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# Aspects of Agrarian Reform

by Professor Karel Holbik, Boston/Mass.

**M**an has to live upon food that comes mostly from the land. As land is strictly limited and population tends to keep on increasing, a struggle for existence naturally ensues. A well organized land reform program can be a major step toward easing this struggle and contribute significantly toward economic development. On the other hand, a mismanaged, impractical land reform program can be worse than none at all.

Maladjustments in social institutions and unfair distribution in land and wealth lead to cries for redress, to conflicting claims, struggles, stagnant economies, and occasionally—chaos. Revolutions and wars are not uncommon in land and agrarian issues.

## **The Meaning of Land and Agrarian Reforms**

Land reform has usually been enacted to reduce the concentration of land, wealth, and income. It has been used to break the rigidity of social institutions that tend to hinder economic development and social mobility. Another basic objective of land reform has been to promote political stability and prevent a revolution. But to reform the land tenure system by peaceful means it is necessary to win the cooperation of most of the landlords or other classes with vested interests.

It is important to understand the meaning of land/agrarian reform. It means different things to different people. Ordinarily, land reform has meant redistribution of land to benefit the small farmer or landless agricultural worker. The objective of the reformers has been to appease the small farmers, create small or peasant family farms, and reduce the inequality of income distribution. But in more recent times, the meaning of land reform, its objectives and processes, have become more comprehensive to accommodate agricultural policy and efficiency of production. The term land reform has often been replaced by agrarian reform to express the new meaning of reform. This new concept of reform is more comprehensive because nations can no longer be interested solely in redistribution of land. Production is more important because of the growing food shortage. At the present pace, Latin America could suffer famine by the 1980s unless land cultivation is increased and improved. In this paper the problems of both land tenure and

agrarian structure will be discussed with emphasis on the agrarian aspects. Both are key factors in determining eventual Latin American development or stagnation.

According to the United Nations, agrarian reform means any improvement in the agrarian structure, or ☐ the institutional framework of agricultural production. It includes in the first place, land tenure, the legal or customary system under which land is owned; the distribution of ownership of farm property between large estates and peasant farms or among peasant farms of various sizes; land tenancy, the system under which land is operated and its product divided between operator and owner; the organization of credit, production and marketing; the mechanism through which agriculture is financed; the burdens imposed on rural populations by governments in the form of taxation; and the services supplied by governments to rural populations, such as technical advice and educational<sup>1</sup> facilities, health services, water supply and communications.

Just as land and agrarian reform are not new neither is the term poverty. Poverty is as old and widespread as mankind also. A majority of the human race has always suffered intermittent hunger. What is new is that people everywhere are demanding an improvement in their lot. The „revolution of rising expectations“ is creating ferment in the developing world. These new attitudes are a political force to be reckoned with. Furthermore, no country would be poor if it could feed its people from internal production or through external trade using only part of their labor supply. Most poor countries are poor because they have nothing to export in return for food imports and it takes too much of their labor force to feed the population.

## **A Latin American Profile**

Latin America is an area of dramatic contrasts. The fifteenth and the twentieth century exist side by side. Factories as modern as any in the United States and Europe can be found in countries where the greatest percentage of the people live at subsistence level. It is a land where an industrial re-

<sup>1</sup> "Land Reform: Defects in Agrarian Structure as Obstacles to Economic Development", United Nations, Department of Economic Affairs, 1951, p. 4-5.

volution, an agrarian revolution and a social revolution are on a collision course.

Latin America is synonymous with instability. Paraguay has had 22 presidents in 32 years. Ecuador had 13 constitutions between 1830 and 1950 and 27 revolutions in a 25 year period. Between 1931 and 1932, Chile had five presidents and two military juntas. In 1930, the presidents of Brazil, Bolivia, Peru, and Argentina were thrown out of office. In 1931, the presidents of Chile, Panama, San Salvador, and Ecuador were overthrown. Between 1913 and 1928 three presidents of Mexico were assassinated. The situation seems to be better today on the surface but there is a strong undercurrent of unrest.

Of all the developing areas in the world Latin America is the least poor. In 1965, its 230 mn inhabitants had an income of over \$90 billion or 400 \$ per capita. This is almost three times the per capita income of the other developing areas and six times the per capita income of India and Pakistan. Although the difference is smaller in terms of purchasing power, when all adjustments are made Latin America is at least twice as well off as any other region.

In fact, judged in terms of annual income alone, Venezuela (\$950 per capita) and Argentina (\$680 per capita) should be considered developed. Mexico, Chile, Uruguay, and Panama have incomes per head of over \$450, which is considered to be the average income of an underdeveloped nation. Four countries, Bolivia, Ecuador, Honduras, and Paraguay, accounting for six per cent of Latin American population form the least developed group. At the bottom of the income scale there is Haiti, a special case, with an income per capita of \$65.

### **Unsatisfactory Economic Performance**

It is precisely because Latin America has a much higher income than the other underdeveloped areas that its economic performance seems so disappointing. Normally, it is the poorest countries who encounter the greatest obstacles in their thrust towards a self-sustained economic growth. It is more difficult for them to increase the savings needed for better education and more investment. Latin America should be nearer to its growth goal than other underdeveloped areas. Ninety per cent of its population should be able to realize within a decade, not just a room and a chicken in every pot, but self-sustaining economic growth. Unfortunately, the economic history of the last fifteen years does not come up to these expectations. Between 1950 and 1965 the average growth in per capita income was 2 per cent per annum, which was not markedly higher than in Asia and Africa. Furthermore, the rate of increase was actually falling during this period. This slowdown in growth is due to the fact that the population increase outstrips production.

In spite of many setbacks and frustrations one of the striking features of Latin America in recent years is a persuasive urge for economic, social, and politi-

cal change. Attempts to stifle this drive will only create more powerful tensions. The archaic structures and institutions of Latin America need changing. Whether it can come about through peaceful means remains to be seen. As previously pointed out, Latin American politics have a penchant for violent action or use of force.

The problems of Latin America are unique and many, one of the basic ones being an inequality between the rural and urban regions. At present, income per head of agricultural workers is between one-third and one-half lower than the income of the industrial worker. Reducing this inequality may require more than agrarian reform. Excessive protection of the domestic market has kept the level of industrial prices too high, with the result that the domestic terms of trade between agriculture and industrial products are even worse than those existing in the world market. Imperfections in the marketing and distribution of agricultural products must be reduced. Incentives must be provided for modernization of agricultural production. This means subsidization of the production of fertilizers, land reclamation and so forth.

### **The Need for a Land Reform**

Land is the most explosive issue in Latin America and land reform is probably the most difficult and most complex single problem that confronts its national governments. It must be kept in mind that most of Latin America's population—60 per cent of the 230 mn inhabitants—lives on the land and is largely outside the money economy. Also, agriculture is the least productive sector in the individual national economies. Yet land or agrarian reform has a direct relation to the success of the industrialization to which Latin America has dedicated itself. The industrialization program will remain crippled unless the great mass of people receives a substantial improvement in nourishment. This is dependent primarily on greater agricultural productivity and a better utilization of food.

The reluctance of the Latin American governments to come to grips with the problem is readily understandable. It touches on the sensitive nerve of the big landholders. For in Latin America 90 per cent of the arable land belongs to 10 per cent of the population. This is a degree of land concentration far greater than in any other region of comparable size in the world. In Mexico and Bolivia, before their agrarian reforms, approximately 3 per cent of the population owned 90 per cent of the productive land.

### **Pattern of Uneconomical Land Utilization**

Throughout the Andean mountains a substantial amount of hillside agriculture is probably inevitable. But what seems totally incongruous is to have the level lands, which are the best, lightly cultivated while the poorer hillside areas are under extensive cultivation. It does not make economic sense in Honduras, for example, that 90 per cent of the good flat

land lies unused or that the landowners have sold or leased their poorest land to the small farmers who produce a major part of the crops grown in the country. This pattern of uneconomical land utilization coupled with antiquated methods of cultivation is probably the single most important cause of low productivity of the agricultural worker and the resultant widespread poverty in the rural areas of Latin America. Throughout Latin America the real problem is to increase the productivity of the arable land. For instance, in the United States a single farmer is able to feed 28 persons. In Latin America, one peasant has a hard time trying to feed himself and his family.

Another way of depicting the problem of land tenure and utilization is to point out that in Latin America there are 105,000 agricultural and stock breeding holdings of over 1,000 hectares each, representing 1.4 per cent of all holdings and covering 470 mn hectares. This represents 65 per cent of the total included in the agricultural and stock breeding land area. It is an average of 4,500 hectares for each of these holdings.

At the other extreme, there are 5,445,000 holdings, constituting 72.6 per cent of the total, with less than 20 hectares each and occupying 27 mn hectares, that is 3.7 of the total land utilized in agriculture and stock breeding. This gives an average of less than five hectares for each of these holdings.

In view of the fact that agricultural production has progressed less rapidly than that of the other sectors of the Latin American economy, the share of agriculture in the regional gross domestic profit has been gradually shrinking during the last few decades. From nearly 30 per cent in the prewar period, it came to represent little more than 21 per cent around 1960 and continues to decrease.

#### **Underemployment of the Labor Force**

Other consequences of the present land ownership and cultivation system is that it had led to the underemployment of the labor force. Also, through the underutilization of land much good soil goes unused or produces at a rate far below its capacity. Spoilage because of lack of rotation, the predominance of a single resource, the absence of any integrated crop farming, stock raising and forestry, and the failure to use conservation practices, result in the productive capacity of the land under cultivation being eaten away by erosion, neglect, and endless repetition of the same crop grown by methods that exhaust the soil. The single crop or mineral economies are particularly vulnerable to market fluctuations, too. Diversity could eliminate this problem.

The large estates normally practice crop and stock farming by extensive methods, with a very low physical yield per unit. This would not appear to be a drawback to the owner since the large extent of land available to him makes it possible for a small

capital investment to obtain an income which is more than sufficient to meet his needs and maintain his status. His profits are gained primarily from the way he pays his workers, a small pittance or nothing at all. Their compensation is the right to cultivate a small area the landowner does not use.

Perhaps the most serious consequence of the present system is that it fails to offer incentive to use new technology which will effectively employ the abundant resources of land and labor, and the scarce resource of capital. Presently, if the farmer has a great deal of land available to cultivate at low cost, a small income per hectare accumulates a sizable income for him. The general consequence of the concentration of land ownership is, in a word, the social stratification of Latin America's rural population into truly separate castes, with the majority condemned to poverty and wretched standards of living.

Latin America must be prepared to deal with this problem in the years to come. The population can be expected to increase at its present rate which at this time is faster than any other area in the world. Reform will be necessary if for no other reason than to feed the inhabitants of the member nations. Another factor is that the Communist parties use the inequities and vices of the present agrarian system to foment revolutionary movement within Latin America.

#### **The Great Powers and Aid to Latin America**

A new era in United States relations with the Latin American nations was formally ushered in in 1961 when President Kennedy inaugurated the Alliance for Progress.

The Alliance marked a shift from past performance. Through it the United States manifested its vital concern for Latin American economic development. Unfortunately, the program has suffered from lack of funds due to the enormous cost of the war in Vietnam.

The vital importance of Latin America to the United States is so obvious today that it hardly needs emphasizing. For example, the 20 Latin American republics control about one-sixth of the total vote in the General Assembly of the United Nations. This is often the margin between victory and defeat when great issues between the free world and the Soviet bloc are at stake. In matters of strictly hemispheric concern, Latin America's control of 95 per cent of the votes in the Organization of American States makes it quite apparent that the United States can achieve nothing in the way of a cooperative approach to regional problems without the firm association and friendship of the governments and peoples of its neighbors to the South. Economically, as well as politically, the United States has a tremendous stake in the Latin American area, for it is a great market for manufactured goods and a prime source of industrial raw materials and foodstuffs.

A brief look at the Soviet interest in this area shows that since the Russian revolution in 1917 Communism has been active in Latin America. More recently the Communists have exploited the need for agrarian reform in Latin America to foment revolutionary action.

### **Serious Challenge by the Soviet Union**

The importance of considering the Great Power interest and aid to Latin America derives from the fact that many economists believe that an effective land reform program and general economic development cannot be achieved in this area without the inflow of capital and technical assistance. The United States has traditionally held the upper hand but is being seriously challenged by the Soviet Union. These two nations are the ones in the best position to furnish capital, goods, and technical advice to Latin America. Red China is in the bidding along with some of the lesser powers, but most have enough domestic problems of their own to be serious contenders for Latin American leadership.

### **Conservatism Impeding Agrarian Education**

It has been stated that foreign aid recipients cannot use large capital increments without training management and workers in new techniques. Herein lies the biggest obstacle to land or agrarian reform in Latin America—lack of education.

Among the peasantry the problem of agricultural education is especially acute because of their natural conservatism. The peasant prefers to use the techniques of his ancestors and to continue with the crops which they grew. This is particularly true in the countries with heavy Indian populations. Without prolonged education in new agricultural methods, one of the fundamental objectives of agrarian reform—increased productivity—is unattainable.

The need for education does not begin and end at the bottom of the social scale. It must permeate the whole society. The central governments and the military must be educated to the fact that agrarian reform is necessary and that their position is jeopardized as long as they fail to implement action to bring about reform. They can no longer support the „status quo“. The various countries of Latin America will remain in a state of turmoil as long as the masses are suppressed and revolutionary groups excite the lower classes. The governments must take action to

improve government-owned lands and grant this property to the peasants. Likewise, the large landholders must be educated. They must be shown that their present methods of cultivation and land tenure system is degrading national efforts to achieve economic development and that changes are necessary in the present structure. It must be pointed out to the large landholders that change is inevitable and can come about peacefully or violently. Should the change take the violent course they will lose infinitely more. The Mexican agrarian revolution is a prime example. In that case the owners of the haciendas (large estates) refused to surrender part of their holdings with the end result that the land was laid waste through war and all was lost.

The lack of agrarian education in Latin America shows up in other ways. Most of the universities in South America have faculties of agriculture offering five-year courses and there is also a number of agricultural schools of college rank. Unfortunately, an 80 per cent dropout rate can be registered in the schools. The reasons mostly given are the low educational standards in rural areas, inadequate secondary education, poor rewards (low pay by government), and a lower social status for those who go into agriculture.

### **Industrial Expansion Dependent on Agricultural Reform**

The lack of perspective for agriculture is also expressed in the fact that Latin America has begun an industrial revolution without agricultural revolution. Its agriculture is bound by tradition. But industrial expansion must to a large extent depend on the incorporation of the rural community into the national economy. Economic development can only be achieved by a combination of agrarian reform, industrialization, and regional economic integration. The need for this last element is explained by the fact that in all of Latin America only 10 per cent of the area's gross exports is mutually exchanged and at least 75 per cent is accounted for by Venezuelan oil.

In conclusion, the dire need for land or agrarian reform in Latin America necessitates external support from other countries, which should be offered through technical advice, schooling, personnel, and farming equipment. One must admit, however, that the reform program will be not only very difficult to implement, but will meet strong resistance by the large land-



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holders, and will require a change of the power structure. The reform measures must be sweeping to be effective. A cursory look at the reforms of the past two decades shows that they have dealt with the problem only superficially. They have actually been treating the symptoms rather than the cause.

The sweeping effects of a reform program can be pointed out by reference to the Mexican reform, bloody and violent as it was. It provided the catalyst which released and set in motion the multitude and complex forces to which Mexico owes its sustained rate of agricultural and industrial growth. It gave

the rural population an opportunity for both horizontal and vertical mobility; it deeply effected the political structure and brought the country out of a colonial impasse; it opened Mexico up to technological progress and paved the way for the beginning of road building and irrigation programs. Urban expansion and the public works policy created a huge demand for cement, steel and other products of the construction industry, thus setting the basis for Mexico's industrial revolution. Without the agrarian revolt, Mexico would probably be today in a situation similar to most of its underdeveloped Latin American counterparts.

### Agrarian Policy

## Common Trade Policy – EEC's Cinderella

by Professor Dr Herbert Weichmann, Hamburg

**On the occasion of the centenary of the Association of the Grain Merchants of the Hamburg Bourse the First Burgomaster of Hamburg, Professor Weichmann, addressed a meeting on September 19, 1968. The Vice President of the Commission of the European Communities was present when Professor Weichmann spoke of the importance of the grain trade, of the problems of the European agrarian policy and of the fight against world famine. The following is a summary of his address.**

Opinion may differ as to what constitutes a common agrarian policy. But one thing cannot be denied: Nowhere in the world has so much progress been made towards integration in one special field in so short a time as in the field of a common agrarian policy within the EEC. No doubt, the realisation of a customs union for industrial products may also be hailed as a great pioneering effort towards a greater Europe, but to align six different agrarian policies and bring them into unified market organisations for nearly 90 per cent of the farm products has been a much more difficult undertaking. Its success has therefore been an outstanding achievement which proves that coordination of various national interests can lead to successful integration.

#### **Hamburg Favours Liberalisation**

This on the whole positive assessment does not, however, preclude some critical objections from the Hamburg point of view. Hamburg has always adopted an

enlightened attitude towards the idea of European integration. On the other hand, being the overseas-orientated industrial, trade and shipping centre we are, we have never ceased to urge with all the emphasis at our command that the EEC should be extended to cover in particular Great Britain, the Scandinavian countries and Austria and that liberalisation of trade should be world-wide. But apart from the partial success achieved in the Kennedy-Round negotiations, these wishes of ours have remained unfulfilled.

On the contrary, the forces of protectionism are constantly gaining in strength, and to combat them is a particular concern of us who are living in Hamburg. It is not for selfish motives that we demand liberalisation of the world's trade; we do so because increased international division of labour will lead to a faster growth in standards of living everywhere, from which we naturally hope to benefit, too. Article 110 of the EEC-Treaty with its conflicting aims between agrarian interests seeking protection and those