

# LAND REFORM REVISITED

2013





## INTRODUCTION

On August 3, 2006, Bolivian President, Evo Morales, standing in front of a backdrop of fifty Venezuelan tractors just donated to Bolivian farmers, outlined his next ambitious policy reform: a plan to redistribute unused private land to members of the impoverished indigenous class.<sup>1</sup> In 2009, sixty-one percent of Bolivians voted for a new Constitution that will give greater political rights to indigenous groups and limit the size of future landholdings to 5,000 hectares while allowing the government to expropriate land that does not perform a “social function” or was fraudulently obtained, allowing the Morales administration a possible legal avenue for reclaiming and redistributing large, private landholdings.<sup>2</sup> Since then Morales government has since pursued an aggressive strategy, in fits and starts, to redistribute approximately one-fifth of Bolivia’s land over the next five years – totaling 49 million acres of private and public holdings.<sup>3</sup> Bolivia’s history of land reform, however, is not promising. Bolivia instituted a major reform in the 1950s, which resulted in initial praise and notable redistribution of land in the highlands, but was largely a failure as it did not stimulate the economy or raise living standards.

Bolivia is not alone among countries in Latin America and elsewhere currently considering land reform despite prior failed attempts. As pressure on land rises and its distribution become more equal, there is a renewed emphasis on the critical role land distribution plays in transforming feudal societies into egalitarian, democratic, market-based nations. Many countries are now revisiting both large-scale and micro, market-driven land reform policies. Colombia is embarking on an ambitious program to return land to people displaced from decades of war and analyzing current distributions of large tracts of public and private land. A populist resurgence in Latin America in particular has put redistributive policies back on political agendas throughout the region. At the same time analyses by scholars, such as Kay and Campos and Root, and institutions such as the World Bank of the resounding economic success of East Asian countries over the past twenty years have identified land reform as a major tool for restructuring feudal societies and stimulating long-term economic growth.<sup>4</sup> This white paper analyzes and contrasts the past, divergent land reform movements in Asia and Latin America with an eye toward contemporary reforms and strengthening land rights for the poor and marginalized. The paper identifies five core elements that distinguish success from failure – 1)

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\* A version of this article originally appeared in *International Affairs Review* (Volume XVIII, No. 1).

<sup>1</sup> “Morales Seeks Radical Land Reform,” BBC News, 3 August 2006, <http://news.bbc.co.uk/2/hi/americas/5241032.stm> (12 August 2006).

<sup>2</sup> “Oficial: Constitución boliviana es aprobada con 61 por ciento.” Miami Herald, 29 January 2009 <http://www.miamiherald.com/1320/story/878354.html> (2 February 2009); “Key Elements of Proposed New Bolivian Constitution”, Associated Pres, 25 January 2009.

<sup>3</sup> *Ibid*

<sup>4</sup> See generally. Cristobal Kay, “Why East Asia Overtook Latin America: Agrarian Reform, Industrialization and Development,” *Third World Quarterly* 23.6 (2002); Jorge Edgardo Campos and Hilton J. Root, *The Key to the Asian Miracle* (Washington, DC: Brookings Institute Press, 1996),

inclusive policies, 2) discrete ownership and rights, 3) clear, marketable title to land, 4) democratic redistribution mechanisms and 5) post-distribution extension support.

## CREATING THE TIGERS

The divergence of Latin America and the so-called Asian Tiger economies since the 1960s and especially in the 1980s and 1990s is well-documented by scholars such as Jorge Campos, Hilton Root and Cristobal Kay.<sup>5</sup> The economies of Japan, South Korea, Taiwan, and later, Malaysia, Indonesia, and Thailand, harnessed market forces to achieve impressive and sustained economic growth. At the same time, Latin American countries, under the guidance of the Washington Consensus, stagnated and saw living standards fall. In the Tigers, gross domestic product (GDP) increased substantially while poverty rates fell to the single digits. Governance and human development indices increased notably, distancing these countries from the rest of Asia and Latin America. These two regions, which had been very similar in economic and social indicators in the 1960s, were now on virtually opposite ends of the development spectrum.

Asia's remarkable growth was characterized by an underlying social and economic structure that allowed all sectors of Asian society to participate in and collectively harness this growth. Campos and Root refer to this phenomenon as the model of collective growth and, at its center, are policies that involve all sectors of society as actors in the new economy.<sup>6</sup> The redistribution of wealth through land reform was one of a number of policies that incorporated large sectors of the population into the formal market economies of the Tigers and positively impacted long-term industrialization.<sup>7</sup> These new policies created a foundation that allowed once rural-based economies to adapt to the needs of international markets by creating a large land-owning and asset-holding middle class and allowing previous landholders to make a successful transition to industrial entrepreneurs.<sup>8</sup> This middle class has since been the engine behind the creation of small- and medium-sized enterprises that fuel growth and create incentives for riskier, more lucrative ventures.

Through this type of analysis of the Asian economic miracle, the role of land reform, especially when linked to clear title to land and land markets, has resurfaced as an important part of the development agenda.<sup>9</sup> The success of Asian land reforms and of the shared growth model are

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<sup>5</sup> *Ibid*

<sup>6</sup> Campos and Root, 50

<sup>7</sup> Kay 1076

<sup>8</sup> *Ibid.* 1089

<sup>9</sup> See generally. Karen Macours, "Ethnic Division, Contract Choice and Search Costs in the Guatemalan Land Rental Market," SAIS The Johns Hopkins University (December 2004), Working Paper Series available at SSRN: <<http://ssrn.com/abstract=647065>>; Jonathan Murdoch, "The Microfinance Promise," *Journal of Economic Literature* 37.4 (1999): 1569-1614; Cristobal Kay, "Why East Asia Overtook Latin America: Agrarian Reform,



often dismissed as a product of cultural values, unique to the region, and not replicable in other countries.<sup>10</sup> While there are important circumstantial distinctions between the Asian models and the reforms of Latin America, such as the varying involvement of foreign powers and the degree of unequal land distribution, these distinctions did not ultimately precipitate the reform failures in Latin America, nor do they prevent a comparison of the fundamentally different approaches in the two regions.<sup>11</sup>

## LAND REFORM REVISITED

Land reform, a popular topic among rural and political development economists in the 1950s has, until recently, been largely off the agenda of governments and major international institutions. Neoliberal policies, such as the Washington Consensus, emphasizing privatization, trade liberalization, and property rights, dominated the development debate in Latin America in the 1980s' through the early 2000s. Neoliberal policies have since fallen out of favor politically and are blamed by politicians and international institutions alike for the "lost decade" of the 1980s in Latin America where economies stagnated and living standards dropped. The recent elections of neo-populists and left-leaning presidents in Argentina, Brazil, Bolivia, Nicaragua, Paraguay and Venezuela and near wins for neo-populists in Mexico and Peru in 2007-2008 indicate a backlash against the neoliberals and an ideological shift to the left. With this shift has come a renewed interest in Latin American policies of the past, such as land reform.<sup>12</sup>

Land reform is not easily characterized as a liberal versus neoliberal policy, but is rather, in its most successful form, a complex tool for restructuring society using both liberal redistributive policies and elements of the neoliberal emphasis on property rights and free markets.<sup>13</sup> Throughout Latin American history, however, land reform has been a political tool used to garner popular support for candidates, parties and movements, while largely ignoring the more neoliberal, market-based elements. Meanwhile, the populist stigma associated with land reform has often made it politically untenable in conservative/neoliberal administrations. Today, much of this is changing. A new focus on the benefits of land rights and land reform by economists and academics, such as Hernando de Soto, and multilateral institutions, such as the

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Industrialization and Development," *Third World Quarterly* 23.6 (2002), 1074; Klaus Deininger, "Land Policies for Growth and Poverty Reduction," *World Bank Policy Research Report*, (2003) Executive Summary, xvii-xlvi

<sup>10</sup> Y. Hayami, M.A.R. Quisumbing, and L.S. Adriano, *Toward an alternative land reform paradigm: a Philippine perspective* (Manila: Ateneo de Manila University Press, 1990), 2-3.

<sup>11</sup> The involvement of the United States military was instrumental in the development and political transformation of post-WWII Japan and Cold War South Korea

<sup>12</sup> W. John Green, "The Rebirth of Populism in Latin America Poses A Powerful Challenge to the Neoliberal Order," The COHA Report, 22 August 2006, <<http://www.coha.org/2006/08/22/coha-report-the-rebirth-of-populism-in-latin-america-poses-a/>> (28 August 2006).

<sup>13</sup> For more information on land reform characteristics, see. Martin Adams. *Land Reform: New Seeds on Old Ground?*. (Overseas Development Institute: October 1995) < <http://www.odi.org.uk/resources/specialist/natural-resource-perspectives/6-land-reform.pdf>> (2 February 2009)



World Bank, coincides with the galvanization of neo-populists in Latin America.<sup>14</sup> Recent analysis has identified land reform in Taiwan, South Korea, and Japan as a critical factor in the dramatic economic growth of each country.<sup>15</sup> This analysis of the correlation between land reform and long-term economic growth has helped raised the profile of land reform in Latin America and beyond as both a successful market-based policy and an effective redistributive policy.

Latin America and East Asia have implemented land reform with varying emphases on liberal redistribution of land and creation of land markets. In general, though to different degrees, the “Latin American model” placed its emphasis on redistribution of land while neglecting the rights, laws, and policies that must accompany reform in order for it to be successful. Common themes of Latin American reforms included: communal ownership, collective production, forced redistribution, government interference, and lack of secure title. Important characteristics from Asian reforms, such as family ownership, market-based compensation, landowner inclusion, and universal land title, were absent. The remarkable sustained growth of the economies of the Asian Tigers is linked partially to the successful restructuring of feudal and post-colonial societies initiated by major land reform initiatives in the 1940s-1960s.

## JAPAN, TAIWAN AND SOUTH KOREA – THE ASIAN MODEL

Land reform in Asia has achieved a degree of success not seen in other regions of the world. Japan, South Korea, and Taiwan all instituted land reforms after World War II that have been credited as key elements to subsequent economic growth and their rise as the Asian Tigers.

### **Japan**

In 1935, 92 percent of farm households owned some land, but of these, 49.6 percent owned less than 1.22 acres.<sup>16</sup> In contrast, the wealthiest 3.2 percent of farm households owned as much land as the poorest 75 percent.<sup>17</sup> As a result, most poor farmers worked in feudal land tenancy arrangements with the rich farmers, often paying up to 60 percent of yearly rice yields in rent. Socio-economic advancement for tenants was nearly impossible under this arrangement and tenant indebtedness grew by more than 400 percent between 1914 and 1933.<sup>18</sup> By 1945, the number of small farms, the degree of inequality in land distribution, and

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<sup>14</sup> See generally, Hernando de Soto. *The Mystery of Capital*. (New York: Basic Books, 2000); Klaus Deininger, Roger van den Brink, Hans Hoogeveen, and Sam Moyo. *How Land Reform can Contribute to Economic Growth and Poverty Reduction: Empirical Evidence from International and Zimbabwean Experience*. SARIPS. April 26, 2000, < [siteresources.worldbank.org/INTARD/825826-1111148606850/20431879/Zimbabwe.pdf](http://siteresources.worldbank.org/INTARD/825826-1111148606850/20431879/Zimbabwe.pdf)> (2 February 2009)

<sup>15</sup> Campos and Root, 29

<sup>16</sup> Sidney Klein, *The Patterns of Land Tenure Reform in East Asia After World War II* (New York: Bookman Associates, 1958), 19.

<sup>17</sup> *Ibid.* 20.

<sup>18</sup> *Ibid.*



the low agricultural real incomes made some form of land reform a necessary next step to address rural income disparity.

After World War II, the Allied Powers sought to rebuild Japan and targeted the feudal system and large landlords for displacement by a more democratic system patterned after western institutions.<sup>19</sup> The Agricultural Land Adjustment Law of 1946 created a system of central, prefectural, and local agricultural land commissions responsible for carrying out the land reform legislation.<sup>20</sup> These important local commissions were composed of ten persons elected by secret ballot, including five tenants, two owner-cultivators and three landlords.<sup>21</sup> This ensured that landlords were given a voice in, but not control of, land distribution. To prevent land from reverting back to the original landlords, land right transfers could only occur with permission of the local land commission.

The Farmer Establishment Special Law required all tenant lands owned by absentee landowners to be purchased by the government, with 7.35 acres set as the maximum holding for any one person. The government paid each owner 40 times the rental value for land, in the form of 30 year government bonds.<sup>22</sup> Land was then sold by the government to eligible purchasers, including tenants, farm laborers or those “likely to devote themselves to cultivation.”<sup>23</sup> The local commissions set the terms for each sale, but installments were to be made over a 30-year period with a 3.2 percent interest rate.<sup>24</sup>

The land reform laws allowed prefectural governor intervention when local commissions appeared to violate the law – providing a constant check on local pressure and influence from landlords. Undemocratic processes in local commission elections were monitored by the Ministry of Agriculture and recall elections were held when minimum democratic criteria were not met.<sup>25</sup> The Allied occupation had limited involvement and would from time to time issue directives to the Japanese government to strengthen the land reform efforts.

The Japanese government’s operation plan occurred largely on schedule and by the set date of December 31, 1948, virtually all targeted cultivated lands had been purchased and sold.<sup>26</sup> It is

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<sup>19</sup> *Ibid.* 29.

<sup>20</sup> *Ibid.* 23.

<sup>21</sup> *Ibid.*

<sup>22</sup> This pre-inflation price ended up being extremely unfair and resulted in landlord bitterness and opposition to the reform.

<sup>23</sup> *Ibid.* 25

<sup>24</sup> *Ibid.*

<sup>25</sup> One basic criterion was that each commission election had more candidates than the number of seats.

<sup>26</sup> Sidney Klein, *The Patterns of Land Tenure Reform in East Asia After World War II* (New York: Bookman Associates, 1958), 40.



estimated that out of 6.69 million acres, 4.34 million acres of land was transferred to tenants, reducing tenancy by 76 percent.<sup>27</sup>

While the transfer of land was an important accomplishment of the reforms, the establishment of local democratic institutions was equally, if not more, important. After the initial transfers and adjustment period, there evolved a need to reduce market barriers and allow the sale and transfer of land. The elected land commissions played a significant role in this. Creation of a land market with less regulation was necessary to ensure the most productive use of land for cultivation. The commissions helped reduce regulations, enabling a freer market that took advantage of land flowing to the most productive sectors while ensuring land stayed in the hands of cultivators rather than returning to prior feudal control. Implicit in this transition was the existence and solidification of property rights and land tenure arrangements – two of the foundations of land markets. The primary mode of farming, the family farm, was unaltered, while incentives to invest and enhance productivity increased. Land was not collectivized or grouped together, but instead transferred to individual tenants in an equitable and democratic fashion.

The socio-economic impacts of the reform were remarkable in the years immediately following the completion of the reform. By 1952, agricultural productivity had increased by nearly 50 percent from pre-war levels.<sup>28</sup> Property values per farm had also increased by two-thirds over the previous four year period.<sup>29</sup> Spurred by increases in agricultural income of tenants, rural consumption levels grew almost 50 percent over five years – surpassing the growth rate of urban consumption for the same period.<sup>30</sup>

The Japanese land reform program established an important and successful model for reform without force by restructuring economic, political, and social life in a manner that appealed to large segments of society. Japan's reforms were an important lesson to other Asian nations and served as an economic and democratic model for the region's two other dramatically successful land reform efforts.

### **Taiwan**

Land reform in Taiwan was largely initiated by the Nationalist Taiwanese government beginning in 1951 following the Sun Yat-Sen ideal of giving all "land-to-the-tiller."<sup>31</sup> Reform followed Japan's model and was aided by technical support from foreign experts. In contrast to reform efforts in Japan, the Taiwanese government oversaw all aspects of the reform. In fact, initial government over-management threatened the program as the government largely appointed

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<sup>27</sup> *Ibid.*

<sup>28</sup> *Ibid.* 48

<sup>29</sup> *Ibid.*

<sup>30</sup> *Ibid.* 49

<sup>31</sup> Chen Cheng, *Land Reform in Taiwan* (Taiwan: China Publishing Company, 1961), 66





landlords as representatives. The land committees were restructured in 1951 based on a mass-participation model. In the new township committees, five of the 11 members were tenants elected directly by other tenants.<sup>32</sup> The remaining six spots consisted of two elected representatives from both the landlords and the farmer-owners, one land officer, and the president of the local farmer's association.<sup>33</sup> In January 1953, the Land-to-the-Tiller Act was passed to create farmer-owners by transferring titles to public and private lands to the tenants cultivating them. At the time, 5.7 percent of all farms in Taiwan owned 50 percent of the land.<sup>34</sup> The original goal was to transfer two-thirds of the land under tenancy to the tenants in exchange for landlord ownership in industrial stocks and land bonds.<sup>35</sup> The industrial stocks were shares in four government-owned corporations and served to privatize state industries.<sup>36</sup> As such, land reform was coupled with industrial liberalization and helped strengthen Taiwan's markets. All stocks and land bonds were transferable on the open market. This policy was designed to counteract inflation losses from cash transfers, a major problem in Japan's reforms.

The land-to-the-tiller program was widely successful in transferring land. By 1954 the Taiwanese government had purchased more than 344,000 acres of land and resold it to 194,823 tenants, with 85 percent of the land consisting of high-grade paddy fields.<sup>37</sup> Tenant income also increased substantially, both from new regulations on oppressive tenant payments and from increased productivity of transferred land. Increased income from crop harvests were observed almost immediately after the transfers were complete. This increased income led to expansion of rural production in non-farm activities, such as agro-processing, which is an essential source of rural income often accounting for up to half of rural household productivity.<sup>38</sup> The legislation continued to be fine-tuned over the next two years to identify and redistribute the remaining tenant land, which comprised approximately 15 percent of total cultivated land.<sup>39</sup>

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<sup>32</sup>Sidney Klein, *The Patterns of Land Tenure Reform in East Asia After World War II* (New York: Bookman Associates, 1958), 62

<sup>33</sup>*Ibid.* 58-59.

<sup>34</sup>*Ibid.* p. 53.

<sup>35</sup> Land bonds included rice and sweet potato bonds depending on the type of land. Chen Cheng, *Land Reform in Taiwan* (Taiwan: China Publishing Company, 1961), 77.

<sup>36</sup> Cement Corporation, Pulp and Paper Corporation, Industrial and Mining Corporation, and Agricultural and Forestry Development Corporation. Chen Cheng, *Land Reform in Taiwan* (Taiwan: China Publishing Company, 1961), 80.

<sup>37</sup> Martin M.C. Yang, *Socio-economic Results of Land Reform in Taiwan* (Honolulu: East-West Center Press, 1970), 72

<sup>38</sup> Benjamin Davis, Thomas Reardon, Kostas Stamoulis, Paul Winters. *Promoting Farm/Non-Farm Linkages for Rural Development - Case Studies from Africa and Latin America*. Chapter 1. Food and Agriculture Organization of the United Nations (Rome, 2002)

<sup>39</sup> Martin M.C. Yang, *Socio-economic Results of Land Reform in Taiwan* (Honolulu: East-West Center Press, 1970), 83.



## **South Korea**

Prior to World War II, 2.7 percent of South Korean farm families owned nearly two-thirds of the land while 57.4 percent owned none.<sup>40</sup> The Japanese had played a major role in this unequal land distribution in Korea through WWII. In one particularly agriculture-rich county, 8,000 Japanese farmers were estimated to own 68 percent of land assets with the remaining 32 percent divided between 120,000 Koreans.<sup>41</sup> Tenancy was widespread and from 1914 to 1937 the proportion of tenants to other farm households increased by 600 percent.<sup>42</sup>

After World War II, the United States Military Government in Korea (USAMGIK) limited farm rents to no more than one-third of total crop value and required the registration of all lease contracts.<sup>43</sup> USAMGIK tackled land distribution directly with a series of ordinances between 1946 and 1948 that acquired all land from Japanese agricultural organizations, such as the Oriental Development Company, and sold them to Korean farmers. The National Land Administration (NLA) was created to operate the program. Current tenants received priority in these sales, followed by other experienced farmers, with no total land holding to exceed 4.90 acres. Land prices were set at three times the annual production of the farm with fifteen-year mortgages and payments that were made to the military government in grain sales.<sup>44</sup> All buyers received clear titles and were prohibited from selling the land for 10 years or until the mortgage was paid off, whichever came first.<sup>45</sup> The NLA also administered low interest credit for land improvements and emergencies.<sup>46</sup>

The USAMGIK programs served as a model on the feasibility of land reform, while the Korean Constitution of 1948 set ownership of land by tillers as the official agrarian policy. A specific Land Reform Law was passed in 1949, which required the government to purchase all land not being tilled by the owner and all land owned by families in excess of 7.35 acres. Land committees, similar to those in Taiwan, were set up to fix land values based on 150 percent of annual yield.<sup>47</sup> Local land committees consisted of equal numbers of tenants and landlords and were subject to review at the regional committee level.<sup>48</sup> The NLA remained the responsible institution on the national level. Land was resold to tillers at the same price and at a maximum landholding of 7.35 acres.<sup>49</sup> As in the USAMGIK program, land could not be resold until the mortgage was paid off.

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<sup>40</sup> Sidney Klein, *The Patterns of Land Tenure Reform in East Asia After World War II* (New York: Bookman Associates, 1958), 84.

<sup>41</sup> *Ibid.* 85

<sup>42</sup> *Ibid.*

<sup>43</sup> *Ibid.* 88-89

<sup>44</sup> *Ibid.* 92

<sup>45</sup> *Ibid.*

<sup>46</sup> *Ibid.*

<sup>47</sup> *Ibid.* 94

<sup>48</sup> *Ibid.* 97

<sup>49</sup> *Ibid.* 94



The Korean reform was decisive and successful. Tenants overwhelmingly responded by seeking to purchase land. Nine months after the law's enactment, more than 487,000 acres had been transferred.<sup>50</sup> By the program's end in 1954, full ownership had increased by approximately 89 percent and affected more than 67 percent of all farm families.<sup>51</sup> Voluntary sale of land from landlords to tenants proved to be almost as important as the reform itself. Drastic land redistribution of all private holdings was seen as inevitable. As a result, landlords found it more attractive to sell their lands to the tenants rather than invest in them. An estimated 25 percent of all farmers were involved in these voluntary sales in 1947.<sup>52</sup>

Land reform in Japan, Taiwan, and Korea were all models of market-based, democratic, and decentralized land redistribution. Redistribution occurred with set parameters but without forced expropriation. It incorporated all actors, landlords, and tenants into representative institutions that placed control and decision-making in their own hands. Land reform was important in these countries, not just in expanding the income base for the majority by redistributing land assets, but also in restructuring elite assets from land to industry, securing clear title of land and in fostering local, decentralized democratic institutions. Land reform was structured to benefit landlords as well as farmers by transferring their land assets into bonds and industry stocks. The government bought land at or near market value, which helped focus wealth from static land holding to investment in fledgling state industries and other more productive elements of the economy.

In each country, land reform was also a key step in the establishment of functioning land markets. Reform clarified rural land title throughout each country, increasing land security and encouraging investment in production. Secured legal title also set the foundation for future land markets that would buy and sell land in accordance with most efficient use and greatest production. Land committee administered rural credit markets developed initially as a component of the land reform and later in response to market dynamics. Secured title to land helped provide easy access to collateral and laid the foundation for these credit markets. Finally, land committees on local, municipal, regional, and national levels established democratic hierarchical institutions that set the stage for efficient and representative distribution of government services throughout each country.

## LATIN AMERICAN FAILURES

The following three land reforms are indicative of the different periods, mandates, and land reform designs that characterize Latin America's attempt at land reform. Beginning in the 1950s and 1960s, Peru and Bolivia were the first post-World War II attempts in Latin America,

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<sup>50</sup> *Ibid.* 102-103

<sup>51</sup> *Ibid.* 103

<sup>52</sup> *Ibid.* 102



but each is quite distinctive in design and results. El Salvador represents a modern day reform attempt encouraged and supported by the United States, but still followed a more Marxist model, despite the success of the Asian reforms.<sup>53</sup>

### **Peru**

In Peru, the staggering rates of land concentration in the hands of the wealthy came under increasing scrutiny in the 1950s when stagnating food production spurred massive migration from rural Andean towns to metropolitan areas. In 1940, 35 percent of Peru's population was urban; by 1972 it had grown to 60 percent.<sup>54</sup> Land distribution during this time was highly disproportionate. Farms larger than 2,500 hectares represented just 0.1 percent of all farms but possessed 61 percent of the country's farmland.<sup>55</sup> In 1961, 83.1 percent of farms were smaller than 5 hectares, yet comprised only 5.7 percent of all farm area.<sup>56</sup> Although land reform gained favor in the 1956 election, the reform was only seen as a means to increase production, not as a strategy to redistribute wealth. The 1961 Beltran Commission acknowledged the skewed land distribution but recommended expropriation as a last resort.<sup>57</sup> By this point, however, peasant unrest had boiled over and informal expropriations of haciendas through mass invasions by hacienda workers were occurring on a regular basis. These peasant rebellions plagued rural Peru throughout the 1960s. Finally in 1968, General Juan Velasco Alvarado seized power in a bloodless coup and made land reform his principal objective.

Under the Alvarado government land reform was organized around communal ownership and collectivized production using two principal organizations – Agrarian Production Cooperatives (CAP) and Agricultural Societies of Social Interest (SAIS).<sup>58</sup> Reform took slightly different forms in each of Peru's three main regions: the coast, the sierra, and the Amazon. Large and highly technical sugar plantations on the coast, run by large numbers of laborers, were reorganized into cooperatives with communal ownership.<sup>59</sup> The first stage of the reform occurred suddenly by military forces and was steeped in the revolutionary rhetoric of worker liberation.<sup>60</sup> However, the majority of the appointed managers were from the previous establishment and

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<sup>53</sup> The Carter administration encouraged the governing junta to carry out a land reform to address the inequality issues that were at the heart of the growing communist insurrection.

<sup>54</sup> John P. Powelson and Richard Stock eds., *The Peasant Betrayed: Agriculture and Land Reform in the Third World*, (Washington: The Cato Institute, 1990 ), 271

<sup>55</sup> *Ibid.* 272

<sup>56</sup> *Ibid.* Table 14.2, 272

<sup>57</sup> The Beltran Commission.....xxxx *Ibid.* 272

<sup>58</sup> *Ibid.* 272-4.

<sup>59</sup> Ramon Zaldivar, "Agrarian Reform and Military Reformism in Peru," *Agrarian Reform and Agrarian Reformism: Studies of Peru, Chile, China and India* ed. David Lehmann (London: Faber and Faber Ltd., 1974), 31

<sup>60</sup> *Ibid.*



the government was just as concerned with maintaining lucrative export production levels as it was with income redistribution.<sup>61</sup>

In the sierra, the government reorganized large ranching haciendas into state-supported communal agricultural societies, despite demands for restoration of the former haciendas to traditional community structures of ownership. Although communal in nature, the government controlled all aspects of these agricultural societies, from land rent to prices and profits (which were often funneled to state infrastructure projects).<sup>62</sup> Ten years into the reform, over one million hectares, equaling more than 5 percent of agricultural land, were controlled by these societies.<sup>63</sup> Hacienda owners throughout Peru were also given the opportunity to parcel up and sell their land in order to reduce the size to below the expropriation floor.<sup>64</sup> However, establishment and enforcement of these expropriation floors were inconsistent. Parcels were often merely split among shareholders or shell corporations. The reform's paucity of enforcement mechanisms only encouraged these tactics.

Peru's land reform of 1968 was pegged as a "Peruvian-style" reform not modeled after any other country. Many thought it would bridge socialist and capitalist ideals in new and original ways.<sup>65</sup> The results were far from positive – agricultural per capita output dropped from 115 in 1964 to 80 in 1983. State control often substituted for hacienda control and, in the end, only led to peasant rebellion against the government. As a result, hacienda ownership often remained untouched while traditional village and indigenous land arrangements were replaced by Marxist-style collectivization.

### ***El Salvador***

Landlessness is a historical source of unrest in El Salvador. Commercial interests through the 19<sup>th</sup> and 20<sup>th</sup> centuries steadily eroded El Salvador's indigenous communal land structure, slowly consolidating land in the hands of the country's elites. Peasant revolts occurred intermittently from the 1930s through the 1970s. In 1975, under growing pressure, General Arturo Armando Molina established the Salvadoran Institute of Agrarian Transformation (ISTA).<sup>66</sup> A bloodless coup in 1979 toppled Molina's successor, General Romero, and eventually

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<sup>61</sup> Cristobal Kay, "The Agrarian Reform in Peru: An Assessment," *Agrarian Reform in Contemporary Developing Countries*, ed. Ajit Kumar Ghose (New York: St. Martin's Press, 1983), 189.

<sup>62</sup> Ramon Zaldivar, "Agrarian Reform and Military Reformism in Peru," *Agrarian Reform and Agrarian Reformism: Studies of Peru, Chile, China and India* ed. David Lehmann (London: Faber and Faber Ltd., 1974), 61.

<sup>63</sup> Powelson, 273

<sup>64</sup> This size ranged anywhere from 150 to 200 hectares on the coast to 15 to 330 in the sierra; Ramon Zaldivar, "Agrarian Reform and Military Reformism in Peru," *Agrarian Reform and Agrarian Reformism: Studies of Peru, Chile, China and India* ed. David Lehmann (London: Faber and Faber Ltd., 1974), 39.

<sup>65</sup> It was also the first land reform to be undertaken by a military government in Latin America. John P. Powelson and Richard Stock eds., *The Peasant Betrayed: Agriculture and Land Reform in the Third World*, (Washington: The Cato Institute, 1990 ), 269.

<sup>66</sup> Roy L. Prosterman and Jeffrey M. Riedinger, *Land Reform and Democratic Development* (Baltimore: The Johns Hopkins University Press, 1987 ), 146.



led to the establishment of a governing junta with key representation of the largest peasant organization, the Salvadoran Common Union (UCS). By the early 1980s El Salvador had the highest ratio of landless families in Latin America.<sup>67</sup> Seventy percent of all agricultural families - roughly 300,000 families - earned their living working land they did not own.<sup>68</sup>

Led by ISTA president Jose Rodolfo Viera, the junta responded to peasant demands and in March 1980 passed Decree (Ley Basica) 153 on land reform. The reform targeted both tenancy and latifundias, but largely focused on the latifundia re-organization into collectivist farm structures while remaining vague on tenancy reform.<sup>69</sup> Phase I called for expropriation of all agricultural land holding in excess of 500 acres.<sup>70</sup> Roughly 500 estates were to be distributed to the permanent and temporary laborers working on them. ISTA dispatched intervention teams of agronomists, technicians, and military personnel to the country's 300 largest farms to notify them that their properties were being turned over to the peasants. The teams stayed on the property for days after taking inventory and assisting the peasants in technical aspects for increasing crop yield.

By the end of 1986, ISTA had taken 469 estates, comprising approximately 219,000 acres.<sup>71</sup> Roughly 31,000 working families, one-fifth of agricultural laborers in El Salvador, benefited from the redistribution.<sup>72</sup> However, rather than provide individual title and possession, ISTA forced laborers to organize themselves into campesino cooperatives or other aggregations to manage and work the land in groups.<sup>73</sup> The cooperative lands were co-managed by the previous farm administrators and technicians from ISTA.<sup>74</sup> The original design of the program called for a time limit to the co-management of three years, after which the campesino groups would have full control and formal title.<sup>75</sup> However, upon implementation no time limit was set and by 1986 only 145 of 317 functioning co-ops had received titles.<sup>76</sup>

The reform also called for a Phase II in which medium to large farms (250 to 1,000 acres), would be similarly redistributed. But political opposition and production concerns forced its postponement - and eventual abandonment. Phase II was postponed partly to avert destruction of agricultural markets and in the hope that the owners would plant crops as usual (a hope that proved unrealistic). Sharecroppers on Phase II and other farms became restive that the program and reform would never come to full fruition and threatened mass migration

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<sup>67</sup> *Ibid.* 133.

<sup>68</sup> *Ibid.* 151

<sup>69</sup> *Latifundias* are vast landed estates specializing in agriculture destined for export and are a modern phenomenon unique to Latin America

<sup>70</sup> *Ibid.* 151

<sup>71</sup> *Ibid.* 152

<sup>72</sup> *Ibid.*

<sup>73</sup> Cooperatives composed entirely of former laborers and subsistence-level farmers

<sup>74</sup> *Ibid.* 153

<sup>75</sup> *Ibid.* 153

<sup>76</sup> *Ibid.* 153



to Phase I cooperative farms. In April 1980, the military junta government responded to these threats by passing Phase III (Decree 207). This self-executing law specifically targeted tenants and sharecroppers, vesting full ownership in the land they worked. By way of radio announcements and rural promoters the word was passed to all tenants that their harvest was now theirs alone. Phase III had the potential to affect the greatest number of campesino families, but its goals were quickly undermined by inconsistent implementation by the government.

By the end of 1980, El Salvador's land reform had affected a similar percentage of crop land as in the South Korean, Japanese, and Taiwanese reforms.<sup>77</sup> Thirty-three percent of all cropland had been redistributed, involving close to 200,000 families.<sup>78</sup> The reform also served to diffuse peasant political opposition to the junta. However, the similarities to the reforms in Asia end there. Despite pledges to title all tenants affected by Phase III, political opposition by the right-wing leader Roberto D'Aubuisson effectively stalled all attempts. What little United States support for the reforms that did exist quickly disappeared with the impending election of President Ronald Reagan and the surfacing of leaks concerning the removal of pro-reform ambassadors. Administrative and political delays of the titling program eroded initial benefits, as former landlords slowly regained control of the redistributed land. Each individual tenant was left to navigate the bureaucracy of the National Assembly's titling program in order to secure title. In 1983 the Assembly terminated the titling application program. At this point, only 52 percent of the original beneficiaries had applied for titles.<sup>79</sup> By decree, all land without title reverted back to the state and ultimately to the original landlords.<sup>80</sup> Despite the unconstitutionality of this decree, D'Aubuisson controlled the Supreme Court at the time and the decree was never challenged. In a mid-1986 analysis, the reform's ultimate impact was calculated to benefit 83,000 families, 23 percent of the targeted 330,000 non-landowning agricultural families.<sup>81</sup>

In addition to the failure of actual redistribution, El Salvador's reform differed substantially and tragically from the Asian reforms in its method of redistribution. First, El Salvador's reform redistributed land by force rather than inclusion. The reforms were instituted by a powerful military government with a mandate for change, but made no attempt to restructure the wealth of the elite at the same time it redistributed land to the masses, which ultimately created severe political opposition. Second, land markets were not strengthened as a result of the reforms. Only half of the new landowners had formal title, while an equally large number of farmers had been organized in less efficient agricultural cooperatives with no collective or individual titles to land. Finally, the reforms were implemented in an undemocratic manner,

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<sup>77</sup> *Ibid.* 157

<sup>78</sup> *Ibid.* 58

<sup>79</sup> *Ibid.* 163

<sup>80</sup> *Ibid.*

<sup>81</sup> *Ibid.* 170



using nationwide decrees, military force, and haphazard self-enactment instead of mass participation by peasant stakeholders and decentralized democratic implementing institutions.

### **Bolivia**

Bolivia provides an interesting counterexample to the typical state-dominated, communal-based land reform in Latin America. By the 1940s, native lands in the Andean highlands, or altiplano, of Bolivia had been taken over by the colanato system – large haciendas employing local indigenous people as virtual serfs. Hacienda owners typically lived in La Paz or other large cities and only visited the estates during planting and harvesting. Agrarian reform, concerned with ending the exploitation of the colanato system, first surfaced in intellectual writings in the 1940s and gained force under the Movimiento Nacional Revolucionario (MNR). The Bolivian revolution of April 1952, while mostly led by miners, created a climate for drastic restructuring of the feudal agrarian economy. Resentment was so strong in the altiplano at this point that campesinos took reform measures into their own hands immediately after the revolution and attacked haciendas en masse throughout the Lake Titicaca and Cochabamba regions. After eventually realizing the severity of the agrarian uprisings, President Victor Paz Estenssoro and the MNR responded by forming the Agrarian Reform Commission in January 1953. By July, the Commission had passed the Agrarian Reform Law. The Reform Law abolished the latifundo form of farming and established six legally recognized types of agricultural landholdings: residential plots, small holdings, medium-sized holdings, commercial farm enterprises, indigenous community holdings, and cooperative property. Maximum holdings for each type were set within ill-defined geographical zones throughout the country. For example, a legal medium-sized holding was defined clumsily as a farm “which without the characteristics of the capitalized agricultural enterprise is farmed with the aid of wage-earners or technical equipment in such a way that the bulk of its produce is destined for the market.”<sup>82</sup>

The overly complicated definitions for each type of legal holding, the ill-defined geographical definitions and the rigid centralized design of the reform limited the effectiveness and actual institutional management of the reform process. The MNR reform largely left redistribution of land to the powerful local dynamics of peasant revolt that had fomented discontent for centuries. The result was a uniquely Bolivian experience of land reform divorced from government management and adapted by local, ad-hoc institutions. An arrangement of this type would not have proved possible in most societies, but because of the drastic changes brought about by violent mass peasant uprising, local forces alone were able to permanently alter the previously-embedded power of the hacienda owners.

Organized groups of campesinos were the driving force behind the reform. The MNR helped organize campesinos and partition the land for them, but largely in response to specific

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<sup>82</sup> Jane Benton, *Agrarian Reform in Theory and Practice: A Study of the Lake Titicaca Region of Bolivia* (Brookfield USA: Ashgate Publishing Ltd., 1999), 53.





campesino requests for property, securing patronage to the MNR in return. Land was often appropriated under the aegis of the law, but never officially registered, resulting in a large amount of redistributed land without secure, marketable title.

Another provision of the reform law allowed retention and titling of the land only after the new owners had worked the allocated land for two years.<sup>83</sup> This provision exacerbated an already weak registration and title clearing mechanism. By 1972, almost 20 years later, titles had reached only 30 percent of beneficiaries.<sup>84</sup> A lack of dispute resolution and enforcement institutions for the reform meant disputed cases could take upward of a decade for resolution, after which it was even more difficult to receive final title. One study found twenty-nine steps in a contested case between a campesino's initial request for a title and receipt of the final certificate.<sup>85</sup> The National Agrarian Reform Service (SNRA) was charged with all expropriation, distribution, registration, and adjudication functions. This daunting mandate was not supported by an adequate increase in operational funding for the SNRA and the agency was never able to fully perform its obligations.

The Bolivian Land Reform was ultimately successful in destroying the *colanato* feudal land system and redistributing land to poor campesinos and former serfs. The reform granted land to 256,000 to 400,000 peasant families and stimulated formation of local consumer and agricultural markets that were the economic foundation of the *sindicato* political system. *Sindicatos* were rural institutions of Bolivian campesinos created to carry out the revolution.<sup>86</sup> The Bolivian land reform was also successful in avoiding central government manipulation and capture of resources and in creating individual rather than collectivist forms of production.

However, the benefits from Bolivia's rather spontaneous reform were ultimately undone by a lack of integration with public institutions and good governance practices. Lack of credit market formation resulted from a low rate of secured land titles, while the reform's poor design never provided for government technical support. As seen in the Asian reforms, the creation of land markets based on secure title and the establishment of responsive and transparent government institutions are equally important aspects of land reform. Agricultural production and standards of living initially increased among peasant beneficiaries and in Bolivia as a whole, but soon leveled off since credit and inputs were not available. The lack of a rural credit market and ineffective agricultural extension services, followed by inflation, eventually eroded any gains.<sup>87</sup>

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<sup>83</sup> William C. Thiesenhusen, *Broken Promises: Agrarian Reform and the Latin American Campesino* (San Francisco: Westview Press, 1995), 62

<sup>84</sup> *Ibid.* 62

<sup>85</sup> *Ibid.* 63

<sup>86</sup> *Ibid.* 63.

<sup>87</sup> Morris D. Whitaker and E. Boyd Wennergren, "Bolivia's Agriculture Since 1960: Assessment and Prognosis," *Modern-Day Bolivia: Legacy of the Revolution and Prospects for the Future*, ed. Jerry R. Ladman (Tempe: Center for Latin American Studies, Arizona State University, 1982), 246-9.



## RECOMMENDATIONS

Successful land reforms in Japan, Korea, and Taiwan have been credited with spurring the economic success and shared growth models of the past 40 years. Latin America, meanwhile, has failed to achieve this same success despite its own attempts at land reform and economic restructuring. The previous analysis reveals five major differences between the two regions' models of reform.

**1. Inclusive Policies.** The political models behind the land reform programs employed in Latin America are striking. Throughout Latin America, land reform was used as a political tool for constituency building and incorporated the Marxist ideologies of the new political class. Major reforms occurred almost exclusively in a climate of revolution and under mandate of a new government. However, the new governments rarely resisted or tempered these revolutionary elements to develop an inclusive policy. Instead, governments sponsored large-scale expropriation without compensation and, to appease radical political elements on the left, imposed communal ownership and collective production. Governments then either controlled production of these large communal farms or slowly allowed the return of the previous owners. The drastic approaches of revolutionary governments also met with severe opposition from the landed elite, who were well situated to undermine reforms through their significant political connections and economic weight. The revolutionary rhetoric of the reforms and disinterest in incorporating landowners into the reform process ultimately led to its own unraveling. In contrast, Asian reforms incorporated the landowners they were displacing, either by involving them in the local land committees that valued and redistributed their land, or – in the case of Taiwan – through active economic restructuring from inefficient agricultural production to shareholder interests in new industries. Asian reforms were also implemented on purely economic and shared growth rationale, rather than political constituency building – even though they succeeded in the latter as well. The revolutionary spirit of Latin American reforms imparted a false sense that redistribution could come at the expense of the landowners. Instead, the landowners merely found ways through their considerable resources to undercut the reforms and maintain their interests. As a result, most Latin American reforms were never completed and by no means came close to their redistribution objectives.

**2. Discrete ownership and rights.** The communal ownership and collective production aspects of Latin American reforms were nowhere to be found in the successful Asian models. Instead, Asian reforms focused on individual ownership and family farm production. This emphasis on individual ownership set the foundation for the market-based economies that would drive these countries' successful economies. The possession of land on the individual level represented the most efficient and useful distribution of these assets, allowing for market redistribution without tying down land assets and collateral in cumbersome communal forms.



Market-based growth in Asia has been fundamentally linked to the creation of market dynamics throughout the countryside and allowed for individuals and firms to harness capital with the flexibility required for market adaptation. The principles of alienable, individual ownership represent an ideal state for developing land markets and the robust economies that depend on them. However, there are grave risks for pursuing this strategy without consideration of potential harm and dispossession, especially to vulnerable populations. Likewise, customary ownership provides clear benefits to many rural and indigenous populations. Policy research is needed to properly identify and understand how positive market forces can be harnessed to increase security, productivity and equality in customary tenure, including through collective collateral and other measures.

**3. Clear, marketable title to land.** The market-based model of Asian land reforms leads to the third important difference of the two land reform camps. The vesting of clear, unhindered title to land was a priority and occurred much more frequently in Asia than in Latin America. Clear title not only prevented previous landowners from reacquiring their land through surreptitious means, but also allowed new owners to access credit for farm improvements and created the legal requisites for healthy land markets. Title created an easy and widely accessible source of collateral throughout the fledgling Asian rural economies and stimulated the creation of large markets for land, credit, and other services. Latin American reforms, on the other hand, seemed to treat titling as an afterthought, with redistribution being the most important aspect. Granting of title of redistributed lands was most often less than 50 percent and unsecured titles were often held up in administrative and judicial processes for more than a decade. As illustrated in Bolivia, redistribution without the legal connection to market economies results in only initial gains, which a lack of markets soon undercut. The current land tenure crisis in Latin America also illustrates the failures of the region's land reforms to prioritize legal recognition of property rights.

**4. Democratic redistribution mechanisms.** One of the more interesting aspects of the successful Asian land reform model was the decentralization of land committees and the focus on mass democratic participation and local control. As part of the inclusion process, a hierarchical structure of land committees, from the village to regional level, were created under the national land reform administrative body. The local committees included both landlords and beneficiaries and were responsible for all local aspects of the reform. Regional committees reviewed decisions of the lower committees to ensure compliance with the reform and to prevent landlord cooptation. Decentralization in this form was largely lacking in the centrally-administered reforms of Latin America. As a result, local elite were excluded from the redistribution process, while also having more leeway to co-opt and undermine program benefits. Reforms were inflexibly administered from the central offices and failed to respond to local situations and needs.



Beyond the actual redistribution, one of the major benefits to the democratic processes of the Asian reforms seems to have been the establishment of functioning democratic institutions on the local level. Despite beginning as authoritarian states, democracy has flourished in Japan, Taiwan, and Korea since land reform laid the seeds for future democratic transitions. Government responsiveness and provision of services are robust at the local level and democracy has a decidedly grassroots identity. Land reform in Latin America, however, did nothing to change democratic traditions of centralized leadership and unresponsive central bureaucracies. Democracy in the region, to this day, exists primarily in populist form and largely lacks efficient systems of decentralized democratic institutions. Land reform has done nothing to encourage “bottom-up” democratic participation, instead being used as a political tool and populist hand-out.

**5. Post-distribution extension support.** An important part of land reforms is the extension of technical agricultural services to beneficiaries post-redistribution. Redistribution is not enough in itself, but must be reinforced by technical capacity building. Latin American reforms, hampered by a lack of decentralized reform institutions, lacked the ability to respond to beneficiaries’ technical needs. In Bolivia and El Salvador, reforms often occurred simply by decree and were not followed up by extension services, titling, or formation of local democratic institutions to provide oversight. Bolivian land reform scholars specifically cite lack of extension services as a reason for the ultimate failure of the chaotic Bolivian reform.<sup>88</sup> Agricultural extension along with continuous monitoring and follow-up were important aspects of the Asian reforms, but are also largely products of the democratic and decentralized nature of these reforms. Latin American reforms were either undemocratic and never decentralized (such as in Peru and El Salvador), or were decentralized without institutional support (as in Bolivia). In either case, they failed to provide the support to those beneficiaries the reforms did reach.

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<sup>88</sup> Thiesenhusen. 80

