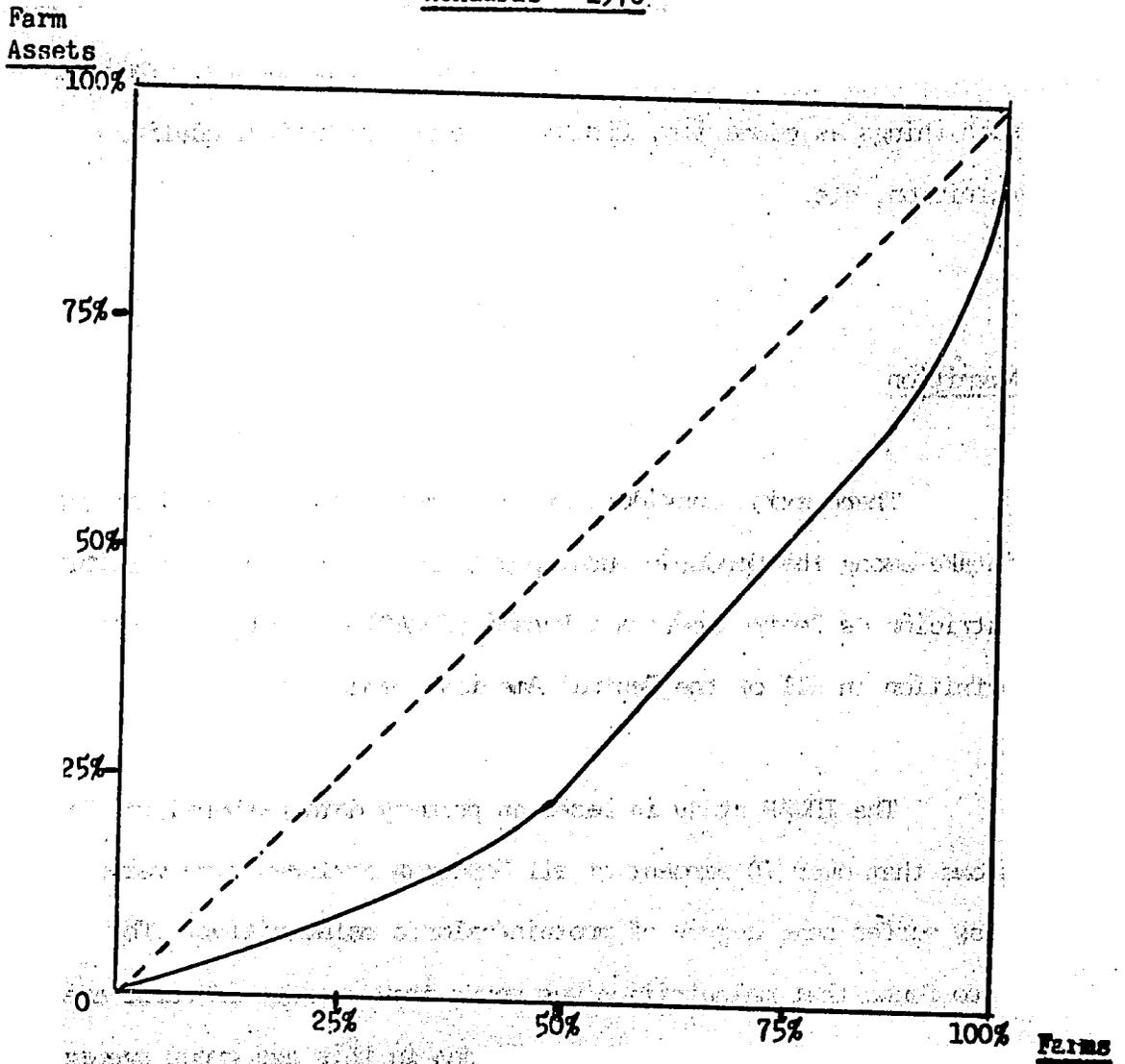
Table 8

Honduran Farm Capital: Gross Capital,
Debts, and Net Worth

<u>Farm Size (Hectares)</u>	<u>Gross Capital</u>	<u>Indebtedness</u>	<u>Net Worth</u>
0.6 - 1	\$ 370	\$ 5	\$ 365
1 - 2	553	11	542
2 - 3	576	55	521
3 - 5	1,094	85	1,009
5 - 20	1,776	136	1,640
20 - 35	2,321	69	2,252

Source: Taken from Table 2.5, Annex K, Agriculture Sector
Assessment for Honduras, AID, Aug. 1978

Figure 4
Distribution of Net Farm Assets in
Honduras - 1978



Source: Drawn from data of Tables 7 and 8.

CHAPTER IV
OTHER INDICATORS OF RURAL CONDITIONS

In addition to levels and distribution of income and wealth, other indicators may be examined to give a more complete idea of the standard of living of the typical Honduran rural family. These include such things as education, literacy, infant mortality, quality of housing, nutrition, etc.

Nutrition

There exist considerable data concerning the level of nutritional intake among the Honduran rural population. In 1969 the Instituto de Nutrición de Centro América y Panamá (INCAP) conducted a survey of nutrition in all of the Central American republics.

The INCAP study is based on primary data gathered in 1965-66 and shows that over 70 percent of all Honduran children five years of age or less suffer some degree of protein/caloric malnutrition. The INCAP study also found that malnutrition was worse than average in rural areas, where the rate of malnutrition among children in this age group averaged 76 percent. Of all rural children age five and under, 45.4 percent

suffer from first degree malnutrition (Gómez classification),¹ 28.7 percent from second degree, and 2.4 percent from third degree malnutrition.

At that time (1965-'66), malnutrition rates in Honduras were the worst of the Central American countries. More recent studies, including that of Schouten, show that there has been no improvement in nutrition in Honduras in the decade from 1965 to 1975.

The INCAP study of 1969 showed that 94 percent of all rural families did not consume the recommended levels of vitamin A. The average intake of riboflavin was only 65.8 percent of the recommended level, and 83.5 percent of the families in the survey had inadequate intake levels. Additional findings of the INCAP study: Up to 32 percent of the rural population showed biochemical signs of iron deficiency to some degree, and 17 percent of the rural population was definitely deficient in iron. Also, there was a serious deficiency of folic acid among both rural and urban populations.

Since the INCAP study of 1969, the Honduran Ministry of Public Health (MSP) has conducted other nutritional studies on a considerably

¹This is the standard method for measuring the severity of protein-calorie malnutrition, and it is based on deviations from normal weight for a given age. For example, a child under six years whose weight is within 10 percent of normal weight for that age (in terms of months) is regarded as normal. A child whose weight is between 10 and 25 percent below normal weight for that age is classified as suffering from first degree malnutrition. One whose weight ranges between 25 and 40 percent below normal is said to suffer from second-degree malnutrition; and a child whose weight is more than 40 percent below normal for his age is a victim of 3rd degree malnutrition.

larger sample population than was dealt with by the INCAP survey. This larger sample of the MSP studies was drawn from 14 rural villages in seven of the Departments of Honduras. The results showed that 43 percent of the rural children under the age of six were in Gómez Grade I of malnutrition, 32 percent were in Grade II, and six percent in Grade III. Also, in 1976 the Honduran national nutrition planning group (SAPLAN) conducted an assessment of the nutritional situation and concluded that malnutrition had increased in the period between the INCAP survey of 1969 and the year 1976.

While ignorance of what constitutes a nutritionally adequate diet is, in part, responsible for the prevalence of malnutrition in rural Honduras, it is generally agreed that low levels of per capita income represent the principal reason limiting the quantity and type of food consumed. The Schouten report reveals that the Engel's ratio of food expenditures to income in rural Honduras is, on the average .67. This ratio is based on cash expenditures by the family.²

A recent report on nutrition in Honduras was prepared by George V. Poynor. This report evaluates and summarizes previous nutrition studies and estimates the probable nutritional impacts of proposed

²Engel's Law takes its name from Ernst Engel (1821-1896), German statistician and economist, and states that a family's expenditures for food are a decreasing function of income. The Engel's ratio of .67 for rural Honduras is very high as compared to this ratio for the U.S., which is approximately .20; but it is not as high as the .85 ratio found in some areas of rural Northeast Brazil. However, the .67 ratio for rural Honduras is quite high compared to the Honduran national ratio (urban and rural) of .40.

agricultural programs. Dr. Poynor's report is presented as Annex Q of the Agricultura Sector Assessment for Honduras, 1978. Dr. Poynor begins his report with this statement:

Honduras faces serious nutritional problems, with widespread effects that impact the lives of the great majority of the population, both urban and rural. The nutritionally at risk population comprises more than 60 percent of all urban families and more than 90 percent of all rural families, for a total of over 80 percent of the total Honduran population.

Later in his report (page 14 of Annex Q) Dr. Poynor defines the "nutritionally at risk" population mentioned in his opening paragraph as:

that segment of the population that lives continually on the brink of malnutrition, and for whom relatively minor changes in income, food prices, health status, family size, or environmental conditions, can create not inconsiderable nutritional impacts. Within this population, we can expect a high percentage of the members to be experiencing malnutrition at any given time.

Literacy and Education

Villeda Morales' remarks twenty years ago to the effect that 70 percent of Hondurans were illiterate and living in rural poverty are not quite true today. There has been a significant change in the illiteracy rate, and it is a change for the better. CONSUPLANE's 1976 survey shows that only 50.3 percent of the rural population was illiterate, a considerable improvement over the days of Villeda Morales.³ However, the 1974

³The acronym "CONSUPLANE" stands for "Consejo Superior de Planificación Económica." This council is responsible for national planning, and it has within it a section devoted to the agricultural sector of Honduras.

population census of the country shows that 68.9 percent of the Honduran people still were living in rural areas, which is not significantly different from the situation of the late 1950s.

School attendance throughout the country has improved considerably during the past decade or two. In the mid-1960s, only about 60 percent of all school-age children were enrolled in school, but by 1974 this had risen to approximately 91 percent. More recent evidence shows that this enrollment figure has fallen slightly, and by 1976 stood at 89 percent.

The same Assessment report describes most rural schools as incomplete, in that they provide less than six years of primary education, and there are large numbers of children over-age in grade in the classrooms of rural Honduran schools. The net result is that the average educational level in rural Honduras is less than the equivalent of a second grade education in the United States. National education figures show that out of each 1,000 students who enter first grade, only 106 of them will complete six grades of schooling; 35 of them will manage to finish high school, and one of them will obtain a university degree. These are national figures. The attrition rate is even higher in rural Honduras.

Life Expectancy

Another way to look at the quality of life, or the level of living, of any society is via a comparison of life expectancy with other societies. It can be taken for granted that the greater the privations--in the form of nutritional deficiencies, lack of proper medical care, inadequate sanitation and public health facilities--the lower will be the life expectancy of the people of a particular society.

Table 9 shows that among Latin American and Carribean nations Honduras ranks 21st out of 26 in male life expectancy. It should be noted that in the case of each country listed (with the exception of Venezuela) females on the average have a life expectancy three to four years greater than males. In the case of Honduras, females on the average live almost exactly three years longer than do males. In Venezuela, life expectancy of both sexes is equal.

Of course, it might be argued that in circumstances such as these, the shorter one's life the better. This argument rests on the value judgement that a short life of hunger, illness, malnutrition, etc. (which is the lot of so many rural Hondurans) is preferable to a longer life of similar quality.

Table 9

Male Life Expectancy in Latin American
and Caribbean Countries

<u>Rank</u>	<u>Country</u>	<u>Life Expectancy (Yrs.)</u>
1	Cuba	68.50
2	Venezuela	66.41
3	Uruguay	65.51
4	Argentina	65.16
5	Panama	64.26
6	Trinidad & Tobago	64.08
7	Mexico	63.30
8	Barbados	62.74
9	Jamaica	62.65
10	Surinam	62.50
11	Costa Rica	61.87
12	Chile	60.48
13	Paraguay	60.30
14	Grenada	60.14
15	Colombia	59.20
16	Guyana	59.03
17	Brazil	57.61
18	Dominican Republic	57.15
19	El Salvador	56.56
20	Peru	52.59
21	Honduras	52.10
22	Nicaragua	51.20
23	Ecuador	51.04
24	Guatemala	49.74
25	Haiti	49.00
26	Bolivia	47.90

Source: United Nations 1976 Demographic Yearbook, Table 21, p. 414.

Housing

Still another way to evaluate the quality of life in Honduras is through an examination of the quality of housing. In the United States, according to criteria of the U.S. Bureau of the Census, a ratio of persons to rooms greater than 1.00 is considered to constitute "overcrowding".

According to United Nations data,⁴ 22.4 percent of all rural houses in Honduras consist of only one room, and the average number of rooms per house in the rural sector is 2.2. Given an average of six persons per rural household, this would yield a persons-to-rooms ratio of 2.7. The same source reports that 4.4 percent of rural Honduran homes have water piped into the house; 10.6 percent have an indoor toilet (only 1.2 percent have a flush toilet); and 5.5 percent have electricity. These housing data are for the year 1974.

According to Honduran studies, rural housing conditions were even more overcrowded than reported by the United Nations. In 1961 two studies were carried out by the Dirección General de Salud Pública del Ministerio de Salud Pública y Asistencia Social concerning rural living conditions. One study was done in the south of the country in eight villages in the Departments of Choluteca and Valle, and the other study was done in 13 villages in the north of the country, in the Departments of Colon and Yoro. In both studies the findings were the same in respect to housing conditions: The study teams reported that "the majority of houses" were

⁴1977 Statistical Yearbook, United Nations, New York, pp. 880-81.

built of sugarcane stalks and mud and consisted of one room where the entire family, including domestic animals, lived and slept.

Physical Quality of Life

Some of these indicators have been combined to construct a "Physical Quality of Life Index" (PQLI), which can be described in this way:

The PQLI is based on an average of its index ratings for life expectancy, infant mortality, and literacy in the mid-1970s. The PQLI was developed by the Overseas Development Council in order to give "a composite measure that will summarize the different rates of improvement (or deterioration) in categories that will make it possible to estimate the extent to which basic human needs of all people have or have not been equitably met." Use of three indicators (life expectancy, infant mortality, and literacy) is used "based on the assumption that the needs and desires of individuals initially and at the most basic level are for longer life expectancy, reduced illness, and greater opportunity."⁵

Table 10 presents a comparison between the PQLI physical index of 20 Latin American and Caribbean countries. Honduras, with an index number of 50, ranks third from the bottom, above Bolivia and Haiti. For purposes of comparison, it might be noted that the PQLI index number for the United States, based on the same three criteria, is 96.

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⁵Note accompanying Table 10, Statistical Abstract of Latin America, ed. by James Wilkie, Latin American Center Publications, University of California, Los Angeles, 1978.

Table 10

Physical Quality of Life Index for
20 Countries - 1974

<u>Country</u>	<u>PQLI Physical Index</u>
Uruguay	88
Costa Rica	87
Cuba	86
Argentina	84
Panama	81
Venezuela	80
Chile	77
Mexico	75
Paraguay	74
Colombia	71
Brazil	68
Ecuador	68
El Salvador	67
Dominican Republic	64
Peru	58
Guatemala	53
Nicaragua	53
Honduras	50
Bolivia	45
Haiti	31

Source: Derived from Table 101 of Statistical Abstract of Latin America, Vol. 19.
Source given by this publication for these figures is: John Sewell, et al, The United States and World Development: Agenda 1977. New York, Praeger, 1977, for the Overseas Development Council, Table A-3 and pp. 147-152.

CHAPTER V
CASE STUDIES

San Lorenzo

A socio-economic study made of the families of 30 fishermen living in or near the town of San Lorenzo, on the Gulf of Fonseca, revealed the following data:¹

- The 30 fishermen and their families totaled 183 persons, which tallies closely with other reports that the average size of the rural Honduran family is six persons.
- The average income of these fishermen was 68 Lempiras per month, or 816 Lempiras per year. With an average of six persons per family, this is a per capita income of \$5.67 per month, or \$68.00 per year.
- Three-fourths of the houses of these families consisted of a single room, in which all household activity took place.
- There were 73 beds among the 183 persons; occupants per bed ranged from two to four people.
- Twenty-two of the houses (74 percent) had no water supply; a similar number had no toilet, and 85 percent had no bathing facilities.

¹Elia Sara Cueva Pineda and Marlen González, Cooperativa de Pescaores "San Lorenzo" Ltda, - Estudio de Condiciones Sociales y Económicas, Tesis de Grado, Escuela de Servicio Social de Honduras, Tegucigalpa, Honduras, 1966.

These particular 30 fishermen were chosen for study because they were members of a fishermen's cooperative which was organized in 1964, and it is unusual, at least in Honduras, for groups of uneducated, illiterate, independent men to work together successfully in a cooperative effort for any extended period of time. At the time this socio-economic study of the group was made, the cooperative had been successfully operating for more than two years.

The income for the fishermen reported here is cash income from all sources, fishing as well as such odd jobs about town they may be able to find from time to time--but approximately 80 percent of it is derived purely from fishing activity. At the time this study was made, the incomes of these 30 fishermen probably was somewhat higher than other fishermen in the area who were not members of this cooperative.

La Zona Sur

At the request of the Catholic Church, a socioeconomic study of the Southern Zone of the country was carried out in 1971 by an economist named R. C. Stares.² It revealed that average annual household income for this region was 1,015 Lempiras (\$407.50 US). There were, on the average, 8.67 persons per household, which gives an annual per capita income of \$58.54. This is income from all sources, including an imputation for food grown on the family plot and consumed by members of the household. These income figures are expressed in Lempiras (and U.S. dollars) of 1971 value.

Stares reports that the lowest per capita income in the poorest rural families was 55.30 Lempiras per year (\$27.65 US), and the highest per capita income in the most prosperous rural households was 225.23 Lempiras per year (\$112.62 US). Among other details given by Stares concerning the way of life among rural families in southern Honduras is a listing of typical household expenditures, shown in Table 11. These are cash expenditures only.

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²"Estudio de Ingresos y Gastos Familiares en la Zona Sur de Honduras," informe presentado a la Prelatura de Choluteca por R. C. Stares, Choluteca, Honduras, October 1971. This study relies in part on the 1967-1968 Study of Family Income and Expenses, published by the General Office of Statistics and Census, and in part on data collected by Stares and his associates in the field--however, the sampling technique used is not specified.

Table 11

Average Household Expenditures of Rural Honduran Families in the Southern Zone of the Country with Incomes of Less Than 2,000 Lempiras Per Year

<u>Type of Expenditure</u>	<u>Percentage of Household Income Spent</u>
Food67.16
Housing & Utilities.	5.38
Clothing12.06
Health Care.	3.84
Personal Care.	2.54
Recreation & Education	1.60
Transportation	2.52
Drinks & Tobacco	<u>4.90</u>
Total:	100.00

Source: R. C. Stares, Cuadro No. 3, p. 10-A, derived from data presented in Encuesta de Ingresos y Gastos Familiares 1967-1968, Dirección de Estadística y Censos, Ministerio de Economía.

Ajuterique and Lejamani

This is a socioeconomic study done fairly recently in two communities in the Department of Comayagua, which lies to the north of Tegucigalpa.³ It was carried out by a team of upper-level university students under the supervision of a professor of social science. The team conducted interviews with the occupants of all the small farms--510 of them--in the municipios of Ajuterique and Lejamani and obtained much detailed information on their way of life, their traditions, their social, religious, and political views, etc. The information the team uncovered which is pertinent to this report is as follows:

- The agricultural tools used by these small farmers are quite primitive: machete, hoe, pujaguante (a heavy leather work glove), and wooden plow. Most farmers, however, do not possess a wooden plow, and they have to rent plows from those who own them, at a fee of 7.00 Lempiras (\$3.50 US) per day.⁴
- In the community of Ajuterique there are only two tractors, and one of them belongs to an agricultural cooperative called "Los Angeles, Ltda." This plow can be used by

³"Informe Final del Taller Rural I, Realizado en las Comunidades de Ajuterique y Lejamani, Departamento de Comayagua," Universidad Nacional Autónoma de Honduras, Depto. de Ciencias Sociales, Carrera de Trabajo Social, Tegucigalpa, D.C., Honduras, 16 Mayo 1977.

⁴The report does not specify exactly how many plows are found in these communities nor does it identify who owns them. It states that "most farmers do not own a plow." This is in accord with the Checchi study of Honduras, sponsored by The Twentieth Century Fund in 1959, which found that "five out of six of the small Honduran farmers do not even possess a wooden plow." (p. 52). In Ajuterique and Lejamani presumably only the few farmers who are "wealthier" than the majority are the owners of plows.

the co-op members at a price of 30 Lempiras (\$15.00 US) for each manzana they plow.⁵ The owner of the other tractor rents out his machine at 40 Lempiras (\$20.00 US) per manzana.

- The Lejamani community has three tractors, one belonging to the agricultural cooperative "Pozo del Padre, Ltda." The other two are privately owned and are rented out by their owners for 35 Lempiras (\$17.50 US) per manzana plowed.
- According to the Honduran Census of 1974, the population of Lejamani is 1,362, of which 574 (42 percent) are economically active (defined as those 10 years of age and older). Of the 574 economically active in Lejamani, 529 are male and 45 are female. A total of 308 (54 percent of the economically active) are landless.
- The population of Ajuterique is 3,248, of which 1,332 (41 percent) are economically active and of those 1,257 are male and 75 female. Of the economically active, 322 (62 percent) are landless.
- The landless portion of the economically active population in both communities earn their livelihood as agricultural laborers on the plantations of the Dinant Chemical Company, which has its headquarters in the city of Comayagua, as well as on other large fincas in the area. The wage they receive is from 2.00 to 2.50 Lempiras (\$1.00 to \$1.25 US) per day.

⁵ One manzana equals 1.72 acres or .697 hectares.

- Most of the houses in both communities are constructed of bahareque (sugarcane stalks and mud) or blocks of adobe. They all have dirt floors and they usually have two rooms. The average number of residents per house is seven persons.

Yarumela

A 1976 study⁶ made of this small village in the municipio of La Paz, Department of Comayagua, disclosed this information:

- Of the 1,108 inhabitants of the village, 191 were employed as "agricultores," but 107 of these agricultural workers (56 percent) have no land of their own. These landless campesinos work as laborers on the plantations of others for a wage ranging from 2.00 to 2.50 Lempiras per day (\$1.00 to \$1.25 US), depending on the type of work performed.
- There is much malnutrition among the people of this village. They do not receive a sufficient daily intake of calories or protein. The food they consume is low in both quantity and quality, and most suffer from a deficiency of Vitamin A. (Qualitative data on malnutrition in Yarumela are not provided.)

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⁶"Informe Final del Taller Rural Nivel II, Realizado en la Comunidad de Yarumela, La Paz, Departamento de Comayagua," Universidad Nacional Autónoma de Honduras, Depto de Ciencias Sociales, Tegucigalpa, Honduras, 20 Junio 1976.

Monjarás

The sociological team which made this 1976 study⁷ defines the "economically active" population as all those persons between 15 and 65 years of age.⁸ In 1976 there were 1,476 people in this age group in the village of Monjarás, or 43.5 percent of the village's total population.

Total population of the village was 3,393, consisting of 539 households, for an average of 6.29 persons per household. There were 324 heads of families (60.1 percent of the households) engaged in agriculture. Those so engaged were either farming their own small plots, working on collective farms, or employed as agricultural laborers by large landowners in the area. (Most of the large plantations are devoted to the cultivation of sugarcane.)

The campesino who lives permanently on the large hacienda of the landlord; and is given a small plot to grow food for himself and his family, is known as a colono or mozo. He is paid a wage of 1.50 Lempiras (\$.75 US) per day when he works for the landlord. The study does not report how many days per year the average colono or mozo works for the landlord; neither does it state how many income earners there are in the average household.

⁷"Monjarás y su Vinculación al Desarrollo Capitalista Nacional," Informe Final del Taller Rural II, Realizado en la Comunidad de Monjarás, Marcovia, Choluteca, Feb.-Junio, 1977, Melba Reyes Gomez, Maestra Guia del Equipo, Universidad Nacional Autónoma de Honduras, Tegucigalpa.

⁸It is not specified whether this "economically active" population includes persons within this age group who are incapable of working.

The next step up the socioeconomic ladder is occupied by los obreros agrícolas--agricultural workers who are employed by the sugar companies in the area (ACENSA and ACHSH). They receive a wage of 3.00 Lempiras (\$1.50 US) per day.

A total of 1,459 persons (43 percent of the entire population of Monjarás) are employed either as mozos or obrerros agrícolas.

The great majority (85 percent) of all the houses of Monjarás are built of sugarcane stalks and mud, with dirt floors and roofs of straw. They all consist of a single room in which as many as eight persons live, without any privacy whatsoever. Only 20 percent of the houses have latrines.

Daily diet for most of the population is made up of corn, beans, rice, and coffee. There is much malnutrition among both adults and children. Because of this, as well as the lack of medical facilities, the crude death rate for this group is 48.8 per thousand--as compared to the national death rate for Honduras of 14.2 per thousand.

CHAPTER VI
INCOME DISTRIBUTION POLICY

One of the most misleading accounts about Honduras in respect to its policies of agrarian reform, concern for the small farmer, and economic justice for the rank and file, is William Stokes' book, Honduras, An Area Study in Government. This 1950 work is a rose-colored-glasses view of Honduras at that time. A sample quotation or two from Stokes' book shows how unrealistic his reporting was, and is:

Almost all Hondurans own land, and liberal agrarian laws make it possible for non-landowners to obtain acreage suitable for agriculture or cattle raising, regardless of the financial condition of the applicant. No more interesting chapter in the development of the Honduran governmental system can be written than that of the origin and unfolding of the liberal agrarian laws of Honduras.¹

Another quotation from the same source:

The great bulk of the Honduran people constitute a landed peasantry, the ownership of land acting as a cohesive tie which fosters healthy nationalism. In addition, individual landownership guarantees a livelihood even to the young farmer facing life with no assets. Land is available to him, through the state if his family has none to give.²

A few pages later in his book (page 28), Stokes writes that Honduras has "a long history of extremely liberal agrarian laws." This may well be true. While the agrarian reform laws for many years may have been models of liberalism and equity, for the most part this has been "liberalism and equity" in words only. The shortcoming of Stokes' book is that he concerned himself only with an examination of the agrarian

¹William Stokes, Honduras, An Area Study in Government, University Of Wisconsin Press, Madison, Wis., p. 24.

²Ibid., pp. 25-26.

laws as they appeared in the statute books, not with how these laws were being implemented. The facts of agrarian reform and land tenure have been quite different than appearances.

"The rural land tenure structure of Honduras has been noted as one of the most important single factors hindering that sector's performance."³

In an attempt to improve land tenure structure, the Agrarian National Institute (INA) was created in March 1961, and in September 1962 the National Congress of Honduras passed an agrarian reform law to be implemented by INA. It is interesting to note that INA

was created with quite a bit of legislative authority and inaugurated in the midst of auspicious official statements regarding the need for land reform, all in absolute incongruity with the very small budgets that were subsequently allocated to it. As might be expected, the activities of the Institute and the application of the aforementioned law have been minimal...⁴

As a matter of fact, it was the Punta del Este Charter of 1961 that was principally responsible for the Honduran government taking any action in respect to agrarian reform:

The basic importance of this document was the powerful intangible pressures which it brought to bear on the Latin American governments in general and on the Honduran government in particular [to undertake agrarian reform], to achieve a rapid and significant increase in agricultural productivity, and to secure that the advantages of productivity be put at the disposal of those who work the land...⁵

³Carlos O'Brien Fonck, "Modernity and Public Policy in the Context of the Peasant Sector: Honduras As a Case Study", Ph.D. Dissertation, Cornell University, 1972, p. 28.

⁴Ibid., p. 29.

⁵Benjamin Villanueva, "Institutional Innovations and Economic Development--Honduras: A Case Study". Ph.D. Dissertation, University of Wisconsin, Madison, 1968, p. 154.

This was the first attempt at agrarian reform ever undertaken by the Honduran government, and it was not at all effective in accomplishing its stated purposes, for

although the National Agrarian Institute was created for the avowed purpose of solving the problem of land concentration into a few hands and for breaking land-owners' economic and political power, tangential forces from the socio-political milieu of Honduras have converted this institution into a conservative element dealing mostly with conventional problems of land colonization and agricultural development.⁶

That this Agrarian Reform Law enacted by the National Congress on September 29, 1962 was ineffective might be attributed to the fact that it "is a highly ambiguous law whose implementation depends on the actual political and sociological factors operating within the administrative apparatus."⁷

In the opinion of World Bank authorities, "the [Honduran] government has been unable to introduce or reform the agrarian law...or produce legislation that is essential for any agricultural development effort."⁸ This inability to realize agrarian reform no doubt is related to the fact that "the creation of the Institute [INA], as well as the passing of the agrarian reform law, was strongly criticized by American interests and by the national conservatives".⁹

⁶Ibid., p. 160

⁷Ibid., p. 158.

⁸Situación Actual y Perspectivas Económicas de Honduras, IBRD, Washington, D.C., 1970, p. 5.

⁹Fonck, op. cit., p. 22.

Writing in 1971, Carlos Fonck notes that half of all those living in rural Honduras had, in 1968, a per capita annual income of under \$50.00, along with approximately \$15.00 of self-grown home consumption. He then comments on the "apparent lack of socio-political agitation" in a situation of such extreme rural poverty and finds this rather perplexing. As an explanation of this phenomenon, he offers this hypothesis:

The present power structure of the country is quite successful in exercising social control and in establishing and maintaining compliance structures. It would seem that from the point of view of the small but dominant well-to-do minority, the conservation (in the short run) of their own present prerogatives may be quite dependent on the continuation of the political exclusion of a majority of Hondurans.¹⁰

Even as Fonck was writing, the "apparent lack of socio-political agitation" he noted was soon to become very apparent. During the latter part of 1971 and all of 1972, many thousands of campesinos demonstrated their dissatisfaction with Honduran agrarian reform:

Strong campesino organization and agitation, continuing waves of land invasions, and ultimately a campesino march on Tegucigalpa, led to a military takeover of the Government in 1972. This was followed by issuance of Decree No. 8 on December 26, 1972, which permitted temporary distribution of land on an emergency basis; announcement on January 1, 1974 by President López of a comprehensive agrarian reform program with a goal to distribute 600,000 hectares to 100,000 peasant families organized in groups.¹¹

These land invasions continue today. The February 28, 1979 edition of La Prensa, a daily newspaper published in San Pedro Sula, reported the invasion of 200 manzanas of privately owned land by the families of 450 landless campesinos in the vicinity of Cuyamel, Department of Cortés. The

¹⁰Fonck, op. cit., p. 38.

¹¹"Agriculture Sector Assessment," op. cit., p. 108.

campesinos were erecting temporary shelters for themselves when they were evicted by several platoons of soldiers of the Fuerzas de Seguridad Pública (Public Security Forces).

In a front-page article of its February 28, 1970 edition, the newspaper El Dia, published in Tegucigalpa, states that "The agricultural sector has been kept in the most complete abandonment since the beginning of this century..." The article then goes on to discuss the general backwardness of agriculture in Honduras, the concentration of land ownership, the poverty of the small farmer and the landless campesino.

A government official who prefers to remain anonymous has this to say:

The peasants lack land to work, and for many the situation is precarious as they occupy lands that belong to the State. Often the authorities evict them from these lands and the result is migration to the cities where they become a social liability.¹²

Another opinion:

The need for some serious effort to formulate an agricultural policy tailored to Honduras' needs is imperative. So far the efforts of the Honduran National Agrarian Institute are commendable but only of token value vis-a-vis the magnitude of the problem... the government is failing the country by avoiding its responsibilities to the agricultural sector while generally advocating agrarian reform.¹³

Income distribution policy in Honduras is related largely to rural

¹²Axel I. Mundigo, Elites, Economic Development and Population in Honduras, Dissertation Series No. 3, Cornell University, Ithaca, New York, 1972, p. 113.

¹³Mundigo, op. cit., p. 114.

income distribution policy, simply because approximately 70 percent of the population is to be found in the rural sector. Also, income distribution in the rural sector is related closely to land distribution, for land provides the principal source of income for those in the rural sector.

In his study, Fonck offers substantial data to illustrate the "direct relationship between the size of the farms and the tenancy security of the operators". He shows how as farm size increases, the proportion of the land which is owned by the operator increases and the proportion which is rented decreases. The extreme insecurity of the tenant farmer is well illustrated by this:

Rental contracts in Honduras are typically of a very short run and an informal nature. In a field survey conducted in 1960, it was found that two-thirds of the contracts were simple verbal agreements and most of these were for a period of less than a year, often involving the growing of only one crop...Larger farmers are more able to defend their rights legally as well as extralegally, and therefore they usually enjoy a greater tenancy security on their lands.¹⁴

By 1972, peasant reaction to these conditions of insecurity and extreme rural poverty took the form of mutinies, land invasions, and hunger marches on the capital city of Tegucigalpa. This led to the downfall of the administration of President Ramón Ernesto Cruz. On December 4, 1972 his government was overthrown by the military, led by Oswaldo López Arellano, the same man who overthrew the government of Villeda Morales in October 1963. The agrarian reform program instituted by López Arellano, known as Decree No. 8, is the present land (and thus income) distribution policy for the rural sector of Honduras. If it had

¹⁴ Fonck, op. cit., p. 30.

been carried out, it would have provided land to some 120,000 families, or about half the number of families who were either landless or had less than five hectares.

However, the fact is that during the five years since Decree No. 8 was promulgated, it is estimated that approximately 26,000 families have been settled on 125,000 hectares. This is only 22 percent of the original goal of 120,000 families to be settled and 21 percent of the goal of 600,000 hectares of land to be distributed.

Further, the rate of net settlement since Decree No. 8 has been less than 5,500 families annually. This is just about equal to the annual increase in Honduran rural population (excluding immigration to urban areas.) Thus, it is not likely that the program has on a national basis had any significant net effect in reducing the extent of minifundia or landlessness as it existed five years ago. The rate of progress in land settlement also appears to be slowing. Most of the progress was made in the first rush of activity immediately following Decree No. 8...In view of the newness of the group farms, it is premature to pass judgement on their ultimate economic viability and cost effectiveness. However, the evidence to date is mixed and makes clear that some significant improvements must be made if generally satisfactory results are to be achieved.¹⁵

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¹⁵"Agriculture Sector Assessment", op. cit., pp. 109 and 111.

CHAPTER VII
EVALUATION OF QUALITY OF DATA

The shortcomings and inaccuracies of income and production data of developing countries are well known. Morgenstern has stated that even in an economically developed and statistically sophisticated country such as the United States, national income and consumer spending power probably cannot be known without an error of plus or minus ten to fifteen percent.¹ If this is true, it seems logical to assume a considerably larger potential error in the economic statistics of a developing country such as Honduras.

Kuznets writes of "the large obvious and potential deficiencies in the income data" available from the developing countries in general. Concerning income distribution, Kuznets observes that,

Even in developed countries, size distributions of income are subject to deficiency errors...In the less developed countries the errors must be quite substantial, in view of the complexity of the data that must be collected, the task of securing reliable quantities for products of processes difficult to measure adequately, and the scarcity of analytical resources for converting defective raw materials into acceptably accurate, and consistent, estimates.²

(He also has commented that if the frequently stated low income figures were correct, the inhabitants of the poorest countries would all have starved a long time ago.)

¹See Oskar Morgenstern, On the Accuracy of Economic Observations, Princeton University Press, Princeton, N. Jersey, 1963.

²Simon Kuznets, "Demographic Aspects of the Size Distribution of Income: An Exploratory Essay," Economic Development and Cultural Change, U. of Chicago Press, Vol. 25, No. 1, Octo. 1976, p. 3.

Adelman and Morris, well known for their research into the causes of economic underdevelopment, have this to say:

Data on income distribution are notoriously unreliable, even in developed countries. The raw data are usually derived from information supplied by the income recipients themselves; its accuracy is therefore a function of the recall of the respondent, of his perception of the use to which the information will be put, of his veracity about a sensitive subject, etc.³

Another problem to be faced is simply that "Data on income distribution is not collected with the same regularity in Latin America as it is in the United States. In no Latin American country is data available for a series of years or even for a series of decades."⁴ With these general caveats in mind, let us consider the quality of data presented by specific documents used in the preparation of this report--which are included in the list of references, pages 67-73.

Probably the first reliable economic report done on Honduras in recent times (i.e., within the second half of the 20th century) was that compiled by Checci & Company, sponsored by the Twentieth Century Fund in 1959. This information, now 20 years old, is of limited value today,--yet it serves the purpose of providing certain base-line data of rural conditions two decades ago.

³Irma Adelman and Cynthia Taft Morris, "An Anatomy of Income Distribution Patterns in Developing Nations," Development Digest, Vol. IX, No. 4, Oct. 1971, p. 25.

⁴Jeannine Swift, Economic Development in Latin America, St. Martin's Press, New York, 1978, p. 93. Immediately following this quotation, the author presents what she regards to be the "best data available" on income distribution for several Latin American countries. The countries presented are Brazil, Chile, Costa Rica, Mexico, and Venezuela. Honduras is not among them.

Moving up to the present, I was told by professors at the National Autonomous University of Honduras that the most reliable statistics to be had on the agricultural sector of Honduras are those compiled by USAID. This may or may not be true. However, in my opinion, AID's "Agriculture Sector Assessment for Honduras," completed in August 1978, probably is the most comprehensive and accurate description of the rural situation in Honduras which has been compiled.

A large number of experts and technicians were involved in the preparation of this "Assessment." In order to ensure that each of these individuals and study teams carried out its analysis from a "common data base" and were provided with "a unified understanding of the material", a three-man coordinating committee was set up. This consisted of Mr. Leonard Kornfeld, who was under a personal services contract to the AID Mission, and representatives from the Honduran Ministry of Natural Resources and the National Planning Council. This coordinating committee worked out detailed terms of reference for each study, recommended who should be recruited to carry out the studies, initially briefed each study team or expert, then reviewed the progress of the study as it proceeded.

In addition, a Technical Commission was established to serve as a consultative body to the coordinating committee; the Commission was made up of the Directors of Planning from each sector agency, plus a representative of the National Planning Council. This Commission reviewed individual studies as they were submitted, then met with the authors to review and critique the studies. Following this discussion and review,

the authors were permitted to revise their papers to the extent they felt necessary.

The introduction to the "Assessment" reports that "a significant forward step was taken in the context of the "Assessment" exercise." A baseline survey was carried out in 1976 (dealing with the 1975 crop year) by the American Technical Assistance Corporation (ATAC), financed by AID. This was a baseline survey of 1,086 small farms and 228 agrarian reform group farms, but it covered only three of the six principal agricultural regions of the country. Then, as part of this "Assessment" completed in 1978, the 1976 ATAC survey "was replicated for 987 small farms in the remaining three regions and the data from the two surveys combined into one matrix. Thus, there is now baseline farm-level data coverage for the entire country."

Also, the introduction to the "Assessment" refers to the so-called "Tripartite Report", prepared in 1975 by the World Bank, the Inter-American Development Bank, and the Agency for International Development, entitled "Study of the Rural/Agricultural Sector in Honduras."⁵ According to the person or persons who wrote the introduction to the 1978 "Assessment" there "is a high level of complementarity" between it and the Tripartite Report.

Another study which appears to be carefully done is the Encuesta de

⁵This study is listed in the References at the end of this paper under its Spanish title: "Estudio del Sector Agropecuario/Rural Honduras."

Ingresos y Gastos Familiares 1967-1968, published by the General Office of Statistics and Census of the Honduran Ministry of Economics. A word concerning the methodology employed in this study is in order here:

Because of great interest in the undertaking of this type of study, a series of meetings were held among representatives of the Honduran Central Bank, CONSUPLANE (Superior Council of Economic Planning) the Honduran Ministry of Labor and Social Security, the National University, and the General Office of Statistics and Census. From these initial meetings, a working group was formed, made up of mathematicians, statisticians, economists, etc. from each of these organizations.

This working group met in seminars with representatives of ODECA (Office for Central American Economic Development) and other international organizations which had previous experience in such studies. The task of the working group was to develop detailed plans for carrying out the Honduran survey. Purpose of the survey was to collect detailed information for both the urban and rural population of Honduras in respect to these items: housing, family composition and characteristics, family expenditures, family savings and indebtedness, and family income. After much work in preparing a questionnaire form which would serve the purposes of the survey, the actual investigation was carried out over a 52-week period, from April 15, 1967 to April 14, 1968. The sampling technique employed was as follows:

The "universe" of the entire country was sub-divided into three sub-universes, thus: (1) the Central District, containing the cities

of Tegucigalpa and Comayagua; (2) San Pedro Sula, in the Department of Cortés, which is the second-largest metropolitan region of the country; and (3) the rest of the country.

The first of these sub-universes, the Central District, contained nine percent of the country's total population, and within this Central District 84 percent of the population was urban and 16 percent rural. The second sub-universe, San Pedro Sula, contained five percent of the country's population, of which 68.6 percent was urban and 31.4 percent rural. The third sub-universe, the rest of the country, contained 86 percent of the nation's population, and 76 percent of this was rural.

Each of these sub-universes was then sub-divided further into enumeration districts. The third sub-universe, for example, was divided into 15 districts consisting of contiguous areas each encompassing several municipios. These district divisions were made on the basis of homogeneity in respect to natural resources, principal sources of income, etc. Attention also was paid to "ease of access" to these rural areas. Of the 15 districts into which this "rest of the country" was divided, seven represented groupings of municipios to which access was relatively easy. Eight represented areas to which access was difficult, because of poor roads, difficult terrain, etc.

Then, in each of these enumeration districts in each of the sub-universes, a certain number of households were selected to be interviewed. In the Central District and San Pedro Sula, the selection was such that one out of each 60 households was chosen. In the rest of the country, one

out of each 160 households was interviewed in those areas of "easy access", and one out of 400 in the areas of "difficult access".

Trained interviewers then visited these households to obtain the information asked for by the questionnaires. If no one was at home (and particularly if the head of the household was not home), the interviewer returned again, and again, until the interview could be properly completed. In this manner, 2,158 households were interviewed. This represented, at that time, one in every 200 households in the nation.

Of these 2,158 questionnaires returned to the General Office of Statistics and Census, which tabulated and published the results, 398 were rejected because they were internally inconsistent, incomplete, or illegible. A total of 1,760, or 81.6 percent, of all questionnaires were accepted as satisfactorily completed. In the explanation of the methodology used, the General Office of Statistics and Census reports that they calculate a 95 percent confidence interval for the family incomes and expenses reported in this Encuesta.⁶

CONSUPLANE played a major role in carrying out this Encuesta, and the report prepared by CONSUPLANE entitled "Honduras: El Nivel de Ingreso y Consumo" is a summary of the highlights of the 1967-1968

⁶Rural household incomes reported in this Encuesta include an imputed income for food grown on the household's farm plot and consumed by household members. Household expenditures, both urban and rural, refer to cash expenditures only.

The university case studies presented in this report are based on primary sources of data, collected by the team members who conducted these studies. These were senior-level university students working under the guidance of a major professor in the social sciences. I met and visited with one of these professors, Srta. Melba Reyes Gomez, in the School of Social Work, National Autonomous University of Honduras, and was impressed with her ability and the methodology she employs in the studies she undertakes and supervises.

The data presented in these studies are not the result of any sampling technique; each household in the community was interviewed. This is not as difficult as it may seem, for the study teams consist of 10 to 20 students. Thus, in a community of, say 3,000 population and 500 households, each member of a student team of 20 would have to interview no more than 25 households.

The several theses included in the list of references at the end of this report were done by university students in fulfillment of the requirements for the degree of Licenciado in Economics. The general quality of these papers is acceptable, but they rely largely (though not entirely) on secondary sources of information and do not provide much new insight into the economic conditions of rural Honduras.

To sum up: The 1978 Agriculture Sector Assessment done for AID, the several case studies mentioned, the 1967-'68 research of the Honduran Ministry of Economics, and the reports of CONSUPLANE all appear to be carefully prepared documents containing reliable data on the Honduran rural sector.

CHAPTER VIII

SUGGESTIONS FOR FUTURE RESEARCH

The Encuesta de Ingresos y Gastos Familiares 1967-1968, done by the Economic Ministry of Honduras, is now more than ten years old. A similar, but more comprehensive and better planned, study is now (May 1979) underway. Thus, it would be premature at this time to suggest what else should be done in research concerning the incomes, expenses, and general living conditions in either the urban or rural sectors of the country. It is likely that much valuable information will be forthcoming from this research now in progress.

Nevertheless, even before the results of the research currently underway are known, it seems prudent to make this recommendation for future investigation in the Honduran rural sector: During the course of compiling this report, every effort was made to learn more about the landless rural population of Honduras--without great success. This is simply due to the fact that, until recently, there has not been too much concern for this segment of the population. Neither the Honduran government nor AID has shown much interest in these poorest of the poor until rather recently. Thus, few attempts have been made to gather quantitative data on their socioeconomic status. The very limited time available in Honduras for the purpose of completing this survey was not at all sufficient to undertake an original study in this area.

The recommendation is made here that future research by AID in the rural sector of Honduras be directed toward the landless campesinos. This is not an easy undertaking, and it cannot be successfully achieved

by bringing in a team of foreign economists or sociologists for a short-term assignment to conduct interviews in the field and then tabulate and analyze their findings.

These people--the landless campesinos--are suspicious of strangers, and their responses to inquiries are likely to be what they believe the interviewer wishes to hear, rather than the truth of the matter. The most effective way to obtain reliable quantitative and qualitative data on their way of life is to enlist in the research project interviewers whom they know and trust. This can be done by enlisting the help of parish priests and certain Peace Corps Volunteers--in other words, only those who have lived in the community for some time and have won the confidence of the local people. Only in this way can fairly reliable information be obtained concerning this poorest sector of rural Honduras.

Waves of land invasion in 1971-'72 resulted in a military overthrow of the government of Ramón Ernesto Cruz on December 4, 1972. The new military head of state, Oswaldo López Arellano (who took over once before by the same means in October 1963), immediately distributed some land to the landless on an emergency basis. Then in 1974 he announced the comprehensive land reform program mentioned earlier in this report, with the intention of distributing 600,000 hectares to 100,000 landless families.

This has not been accomplished, and even if it were, the present

situation is somewhat alleviated. The

analysis of the situation in Honduras to provide

information on the situation of one from the land.

According to AID's own findings, 83 percent of the Honduran land area is not suitable for growing either annual or perennial crops. The country contains 43,277 square miles of territory. Seventeen percent of this area gives 7,357 square miles of land suitable for crop production. If all this arable land were brought under cultivation (and much of it is not now being cultivated), there still would not be sufficient land, no matter how distributed, to provide a proper livelihood for all.

Here is why: As set forth earlier in this report, there are 119,443 Honduran rural families without any land at all, and 33,774 families with less than one hectare of land. The per capita income of these two groups is estimated to be \$50 and \$63, respectively, in terms of 1974 U.S. dollars.

Say the goal were to bring these two groups up to the per capita income level of \$135 (1974 U.S. dollars)--which is enjoyed by members of the 149,000 families now located on "traditional" farms of one to 35 hectares in size. Assume that a farm at the mid-point of this 1-35 hectare size range is sufficient to produce an annual per capita income of \$135 for those who work it.

To supply the 33,774 families who now have less than one hectare, and the 119,433 landless families, each with a small farm of 17.5 hectares would require an expanse of 10,287 square miles--or about 3,000 more square miles of arable land than exist in Honduras.

This simple arithmetic illustrates that it is not likely that rural

standards of living in Honduras can be raised to a humane level through income (in kind or in money) from land alone.¹

Thus, the recommendation is made here that research be undertaken by AID's Rural Development Section to seek other income producing opportunities in the rural sector--in addition to the income that can be derived from land alone. This could center on small-scale labor-intensive production activities, if possible utilizing local materials.

An excellent example of a successful undertaking of this type is to be found in Choluteca, in the south of Honduras. There, a few years ago, a Catholic priest, Father Alejandro, commencing with practically nothing, organized two manufacturing enterprises--one producing gloves, the other wicker furniture. Both these production processes are highly labor intensive and use local materials. Sales of the products are brisk and growing rapidly--and 150 or more men and women are employed at good wages in these two enterprises, all of whom formerly were unemployed.

It is recommended that AID Honduras carefully study this program in Choluteca and then undertake the necessary research and analysis to help develop similar enterprises elsewhere in rural Honduras.

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¹This calculation ignores the potential for raising incomes via increased productivity on land presently under cultivation. Of course, increased productivity would not benefit those who have no land on which to produce food. But, calculating an average annual increase in productivity of, say, four percent, a period of approximately 20 years would be required to bring the average \$63 per capita income up to the \$135 level of "traditional" farm families. By that time the per capita incomes of the traditional group would have more than doubled and, relatively, the poorer group would be no better off.

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