

Land Reform in the Latin American Context

Peter Dorner
Professor, Agricultural Economics
University of Wisconsin

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Development theory and planning are often based on the implicit assumption that the energizing force in the development process is provided primarily by the top echelons of administrators and entrepreneurs through the investment plans and projects they direct. However, social and economic progress requires the enlistment of the informed self-interest of farmers, workers, and technicians. If wealth and power are highly concentrated, the majority may be separated from all incentives for improvement. Releasing and fostering the creative human energies of the mass of people is strategic to any developmental effort. This requires widely shared economic and political citizenship which can often be realized only through basic reforms and the re-allocation of power.

Land reform is one measure for such a re-allocation. It is a political issue in the first instance. For it is not land that needs reforming nor is it people. Land reform refers to changing the customary and formal legal rights, duties and privileges that govern transactions between people concerning the use and control of the land and other resources. And at a more fundamental level, land reform means building a new relationship between governments and the masses of rural people to provide a sense of identification and national integration.

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In Latin America, the key issue, so it seems to me, is the concentration of land in large units--in terms of ownership but frequently also operated as large enterprises (in contrast to a share-cropper-tenancy system). Of course share-cropping exists, but the large holding operated as a unit is still the dominant form in so far as the land resource is concerned. To be sure, there are great differences between countries and even within countries. But fundamentally the land reform issue in Latin America is one of redistribution of land and the rights and opportunities related to work on the land. I do not wish to imply that this should necessarily be a small, family farm system. Chile has instituted a system of asentamientos, a type of cooperative-collective operation, on some of its large estates. Cuba Peru have nationalized some of the large sugar estates. Mexico has a large ejido sector, although most of the ejido land is operated in small individual units.

The Latin American land tenure system is in sharp contrast with that in much of Asia where ownership units are, on the average, not as large as in Latin America and where operation is through a system of tenancy and share-cropping. In these systems, rent control or regulation are common provisions in the Agrarian reform legislation. However, these measures are difficult to enforce unless there are strong peasant organizations who take it upon themselves to assure that such legislation is complied with. In Japan and Taiwan, rent reduction was one of the effective measures forming part of a larger reform program. But there existed in these countries a strong national will to carry out a

thorough land reform program, an effective administrative system to implement the reform legislation, and strong tenant and small farmer organizations at the local level to assure compliance with the intent of the laws. Tax reform, minimum wage legislation and tenancy reform must be viewed as supplementary to but not substitutes for distributive land reforms. The basic issue is not whether a landlord and a tenant each receive the appropriated return for the particular resources under their respective control. Rather, the question is whether it is appropriate, from the standpoint of the economic development of the nation in question, for the landlord and the tenant to have these particular proportions of the nation's resources under their respective control.

Colonization in frontier areas is a possibility in some Latin American countries. While there are substantial land resources technically capable of productive agricultural uses, most of this land is inaccessible without very large expenditures of financial and technical resources. Defects in the land tenure structure in presently settled regions and the growing unemployment problems cannot be overcome by frontier land settlement alone. By pulling scarce resources away from more direct reform activities and sometimes diverting public attention from the critical agrarian problems, frontier development strategies may indeed worsen the situation. This must again be viewed as a supplement to, rather than a substitute for, land redistribution and agricultural reorganization in presently settled regions.

Of course, land redistribution alone is not sufficient for agricultural development. Existing small farmers as well as the new farms created through a reform process need to be provided with a variety of services to make their labor effective--marketing, credit, technical information services, etc. This been a universal problem. Few countries have been able to meet this challenge effectively. Even with its widespread land reform, Mexico has followed a dual policy toward the agricultural sector with much more of the capital investment and credit going to the larger farm sector than to the small farm and the ejido sectors. Yet, in spite of relative neglect, the ejido sector has performed remarkably well. In his analysis of Mexican 1960 census data, Doving concludes that: "Since the land and the labor are free goods, from the viewpoint of the Mexican economy, it is evident that the small-scale, labor intensive production of the reform sectors is less costly than large-scale production, in terms of the goods that are scarce in the Mexican economy. The large farms are using more of the hardware that might have been invested toward even more rapid industrialization of the country. The same is doubtless true of the establishing of new irrigation systems, since the private farms over 5 hectares received by far the largest part of new irrigated land, and therefore also have higher irrigation costs in proportion to their market sales than the ejido sector." (Land Reform in Mexico, paper by Folke Doving prepared for AID Spring Review, June, 1970). "There is no doubt," says Doving, "that the owners or holders of large private farms make a good income by using more machines and somewhat less labor, but they render

a less useful service to the struggling and developing economy of a low-income, capital scarce economy."

In contrast to this dual policy in agriculture, Japan and Taiwan, starting of course from a very different base, were more successful in implementing a relatively uniform small farm, highly labor intensive agrarian reform policy. These countries, through the most intensive land use practices including double and triple cropping, were able to provide employment in the agricultural sector of their growing population until the industrial sector was large enough to absorb more of the rural labor force. At present, farm units are being re-combined in Japan and the average size of holding is increasing. In Taiwan, for example, from 1940 to 1965, cultivated land per farm was reduced by almost one-half while output per hectare more than doubled. This was achieved through intensive land use and labor intensive practices.

The problem of unemployment is one of the key issues in most developing economies. This is of course aggravated by the population growth rate of 2.5 to 3.0 percent and even higher which has been experienced over the past decade or two. The industrialized countries never experienced so rapid an increase in population. So long as the industrial sector cannot absorb productively this large increase in the labor force, the agricultural sector must provide increased opportunities for employment. And in most Latin American countries (with the exception of a few) the agricultural population and the labor force dependent on agriculture will continue to grow in absolute numbers for several more decades. The massive

migrations of rural people to the large cities in Latin America are an indication that the present system of organization in agriculture is not functioning sufficiently well to hold these people in productive employment. The cities do not offer opportunities for many of these people. But government funds are needed to provide at least a minimum of services for them once they arrive. These funds might be better invested in directly productive pursuits in the agricultural sector if, through a reorganization of agriculture, more attractive opportunities on the land could be provided for the potential migrants.

Thus, creation of more productive employment opportunities in agriculture is one of the key benefits to be sought through land reform. More secure and remunerative employment opportunities also would result in a more widespread distribution of income with major demand consequences for both agricultural and industrial production. It is not only that demand would be augmented, but the structure of demand would change. There would tend to be an increase in the demand for animal products from the agricultural sector and for simple consumer goods from the industrial sector--clothing, furniture, improved housing, simple appliances, etc. Most of these are more labor intensive in their production and have a lower import requirement than some of the goods demanded by the high income groups at present. Major redistributive land reforms therefore have the potential for positive impacts on the industrial as well as on the agricultural sector.

It may be conceded that a reformed agricultural system has the potential advantages noted above--more employment opportunities, a more equitable distribution of income, a wider and more relevant demand structure for the growing manufacturing sector, and more rational (in terms of existing factor availabilities) investments in both the agricultural and non-agricultural sectors of the economy. But two objections are commonly raised: (1) that a certain inequality in incomes is required for achieving the savings for the required investment programs, and (2) that agricultural production will fall as a result of land reform.

One need not, of course, insist on complete income equality. As far as I can see, there is absolutely no case to be made for it. Nor has any society ever attempted it, let alone achieved it. But this is a relative matter, and concentrations of income and wealth do not assure the necessary capital formation. The UN Economic Commission for Latin America (ECLA) has shown that there is no close statistical correlation between high degrees of income concentration and development. The savings contribution of the top groups in the income pyramid may well be offset by the increased savings by groups below the top that might result from less inequality in income distribution. Income in Latin America is more highly concentrated than in currently developed countries. In 1964, ECLA compared the top 5 percent of earners with the bottom 50 percent and concluded that in Latin America the high average is 20 times the low average whereas in the economically developed countries of Europe this difference is only half as great, and in the United States it is even less. The savings argument

does not seem consistent with the available evidence. People with very low incomes save if they have the opportunity to invest their savings and are assured that they will receive the future benefits of their present sacrifices. But perhaps more importantly, and especially in agriculture, given the proper incentives, people can use their excess labor time to create capital--in improving and clearing land, constructing irrigation canals, fences, buildings, etc., and in the growth and expansion of their livestock inventories.

The other argument, that production will fall as a result of land reform is also not supported by evidence. Mexico has a very good record of output growth in the agricultural (as well as in the industrial) sector. In Bolivia, there was a decrease in the amount of produce marketed following the reforms of the early 1950's as a result of increased consumption by people on the farms. There may also have been some absolute decline, but at least part of this seems attributable to several years of severe drought. But over the past decade, agricultural output in Bolivia has grown at a very good rate, and the peasants are today much more closely integrated into the money economy than before the reform. (See AID Spring Review paper by Ron Clark on Land Reform in Bolivia). Likewise evidence from other countries around the world shows that although in some cases there was an initial drop, average productivity per unit of land increased substantially after the land reform--e.g. in Japan, Taiwan, Egypt, as well as in the reformed areas in Chile and Venezuela.

I emphasize the increase per unit of land since this is the more relevant indicator under conditions of surplus labor. Obviously a farmer with more land and using machines can make a higher income for himself than a farmer working a smaller land area by more labor intensive methods. But so long as people need work and there are insufficient employment opportunities, increased output per man for part of the labor force is not the most relevant criterion for judging success. Increased output per unit of land and a wider distribution of this increase among the rural population are the key considerations under most circumstances facing developing countries today. (For more specific evidence and details, see AID Spring Review paper by Dorner and Kanel The Economic Case for Land Reform).

In past years Latin American agrarian systems offered a measure of economic participation at relatively low levels of living for the large majority of people. But conditions are changing and today a smaller proportion of the rural population can be provided with even this measure of participation. Larger population, higher rates of population increase, and aspirations for a better life on the part of these increasing numbers are major new conditions for which the traditional land tenure system has no adequate response.

Without strong organizations pressuring for change, there is little incentive for redistribution and widening of opportunities. People in power do not, without compelling reasons, initiate action which deprives them of special privileges. As Professor Galbraith remarked

over 20 years ago: "If the government of a country is dominated or strongly influenced by the landholding groups...no one should expect effective land legislation as an act of grace... The world is composed of many different kinds of people, but those who own land are not so different--whether they live in China, Persia, Mississippi, or Quebec-- that they will meet and happily vote themselves out of its possession." (J.F.E. 1951).

Private property, freedom of contract, and competition tend to accentuate inequality unless strong measures are taken to redress the distortions in the distribution of income and opportunity which accompany technological change and economic growth. The result can be laissez-faire with a vengeance. While land reforms may appear destructive of such institutions as private property and freedom of enterprise, actually distributive reforms are not inconsistent with these institutions. In fact these institutions do not perform in the public interest unless property ownership is widely distributed providing a base for political power and a sharing in the economic and political citizenship by the large mass of people. And that, in essence, is what land reform is all about.

(If time permits and if the group is interested, I would be happy to give some of my general impressions from my visits to countries in the Far East, Africa and East Europe as part of my service on the Special FAO Committee on Agrarian Reform.)