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9. ABSTRACT

This paper is a broad ranging discussion of Latin American economics, sociology, and politics. Industrialization and attendant forces of modernization have changed Latin America in the past twenty-five years. There is still little upward mobility in the social system and because of the high rate of population growth since World War II, there are probably more poor and illiterate in Latin America now than at mid-century. There are an increased number of strong-man regimes, most of them rightist military, and their durability seems to be increasing. While the U.S. is still the dominant foreign economic power in Latin America, some stronger Latin American countries are assuming that role by encroaching on their poorer neighbors. Unemployment seems as intransigent a problem as always. As for income distribution, the bottom 60 percent of the population is relatively worse off than two decades ago. The land tenure system of Latin America is still characterized by the existence of latifundia and minifundia--that is, the coexistence of very large landholdings, usually extensively farmed, and a large number of very small holdings, usually located in marginal areas. Little in the way of reform has occurred, because the real power structure in most countries of the region has changed little.

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CURRENT DEVELOPMENT PATTERNS IN LATIN AMERICA
WITH SPECIAL REFERENCE TO AGRARIAN POLICY*

by

William C. Thiesenhusen**

*Versions of this paper were presented at a recent Seminar on Obstacles to Change in Rural Latin America, McPherson College, McPherson, Kansas, and Seminar on Comparative Rural Transformation, University of Nebraska, Lincoln.

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by William C. Thiesenhusen**

The beginning of the last quarter of the twentieth century sees Latin America changed but hardly transformed from the century at mid-point. Those who predicted cataclysmic, widespread revolution have been disappointed or at least incorrect. But those who forecast that the Latin America of the late 1970s would be no different from that of the mid-1950s have likewise been proved wrong. Casual observers of the Latin American scene are astonished by what appears to be social and political fragility; those who study long-term trends, by resilience and adaptability.

In the main, the elites of the sub-continent have been evolving slowly such that many of those with power or at least riches twenty-five years ago have, by and large, not been stripped of those trappings today. While there is less ostentation now, those in power have adapted to modernity in the beginning of the last half of the twentieth century in Latin America (with the exceptions of Cuba and, I suppose, Bolivia) in the way in which the landed nobles seem to have thought they would during the craze of the "Garibaldi" in Italy. The Latin American political prototype of mid-century and now may be somewhat whimsically personified by the Prince and

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his nephew Tancredi in di Lampedusa's fictionalized Il Gattopardo. As readers are introduced to Tancredi, he is engaging in lighthearted conversation with his uncle about plans for joining the anti-Bourbon forces, but suddenly becomes serious when the Prince shows consternation tinged with disapproval. Among justifications for his proposed, almost treasonous, and certainly disloyal actions, Tancredi avers, "If we want things to stay as they are, things will have to change. D'you understand?" The older man does not at first, finding the words ambiguous nonsense. Only later he comprehends. And the landed aristocracy slowly receded in Sicilian life with more of a whimper than a bang.

What has changed Latin America lately has not been invading forces or even civil uprisings that have the potential for sparking more widespread strife, but industrialization and the forces of modernization attendant upon it. Elites have attempted to maintain their wealth and status not by battle, but by subtle adaptation to the inevitable spread of industrialization and the locus therein of the sub-continent's economic growth points. One obvious mechanism by which such accommodation has occurred, upon which many varying themes are played, is that agricultural elites have bought into urban property. In some cases this has brought the sons of former agricultural gentry into the urban elite. As such they have latched onto some of the dynamic elements found in manufacturing or its attendant technology or commerce, established themselves or reaffirmed their positions in exporting, and/or allied themselves with strong foreign elements.

What is important and unacceptable in the economic pattern that has emerged is that in Latin America today there is still little upward mobility in the system, if by that is meant opportunity for those at the bottom of the socio-economic structure to rise to responsible positions in strata

above them. And because of the astounding rate of population growth since World War II there are probably more poor and illiterate in Latin America now than at mid-century. In an appendix on Latin America, Gunnar Myrdal in his Challenge to World Poverty, published in 1970, concludes that present trends are likely to continue however negative they prove to be for human values. He predicts neither evolution nor revolution.

While I believe his conclusion has proved true in the short run, it bears fleshing out, for if there has been no evolution or revolution, there certainly has been social alteration. Most of this change relates in one way or another to the uneasy reality that income-distribution patterns--regional, country, family, sectoral, etc.--seem to be becoming more unequal. While income concentration and regional divergence have been common historically in countries going through early industrialization, these trends seem to be so long standing in Latin America that it is doubtful whether they are a necessary condition for industrialization.

1. There are an increased number of strong-man regimes, most of them rightist military, in Latin America and their durability seems to be increasing. "Democratic forms" of government are harder to find now than at mid-century. As civic violence increases, so does repression.

2. While the United States is still far and away the dominant foreign economic power in Latin America, some stronger Latin American countries are increasingly assuming part of that role (which has often been referred to as imperialism) by encroaching on their poorer neighbors, for good or ill. Brazil and Argentina in Paraguay and Bolivia, Brazil in Uruguay, Venezuela in Colombia, Mexico in Central America are some examples. Concomitantly, Japan and Western Europe are also playing a more active economic role in Latin America than in the past.

3. Population growth rates show some signs of falling in some countries but not very rapidly; the region continues to exhibit the highest demographic increase of any in the world. But Chile and Costa Rica are examples of countries where dramatic drops in growth rates have been recorded.

4. The press is becoming more government controlled and countries are becoming more isolated from what is happening in their own countries and in other parts of Latin America and the world. The electronic media including movie news (whose influence has never been subject to much scrutiny but is probably available to many more people than T.V.) are as subject to this tendency as are the print media.

5. The number of countries undergoing balance-of-payments problems is increasing. Among the causal factors are that the market for traditional exports (except for oil) has weakened, while the market for new, often manufactured, export goods has failed to show much strength. Furthermore, the demand for imports has increased, the multinational corporation hasn't picked up much of the slack, and old debts have come due.

6. The domestic market fails to show much strength.

7. Inflation continues in some countries where it was already endemic. Because of world-wide tendencies, especially in the industrialized countries, it is now a feature of nearly every Latin American country. Meanwhile, unemployment (including underemployment) seems as intransigent a problem as always.

II.

The most outstanding feature of Latin American economies is not their lack of economic growth; it is the inequitable way in which both income increments and resources are distributed. The situation varies markedly from

country to country, but economic growth has, during the 1960s and first half of the 1970s, more than kept up with the demographic rate (which averages about 2.5 percent). From 1968 to 1974 the average rate of growth of GDF reached 6.9 percent per year.¹ And one rate seems not to be related to the other. In Brazil the growth of gross domestic product per capita averaged 2.2 percent a year from 1963 to 1968 and a spectacular 7.2 percent a year from 1968 to 1973. Population growth averaged about 2.9 percent for the entire period. In Uruguay product growth rose from a negative 0.5 percent in 1963 to 1968 to 0.6 percent from 1968 to 1973, while population grew at only 1.2 percent in the decade beginning with 1963.²

In general, of course, the faster population grows the faster an economy's product must grow just so that everyone can stay at the same income level. But even if both rates should stay the same, all will not benefit equally. Economic growth is by itself an inadequate gauge of development because it says nothing about distribution: (1) growth is primarily an urban phenomenon and one that is concentrated in the small part of the agricultural sector that is commercially and/or export oriented; (2) its benefits may go to the segment of population that is numerically growing most slowly; (3) it may occur as a result of the "take off" of but a few industries; (4) it may happen because of transient favorable conditions in one

1. In 1975, however, most of the countries in Latin America experienced a sharp drop in their rates of economic growth and a substantial increase in their balance-of-payments deficit. Much of the problem can be traced to the adverse effects of the worst recession in industrial countries since World War II, the impact of higher costs for imported goods, and the energy crisis. Inter-American Development Bank, Economic and Social Progress in Latin America, 1975 (Washington, D.C., 1976).

2. United Nations, Department of Economic and Social Affairs, 1974 Report on the World Social Situation, E/CN.5/512/Rev. 1; ST/ESA/24 (New York, 1975), Table 9, p. 36, and Table 10, p. 38.

segment of the external market; (5) it may be concentrated in the multinational segment of the economy.

A more adequate indication of welfare of the country's people (and, hence, "development") would have to be determined by formulating a composite of: (1) initial quantum of resources or product (including education); (2) how fast that product is growing (or resources are being depleted); and (3) how resources, product, and opportunities are distributed.

We have no way of measuring initial endowment of resources or product except to observe that countries like Argentina, Venezuela, and Mexico have more to work with (and hence more product per person) than Bolivia, Honduras, and Paraguay. Distribution of resources and product is likewise difficult to discern. While data are poor it can generally be observed of the Latin American scene that:

1. The bottom 60 percent of the population is relatively worse off than two decades ago and the bottom 10 or 20 percent may have a lower absolute income.

2. In some countries the group just below the top 5 percent has benefited by an increase in its share of income; in some cases the top 5 percent have benefited in relative share at the expense of all of the rest.

3. Urban people dominate the upper half of the income distribution while rural people dominate the lower half. Family income is lower in the countryside but more equitably distributed.

4. The top income classes of the poorest countries command larger income shares than the corresponding groups of the richer nations.³

3. See Richard Weisskoff and Adolfo Figueroa, "Traversing the Social Pyramid: A Comparative Review of Income Distribution in Latin America," Latin American Research Review 11:2 (1976): 71-112.

The case of Brazil is a good illustration of the inadequacy of considering growth factors alone in determining whether a country is "developing" or not. This summer, the newly founded International Food Policy Research Institute predicted that food deficits in many poor tropical countries could be double those in 1974-75 but that Brazil could turn into an exporter.⁴ If the 1961-65 agricultural output in Brazil is represented by 100, that in 1973 was 131, that in 1974, 148, and that in 1975, 147, spectacular progress to be sure. Yields have increased and more land has been brought under cultivation than anywhere else in the Americas. In the six years ending in 1974, economic expansion ranged from 9 to 11 percent annually. The commercial agricultural sector received top priority under government programs to increase exports, reduce imports, and maintain food and industrial supplies. Long-range programs to improve research and extension programs provided a basis for increasing productivity and the government initiated a crop-insurance program in 1975. Agricultural credit has been increased markedly and a minimum price program includes 32 commodities. According to the USDA, agriculture in Brazil has also benefited from growing investments and progress in improving transport, storage, and other infrastructure.⁵

Yet a recent headline in the New York Times expressed a problem that is often hidden in heady discussion on this kind of progress, "Brazil's

4. Victor K. McElheny, "Doubling of Food Deficit of Tropical Nations Possible," New York Times, August 3, 1976.

5. USDA, Economic Research Service, The Agricultural Situation in the Western Hemisphere: Review of 1975 and Outlook for 1976, Foreign Agricultural Economic Report no. 122 (July 1976), Table 2, p. 26, and p. 15.

Agriculture Expands Fast, But Mostly for Benefit of Well-to-Do." The article continues:

Despite the country's rapid economic growth, the real wages of unskilled laborers have declined steeply because of inflation. And food prices have generally led the rise in the cost of living. As a result, nutritionists estimate that 40 percent of the 110 million Brazilians are suffering from malnutrition. In the northeastern state of Bahia, the health secretariat listed malnutrition as the indirect cause of 30 percent of the 17,000 child deaths in 1974.

In São Paulo officials estimate that undernourishment accounts for more than 40 percent of the deaths registered among children 1 to 4 years of age.

The unbalanced development of agriculture is as apparent in the countryside as in the cities. About 50 million Brazilians still live in rural zones, and the vast majority of them eke out a living as ill-paid employees or as substitute farmers.

Agrarian reform has never been carried out. A billion-dollar plan to redistribute land in the poverty-stricken northeast was announced during the early 1970's, but it has not been carried out. An ambitious program to settle the vast Amazon area with landless peasants has also been largely abandoned because most of the jungle soil has proved too infertile for intensive agriculture.

Elsewhere in the country fertile land is considered too valuable to rise on socially motivated reforms.⁶

During the 12 years of military rule, Brazil's GNP increased more than 150 percent, but there has been a radical redistribution in favor of wealthier economic sectors:

- 1) Real wages for unskilled labor have declined almost 40 percent since 1964.
- 2) Skilled workers received a 2.6 percent increase per year.
- 3) Executives received an 8.1 percent increase.⁷

6. Jonathan Kandell, New York Times, August 16, 1976.

7. Kandell, "Brazil Moves Toward State Capitalism," New York Times, September 12, 1976.

III.

There is a temptation to translate these distributional phenomena into political terms, but if there is any lesson to the history of the past quarter-century in Latin America, it is that there is peril in doing so. One cannot assume that the lower class, however repressed, will overturn the current order if for no other reasons than that the techniques of repression have been so refined and that potential power contenders can be bought off in a prolonged period of economic growth. Marshall Wolfe concludes:

The argument that critical poverty constitutes a threat to the existing order so serious that the dominant forces must eliminate it for their own self-preservation is . . . in most national settings unconvincing, although its disruptive potential does call for some combination of control and relief. The critically poor, whatever their number, become a serious threat only when a political system enters into crisis for reasons other than poverty. Even major famines do not necessarily goad the critically poor into anything more than easily repressed local disorders, as long as the power structure remains intact. . . . In the world today, one finds countries with a predatory elite ruling over a majority at the lowest level of subsistence that are relatively stable to outward appearance, while other societies in which the dimensions of critical poverty are small, are chronically disrupted by conflicts over the distribution of income.⁸

Against this backdrop, one can see with more perspective recent events in some countries. The government of Peru's shake-up this summer merely continued a series of rightward shifts; Chile's hosting of a major OAS conference added a certain amount of legitimacy to a repressive regime despite the denunciation of the deprivation of civil rights the conferees delivered at an inaugural session; and Argentina's ouster of President Perón replaced

8. Marshall Wolfe, "Poverty as a Social Phenomenon and as a Central Issue for Development Policy," ECLA/DRAFT/DS/133 (New York: UN Social Development Division, February 1976), p. 16.

her with a government that seems equally inept at maintaining civil order, let alone promoting basic change.

IV.

Turning to the rural sector of Latin America, perhaps the most telling indicator of transformation there would be the "extent to which countries have instituted agrarian reforms." With the exception of Cuba, they have promulgated change but hardly transformation. In Mexico and Bolivia revolutions occurred so long ago that they have been on a status quo or, some say, a reverse track for years; Chile was on its way to radical change and was stopped by the current military government; Brazil and Paraguay had always been content to deal with the problem through colonization. Peru's accomplishments have not been very widespread in the campesino sector, though, it's true, the oligarchs who ruled by their control of land no longer have that option.

The land tenure system of Latin America is still characterized by the existence of latifundia and minifundia--that is, the coexistence of very large landholdings, usually extensively farmed, and a large number of very small holdings, usually located in marginal areas.

In 1965 it was estimated that about 94 percent of the total arable land in Latin America was owned by 7 percent of the landholders. Since that time, populist governments have come and gone, the Alliance for Progress spurned strongly reformist pronouncements (some stemming from a fear of "another Cuba"), the plight of the poor in Latin America came to be recognized as a serious and intransigent problem by international lending and assistance agencies (especially in the early 1970s), campesino groups have spoken out for their rights, and traditionally conservative institutions in

the region--parts of the military and the Church--have seen the need for some change. This interest seems to spring from the existential situation:

(1) The population of the region is about 318 million now, it will probably reach 435 million in 1985, and 15 million will still depend on agriculture. Already 20 percent of the population suffer from serious malnutrition and rural underemployment is so large that nobody knows whose grim figures to believe. Industrial growth and growth of the service's sector, while more rapid than agriculture, are not proceeding at a fast enough pace to absorb the excess farming population, let alone their own.

(2) Services to farming areas--schools, health care, sanitation, etc.--are outstripped by new demands placed on them both by the increased population and by greater expectations.

(3) Technological innovations--tractors, farm implements, etc.--are being adopted in agriculture to raise production with little attention to what their use might mean in terms of increased unemployment, displacement of minifundios, and rural-to-urban migration.

(4) The communications between the masses who aspire to a better life and the rising middle class in Latin America and the United States are increasing with the electronic and print media. Indeed, part of the repression that has occurred in Latin America recently is closing, through censorship, those "disruptive" informational sources.

In the wake of the foregoing, it is rather surprising that with few exceptions, the land tenure structure today remains pretty much what it was in 1965. Expropriation has, according to the FAO, reached barely 15 percent of the potential expropriable land (under Agrarian Reform Laws passed in the 1960s by nearly every Latin American country) and agrarian reform

beneficiaries are only about 22 percent of potential beneficiaries.⁹ Even these figures seem high to me.

The reasons why so little has been accomplished is, as alluded to earlier, that the real power structure in most countries of the region has changed little in the past several decades. Therefore, the elite has been able to write laws--even agrarian reform laws--which obfuscate the real issues, and:

(1) Diffuse calls for reform with such techniques as "planned colonization" of the frontiers or other marginal areas. These programs tend to be expensive on a per settler basis, to attract wide publicity (such that some would-be reformers are mollified into believing that the government is "doing something"), and largely to fail in that participants default on loans, return to old communities, and/or sell the plot they cleared to a nearby rich neighbor.

(2) Discourage campesino organizations which would act as pressure groups.

(3) Monopolize services, marketing channels, educational facilities, credit, etc.--even communication with the world outside the immediate locality.

(4) Channel new technology to its own use, at times threatening the rural poor with loss of jobs.

(5) Deflect demands for change with promises and small concessions.

(6) Engage in outright and brutal repression.

9. United Nations, FAO, ILO, Progress in Land Reform: Sixth Report, ST/ESA/32 (New York, 1976), p. 83.

Examining the indicators and trends does not leave us filled with optimism on the future of the poor--especially the rural poor--in Latin America over the next decade or so. And since so many are poor, how will the middle classes be able to sustain impetus in economic growth with such a limited market for goods they manufacture and such a limited export market?

There are several possibilities but the most probable is that scattered uprisings will be quickly put down, alliances between labor (including the agricultural poor) and intellectuals which might push for change will be discouraged by a variety of techniques, the Church will speak out more forcefully against flagrant cases of the denial of civil rights by those in power, some industrialists will see some advantage to a modicum of relief programs for the poor since that will mean widening their markets. But this will happen slowly, sometimes imperceptibly to outside observers. Di Lampedusa offers a possible, plausible description as the Prince looks to his future: "Much would happen, but all would be playacting: a noisy, romantic play with a few spots of blood on the comic costumes. . . . For all will be the same. Just as it is now: except for an imperceptible shifting of classes. . . ."