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# Agricultural Reform and Economic Development

By Ulrich Reye, Göttingen

**B**olivia, the Andean Republic, though world-renowned as a mining community—between 90 and 95 % of its exports consist of non-ferrous metal ores—is mainly an underdeveloped farming country. The productivity of Bolivia's farms and ranches is atrociously low, as can be seen when one notices that about 59 % of all the gainfully employed persons are working the land which, however, supplies only about 29 % of the inland Gross National Product.

There are three distinct geographical regions of Bolivia: the „Altiplano“ (high tableland), the mountain valleys, and the tropical lowlands. The Altiplano and the valleys cover about 30 % of the entire territory of the republic, but the major part of a population that totalled about 4.3 million in 1965—approximately 87 %—live there. Conditions for farming are generally unfavourable in these most densely populated areas: the soil is heavily eroded, the climate is harsh, the soils are often exhausted through leaching by rainfall or by overcultivation, the form of the soil surface is unsuitable for farming, etc., so that these areas, given the currently low level of production methods, might be thought to be plagued by overpopulation. Moreover, the social set-up, before the agricultural reforms of 1953, was antagonistic to farm development. It is intended to discuss these questions more extensively in the present article.

## Before Agricultural Reform

Prior to the 1952 revolution, the social structure in the countryside was ruled by the hacienda system, which determined agricultural property relations. Haciendas were not invariably farms or ranches of huge size. What was decisive for their type of economic activity were rather the conditions under which people worked, the primitive tools and methods they used, and the low ratio between arable and wasteland. The Indians living on these haciendas, and the Andean Indians form about two thirds of the entire Bolivian population, were bought and sold together with the soil upon which they were settled. They were, in fact, part and parcel of landed property. For about four days in every week, they had to work the hacienda of their masters, and their families had to supply servants for the landowner's household. In exchange, they received a plot for use, measuring usually between one half and five acres in size, generally from the poorer soils of the hacienda fields. On these private plots, they used the remaining,

“free“ days of the week for growing their own requirements of food, etc. The personal plots of the Indians generally were only sufficient for pure subsistence farming, meaning that it was not possible for the Indians to reap marketable surpluses regularly. Therefore, about half of the entire Bolivian population had no access whatever to the market and thus to a money-operated economy. Only in a very few cases, paying wages in kind (making the Indian landworkers half-servile tenants) was replaced by paying them extremely low cash wages. In other words, the Indian population was forced to find their entire requirements of food, clothing, and other necessities directly from their own production.

The hacienda system divided up the countryside into two strictly separate economic areas: an economy geared to the market, and operated by money, in which the stewards of the landowners or the landowners themselves lived and offered the relatively low output of their haciendas for sale in the towns, and another economy based on pure subsistence farming, embracing almost the entire country population.

Apart from the haciendas, there was still a second, though much less important, component making up the social structure of the country population before the 1952 revolution: these were the Indian “comunidades“ (communities), hailing from the period of Spanish colonisation when a number of Indian families were enfranchised as collective but absolute owners (not tenants) on their land. Farming in the comunidades was usually carried on individually by families, but there remained also some primitive collectivism in operation (the collective digging and maintenance of irrigation ditches, common and joint use of pastures, etc.). Over the centuries, many of the comunidades had undergone considerable social changes: the division of the arable had become very unequal, and individual holdings were now vastly fragmented, which meant that some sort of primitively operated crofters' or cottagers' farming grew up, and also in the comunidades, subsistence farming prevailed, producing hardly any surpluses for marketing elsewhere in the country.

The social system based on such property relations had a fatal influence on the country's economic history. It is no exaggeration to make it mainly responsible for all the deepseated economic and social evils of Bolivia.

## Social Isolation of the Country Population

The system of haciendas has brought about a social stratification among the country population showing two layers that were almost completely cut off from each other. The thin top veneer of big landowners and their stewards was opposed to the vast majority of down-trodden Indians, from which two thirds of the Republic's entire population was recruited, who worked as hacienda labourers for the landowners, or on minute farming properties of their own, in the comunidades. There was never any sort of middle layer in Bolivian farming society, so that there was hardly any chance for social advancement for the underdogs. Even their physical mobility was strictly limited, as any Indian who left his hacienda also lost the fields allotted to him, his cattle, and thus any and every means to make a living on his own.

The haciendas themselves served as a watertight partition between the farming population and the organisations and institutions of Bolivian society. Their system isolated the Indians socially and economically, also because they had no access to markets, from their surroundings. Indians were not citizens of the Republic, but subjects of their individual landowners, who represented for them the only efficient authority that regulated their lives patriarchally. Indians did not live in a civil state of more or less well defined rights and duties but under a system of direct personal dependence on the big landowners. Public health administration, social security, the judicature, and all the other institutions of any modern state simply did not touch, or did not reach, the Indian population. Hardly any schools were built in rural areas, because ignorance was the best guarantee for the survival of such a system. The natural result of such a fatal social set-up was that Indians could not take part in intellectual, technical, and social developments which affected the towns only. In other words, 60 % of the entire national population in a thinly-populated country had been excluded from society. The social system that put a screen between the Indians and all contacts with the world round them also produced a form of life where life rhythms and behaviour of the people were, and still are, ruled much more strongly by tradition and superstition than by rational thinking and argument.

## Obstacles in the Way of Economic Development

Economically, the effect of the feudal, or semi-feudal, structure of Bolivian society was equally disastrous.

As a rule, farming on hacienda land was carried on with the most primitive instruments and methods. Moreover, only a small fraction of the land available to haciendas was ever taken under the plough. There was little incentive for efficient husbandry, as the owners, under existing conditions, did not need to spend money, or very little of it (the Indians were paid in kind), on wages, and in most cases, they treated the income from their farms as a useful addition to their main earnings flowing from pro-

fessional work in the towns. The low level of agricultural development in Bolivia is, for example, reflected by the fact that the country, during the whole period from 1925 to 1953, imported only 263 tractors. Owning land, in the main, was an instrument of power and a symbol of social status, not so much an implement of production. That was the reason why all the haciendas, taken together, never produced more than a relatively tiny surplus to be marketed and which, in a period of growing towns, made the country more and more dependent on imports of farm produce.

The system of hacienda farming practically excluded about half of the population from the circulation of money and thus from the events in the market. Given the thin population of the country, this was an almost insurmountable obstacle in the path of Bolivia's industrialisation.

That Bolivia omitted to set up a network of efficient rural schools also had an effect whose consequences can be observed in their entirety only today.

Agricultural property relations were mirrored in a completely distorted structure of Bolivian incomes and a highly unequal distribution of capital assets. According to the 1950 census, about 3.8 % of all the farms covered approximately 80 % of the entire privately-owned farming area, whilst on the other hand 76 % of all the farms owned only 0.6 % of the available farming land.

**Distribution of Land Ownership Among Bolivian Farmers in 1950**

Size of Farms (acres)	as per cent of all farms	as per cent of entire farming area
0-2.5	28.6	0.03
2.5-12.5	30.6	0.20
12.5-50	17.0	0.42
50-125	5.6	0.43
125-250	3.2	0.56
250-1,250	5.5	3.21
1,250-2,500	1.8	3.20
2,500-6,250	2.5	10.05
6,250-12,500	2.2	16.59
12,500-25,000	0.9	15.71
over 25,000	0.7	49.57
not classified	1.4	0.03

Source: John V. Lynch and Paul J. Ferec, "The Agricultural Economy of Bolivia". US Department of Agriculture, Economic Research Service, Washington, May, 1961, p. 4.

## The 1953 Agricultural Reform

It is not difficult to see that the social set-up sketched above was potentially self-destructive. During the revolution that had broken out in 1952, and had written on its banners the idea of social and economic integration of the Indians, Bolivian agriculture was radically reorganised. Immediately after the victory of the revolutionaries, Indians in some parts of the country started to take over haciendas by force and to carve them up according to their own ideas of social justice. This forced the new government to make haste in the drafting of an agricultural reform statute. The new law was promulgated and enacted in October 1953. Basic to this reform was the carving

up of all the haciendas, the abolition of wages paid in kind, and the redistribution of the entire farming area. The former landowners were compensated through the issue to them of government bonds redeemable after 25 years, and carrying an annual interest of 2 %.

The new law permits the following forms of farming: the small family-run farm (peasants' family holdings), medium-sized private farms, farming property held by comunidades, and agricultural cooperatives, but also modern large-scale farming units. The latter, however, are permissible only on condition that they use modern production methods, that they employ a minimum of capital assets, and that they pay their farmhands cash wages. In the thickly settled parts of the Altiplano and of the valleys, pressure of Indian overpopulation has led to frequent violations of the new law through their dividing up also the few modernly-run, larger farms. On the other hand, in the sparsely populated tropical lowlands near Santa Cruz, agricultural reform practice did follow the law by not dividing up efficient farms, and in applying the new rules, the administrators even showed some generosity. This has meant that agricultural reform, by compelling landowners to use their land and to modernise their methods of operation, has in fact strengthened the large holdings economically.

Maximum sizes for each of the recognised farm types were varied from one region to the next, depending on local population densities, which means that the criteria for the division of property were mainly social, not economical. In some of the extremely crowded parts of the Altiplano and the mountain valleys, the effective maximum size of the new farms is generally lower than the statutory ceiling figure, because redistribution there followed the principle that "he who works the land will own it". This meant that cutting up the arable land and the pastures was continued until every single serious claimant had received his plot. But this form of property division has neglected one imperative need, which ought to be met especially in crowded areas, and even more so on the Altiplano: in order to guarantee the individual farmer a minimum income and standard of living, the required minimum size of the individual farms is larger there, because of the harsh climate and the infertility of the soil, than in the more sparsely populated and more fertile lowland areas of the tropical eastern part of the country.

Agricultural reform, at least during its first stage (1953—1960), contented itself with redistributing large individual landholdings, but completely neglected the needed mergers between dwarf "crofts". On the contrary, redistributing large haciendas created many additional dwarf farms. Another grave mistake committed by the authors of agricultural reform was the complete omission of urgently required complementary assistance to the farmers (technical aid, agricultural credits, etc.).

### Results of Agricultural Reform

When assessing the results of Bolivia's agricultural reforms, it will be necessary to distinguish clearly between its economic and its social effects.

Immediately after the reform, redistribution of farmland led to a steep drop in farm output. This is shown by the index figures of the agricultural contribution of farming to the inland Gross National Product. Adjusted to the prices of 1958 and taking 1951 as the basis (100), the indices dropped to 89.6 in 1953 and to 86.1 in 1954. However, farming recovered again in and after 1956, and in 1962, the same index had reached 116. The relative rapidity of the recovery is the more surprising as agricultural reform transformed the formerly servile farmhands, who are illiterate, into small landed proprietors, who hardly received any state aid for improving their antiquated production methods, or for introducing modern tools and who, at the same time, let their life and work still be determined to a large extent by tradition and superstition.

Agricultural reform, through redistributing landed property, drastically changed the structure of the income and property pyramid, improving the standard of living of the rural population. This also made a beginning in the slow but steady integration of Bolivian Indians into the money circulation of the national economy. Visible to the bare eye as symptoms of the transition from subsistence to money and market economy are the changes in clothing and the customs connected with it, the substitution of corrugated iron for thatch as a roofing material, and the large number of bicycles, sewing machines, and radio sets that can already now be counted in rural Indian households.

From the official beginning of agricultural reform to April 30, 1966, about 268,000 new title deeds establish-



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ing ownership over 16 million acres have been issued. In fact, however, redistribution has advanced much further than this, as the number of applications pending for new title deeds confirming ownership of land on which the cultivator dwells now by virtue of squatters' rights is extremely high, and the issue of these deeds moves very slowly, as enormous red tape is involved in the process. At the moment of writing, there are still pending applications for confirming the redistribution of a total of 40 million acres.

Socially, agricultural reform has set in motion a giant movement of transformation whose ultimate effects cannot even be gauged yet. The entire upper layer of the rural population has lost its former power, and polarisation of Bolivian society into two utterly alien and opposed classes has given way to a new social fabric based on smallholders' property. The destruction of the political power of the big landowners of the past has been the "*conditio sine qua non*" for socially integrating the Indian population. After

large landholdings had been carved up, a number of new types of organisations emerged, called "*sindicatos agrarios*", whose task, though mainly political, also touches other sectors, e.g. through their building of rural schools. They are to stand for the Indian population's interest in its relations with the authorities, and they have exerted strong pressure for accelerating the redistribution of land.

Electoral reform added to agricultural reforms endowed even the illiterates with voting rights, and thus social integration of the Indians was hastened. The delegates representing their interests thus obtained access to executive and legislative power. Social and economic integration of the Indian population is far from having been completed, but agricultural reform has been one of the essential conditions without which no progress in this direction would have been possible, even though it suffers from numerous blemishes and shortcomings.

## THE GATT TARIFF NEGOTIATIONS

# The Kennedy Round—a Success for All?

By Klaus Bolz, Hamburg

Protectionists in the West as well as politicians and economists interested in centralised planning have all alike lost the, for the time being, last round in the tug-of-war between "free trade" and "autarchy" that has taken place since World War II and even longer.

Kennedy's intention for the 6th GATT tariff round was born of the desire for world-wide economic liberalisation and has not least also been an answer to the challenge by EEC. The hope has been behind the occasionally world-embracing American target of a partial Free Trade Area with EEC also to achieve a close political partnership between the USA and the strengthened Europe by means of establishing economic ties.

EEC, created in 1957 with American political aid, has been integrated remarkably fast and brought in its wake quite a considerable economic growth in its member-states. Because of the internal liberalisation and its effects, coupled with the results of the shielding externally, the Americans have been looking at EEC as a discriminatory entity in Europe. The development in Europe as well as the strictly speaking selfish aims of its economic and foreign policy urged America to attempt a world-wide break-through in the sphere of trade policies. The tediousness of the negotiations not leading to decisions surely indicated the

fact that, for some GATT-partners, the efforts towards liberalisation were premature. Prior to serious talks and negotiations the partners often had first to seek a fixation of their own factual approach. This was not only applicable to the EEC, which for the first time acted on behalf of the six member states as a negotiating partner.

### **GATT—a Fragment of the Havana Charta**

There has been no lack of unsuccessful attempts to liberalise world trade in the era following the national integration of economies during the 'thirties and the 'forties. So, also the so fiercely contested Havana Charta never became effective. What was at stake at the Havana Conference was actually the incorporation of the participating countries into a common liberal order. Even the concession of exceptions from the general rule of liberalisation and several compromises could not prevent ultimate failure, especially as American trade policy had already been steered onto lines contradictory to the Havana Charta. GATT, a fragment of the Havana negotiations, however, has not been without success in its efforts towards the reduction of trade barriers. But the techniques of balancing and counter-balancing the various tariff positions one against the other were bound to lead up to a diminishing marginal yield of the results of the negotiations.