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Source: *Land Economics*, May, 1954, Vol. 30, No. 2 (May, 1954), pp. 112-124

Published by: University of Wisconsin Press

Stable URL: <https://www.jstor.org/stable/3144933>

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Land Reform in Bolivia†

By EDMUNDO FLORES*

ON the second of August, 1953, in the village of Ucureña, Department of Cochabamba, the Cabinet and the Constitutional President of the Republic signed the Decree that provides the legal and economic basis for the agrarian reform.

Why is it that the first agrarian reform of the Andean countries took place in Bolivia? What is the nature of this reform and what will be its foreseeable effects on the economy of the country? Will the emancipation of the Bolivian Indian and his more active participation in national life have continental or regional repercussions? These questions cannot be answered easily, yet it appears to be useful and timely to consider them in relation to the recent developments in Bolivia.

Among contemporary economists, it is widely accepted that agrarian reform is practically an unavoidable step in the evolution and development of an agricultural country. There are even schools of thought that, from a teleological plane, refer to it as a "historical imperative." Obviously, a discussion of the inevitability of agrarian reform in the abstract would be sterile, but the study of its causes and its effects requires the most careful attention.

In order to pursue a legitimate and purposeful course of inquiry, it is necessary

to frame the phenomena of agrarian reform in a time and a place; to look for its roots in the past; to appraise its present significance, and to project its predictable consequences into the future.

Historical and Economic Background

The outstanding facts that created a favorable environment for the enactment and application of the agrarian reform in Bolivia are: the changes brought about by the Chaco War (1932-1937); the political effects of the liberal and sometimes radical ideas taught in some of the universities of the country; and, finally, the exaggerated concentration of economic and political power in the hands of large land and mine owners.

The Inca Empire, the Conquest, the War of Independence and republican life with its monotonous coups d'état, its military juntas and its other classic manifestations are the common heritage of the three Andean countries, Bolivia, Ecuador and Perú. This heritage by itself lacked the necessary elements for the emergence of a progressive and dynamic land tenure pattern or, for its drastic alternative, agrarian reform by direct political action and by decree.

The first major difference between the evolution of Bolivia and that of the other Andean countries is the Chaco War. The war broke up the lethargy in which the country had vegetated and set in motion a chain of new developments. Faced with adversity and defeat, the "white man" and the Indian looked and behaved very much alike.

Though a fiasco the war effort galvanized the country into action and broke, or at least cracked, the prevailing rigid caste system. Afterwards, it was impossible to restore the structure that had

† An earlier draft of this paper was published in Spanish in *El Trimestre Económico*, July-September 1953, Mexico. The writer has benefited in this subsequent revision by many helpful comments. Special thanks in this regard are due to Carter Goodrich, Wilfred Morton, John Carman and Arthur Karasz from the United Nations Technical Assistance Mission to Bolivia and very particularly to Kenneth Parsons of the University of Wisconsin. The ideas expressed in this article are the sole and exclusive responsibility of the author and in no way should be interpreted as the viewpoint of Food and Agriculture Organization.

* Food and Agriculture Organization of the United Nations.

prevailed in the past. The stony immobility of the Indian could not be maintained once he left the lands that had been his only horizon. He began to be attracted by the city, where he became a "cholo" and climbed several steps up the social ladder, or to the mines where he lost his ties with the community and ceased psychologically to be an Indian, becoming rather a second-class citizen.

The "white man" could not preserve his previously unquestioned supremacy. Gradually a slow process of social capillarity began to take place. The traditional misery and abandonment of the Indian assumed a new character; it became a symptom of "social unrest" and was no longer considered as his inevitable condition.

The liberal ideas which were studied and discussed in the universities acquired more convincing tones and provided the ideological foundations for new and active political parties. The doctrines of the great social movements of the past gave a universal context to the doubts and aspirations born during the war. New parties formed by students emerged on the political scene and exerted great pressure in favor of change.

An almost incredible concentration of power was in the hands of the three mining companies which for many years ruled Bolivia in a most inept and irresponsible fashion. To these, the landholding class played a comfortable second fiddle while enjoying the perquisites of a wealthy aristocracy.

The grim history of their use of power is recorded by unbiased sources:

"It suffices to refer to the reports of the Magruder Mission, the Bohan Mission, the Escudero Mission, the Bloomfield Mission, or the more recent Keenleyside Mission. In these reports there is mention of the deficient hygienic and industrial conditions maintained by the companies; the complete disregard of legal provisions concerning housing

for workers . . . ; the malnutrition of the miners by the enforcement of 'dangerously low' wages (according to the Magruder report); the employment of women and children in mining work, in conditions of complete lack of safety; the use of systems in the operation of the mines that were unadvisable both from a technical and from a health viewpoint. [According to the estimates of the Caja de Seguro at present, 30% of the miners have silicosis]; the systematic refusal of the companies to comply with labor court decisions and the use of armed violence to solve social conflicts."¹

The possibility of developing resources other than the minerals of the country was almost completely neglected during the rule of the companies.

"Patiño, Hochschild and Aramayo not only refused to invest their profits in the establishment of new industries, but even in their own activity, they limited themselves to the production of concentrated ore . . . they refused systematically to build smelters in Bolivia,² thus accentuating the dependence of our economy on the control of foreign smelters."³

The Political and Economic Reorganization of Bolivia

On the 9th of April 1952, the Movimiento Nacionalista Revolucionario came into power for the second time in the history of the country and gave continuity to the policies begun by the Villaroel régime (1943-1946). Their economic policy was practically written and defined by the very problems of the country. Its formulation could not be simpler nor its application more difficult. As a long term goal their aim was to improve the living conditions and to increase the level of income of the miners, the peasants and the almost non-existent

¹ "El Libro Blanco de la Independencia Económica de Bolivia," Subsecretaría de Prensa, Informaciones y Cultura. Departamento de Publicaciones. La Paz, Bolivia: 1952, pp. 70-71.

² Although tin smelting in Bolivia has posed serious technical problems which recently have been solved on a pilot plant scale.

³ *op. cit.*, p. 124.

middle class. The first step was to apply vigorous measures to destroy the economic power of the mining companies by the nationalization of the mines; the second, the agrarian reform. Both measures were undelayable imperatives, not only from their eventual value as economic reforms, but primarily as guarantees of political survival. A third step was to extend the vote to all the Indian population regardless of literacy.

Any party really concerned with the development of the country and its welfare had to begin that way. If the *Movimiento Nacionalista Revolucionario* had failed to do so, its political position would have been most ambiguous and subject to attacks, criticisms, and eventual overthrow from both the left and the right.

The expropriation of the mines took place the 31st of October of 1952, approximately six months after the government came into power. The nationalization of the mines had the support of most of the population. It was conceived not only as a necessary measure of political strategy, but also and preponderantly, as the vehicle that would give the government the necessary financial resources to pay for other social reforms, especially the agrarian reform.

In a speech made several months before nationalization, President Paz Estenssoro said:

“From the very first day, we maintained that the utilization of the natural resources should benefit Bolivians, through the nationalization of the mines. We also favoured agrarian reform, which would bring forth the incorporation of the majority of Bolivia’s population, the peasants, the Indians, to national life We are aware of the domestic and international obstacles that we must face in order to achieve the nationalization of the mines Furthermore, there is an additional reason to carry nationalization into effect *In order to fulfill our program of government*, in order to develop the economy of Bolivia and to give social assist-

ance and public health assistance to all Bolivians, and to establish schools everywhere in our country . . . *we need foreign exchange and all the necessary resources are going to come from the nationalized mines*, from the mines that belong to Bolivia. (Italics by the author.)

“Besides nationalization there is the other great problem: the agrarian reform, a problem that cannot be separated from the first one. This problem also concerns the miners inasmuch as the largest segment of the population lives outside national life. The Indians or peasants are Bolivians also, and the day that we shall bring them the agrarian reform, we will make this country bigger, happier, more powerful and full of opportunities not only for them, but for all Bolivians as well.”⁴

Has nationalization produced the anticipated results?

First, it should be stated categorically that the political results are entirely positive. The bitter reaction of the mine owners, the leading wealthy families and the foreign interest affected, served only to further unite the people.

Whenever an under-developed country attempts to nationalize foreign or absentee-owned enterprises, the rumor spreads that the country which has taken that step will be unable to operate and manage successfully the expropriated concerns due to its backwardness, lack of experience and lack of know-how. This was the general opinion after the expropriation of the oil wells in Mexico in 1938 and in Bolivia just after nationalization. In both cases the forecast was wrong and *in Bolivia today, the total output of tin has not decreased* while the present level of production has been maintained without resorting to exhaustive methods. The techniques and exploitation system applied are the same as under the companies. The most important operating difference is that, without dispensing completely with the services of foreign engineers, many Bolivians hold technical jobs from which they were barred before.

⁴ *op. cit.*, pp. 89-90.

Wages in the mines have increased approximately 60 percent from the 31st of October 1952 to the end of 1953, but such increases immediately raised production costs and intensified inflationary pressures. Operating costs in the mines rose an average of 50% per ton of ore extracted.⁵ The cost of living from the date of nationalization to December 26th 1953, has increased approximately 200 percent, but the major share of this rise occurred after the 14th of May 1953, as an immediate consequence of the effort to stabilize.

While production did not go down as anticipated by the critics of nationalization, the decrease in world tin prices became a critical problem. Before nationalization on 31st October 1952, the price of a refined pound of tin was \$1.21-½ (U. S. currency), today (December 26, 1953) it is around \$0.80—a decline of 40 percent. The seriousness of this fact can be fully appreciated when it is realized that sales of tin account for approximately 70 percent of the foreign exchange income.

This drop in income derived from tin eliminated the possibility of financing other reforms with the proceeds of the mines since the available foreign exchange scarcely sufficed to import the necessary foodstuffs and to pay for a minimum of expenditures for maintenance and replacement of mining equipment and other types of capital equipment. Consequently, the project of financing agrarian reform at the expense of the mining industry had to be abandoned. But agrarian reform could not be left to the whim of world tin prices or postponed indefinitely.

To alleviate the exchange scarcity and pay for the agrarian reform it was thought

⁵ However, by virtue of a depreciation of the Bolivian currency with price increases amounting to 300% since May 1953, the increase in cost has been nullified and on paper, it would appear as though costs actually decreased.

that necessary financial resources could be obtained through an advance from the International Monetary Fund or a loan from the World Bank for Reconstruction and Development. But it was first necessary to correct some of the serious defects of the monetary structure, such as multiple rates of exchange which previous administrations had bequeathed the Movimiento Nacionalista Revolucionario and which resulted in heavy subsidies on imported foodstuffs, practically paralyzing domestic agricultural production.

In a dramatic attempt to stabilize the boliviano, on May 14th 1953, multiple rates of exchange and the dollar black market were eliminated, and instead, a single rate of exchange (190 bolivianos to a dollar) was instituted while a free dollar market was allowed to function. Simultaneously, imports were severely restricted and the monthly wages of all the employed population were increased by 4,000.00 bolivianos.

Meanwhile, through the Foreign Operations Administration of the United States Government, a gift of 9 million dollars worth of surplus farm products was granted to Bolivia. The proceeds of the sale of these products will be devoted entirely to the development of the country. In addition, the dollar budget of the Point IV Mission has been increased by another two million dollars.

Non-Economic Aspects of the Agrarian Reform

While the nationalization of the mines enjoyed an almost unanimous support, agrarian reform did not fare as well. The issues in nationalization were crystal clear; expropriation was long overdue, it entailed direct losses to only three companies and national sovereignty was at stake. In contrast, the agrarian reform was a domestic issue which threatened the property of a small national group

which in absolute figures amount to about 100,000 persons.⁶ But economic interest apart, there was what, at times, looked like a more powerful reason to oppose the reform—the caste system. Under this system, the Indian has been in the lowest stratum and played the dual role of mute serf and scapegoat. The thought that the Indian would enjoy a full share of legal rights and responsibilities awoke a bitterness which is difficult to describe. Ironically, though overwhelming economic dependence on Indian labor was never considered dangerous, reliance on the Indians to produce without coercion was regarded as an ominous undertaking.

When the determination of the Bolivian government to carry on the reform became clear and the agrarian reform commission started its work there were several attempts at sedition. They were directed by the Falange party, a conservative and unseasoned group which lacked a political platform and an economic program. Under ordinary circumstances the Falange might have been successful since they had the necessary financial means but, unfortunately for them, the center of gravity of Bolivian politics had shifted as a consequence of the elections of May 1951 when the *Movimiento Nacionalista Revolucionario* was elected.

According to a well-rooted tradition, politics in Bolivia have long been played like a large-scale chess game. Occupation of the Capital and the Palace—either by a salon intrigue or by armed revolt—was “checkmate!” After the contest was over, the winner was expected to maintain the status quo—plunder of the treasury was optional.

But with the advent of the *Movimiento Nacionalista Revolucionario*, politics changed to a less chivalrous contest by the overt participation and support of

groups that previously were excluded. Under the new situation, military occupation of the capital and the palace lacks significance. Far from being a checkmate which would open the way for restoration of the old status quo, it would more likely portend the annihilation of the military forces which dared to undertake such a venture. For if La Paz should fall, it would immediately be besieged by the miners and the Indians who would have the help of the “cholo” workers inside the city.⁷ Since the 9th of April 1952, the miners and the Indians have come to the capital rather often for parades, political demonstrations and in search of help with individual or group difficulties. Gradually they have learned their own political importance. To destroy now the recently acquired power of the miner and the Indian would require the successful pursuit of warfare in the whole country, not a coup d’etat. If by a fortuitous chance the government should be overthrown by forces of the right, civil war would ensue.

One can hear often, among old politicians, young falangists and assorted members of the foreign colony who consider themselves “old timers” in Bolivia talk to the effect that the government will not last very long simply because by the law of averages they have exceeded their normal time in power. This talk fails to give proper weight to the significance of the participation of the masses in today’s politics. Nonetheless, if the economic policy of the administration should exact undue hardship and privation from the already destitute low-income groups, and if it fails to show tangible results, it is conceivable that the extreme left parties could take power, only to pursue

⁶ Remo Di Natale E., *Revolución Agraria en Bolivia* (Cochabamba, Bolivia: Imprenta Universitaria, 1953), pp. 69.

⁷ The 9th of November 1953, while United States Senator Homer Capehart’s mission was in Bolivia, a serious Falangista attempt to overthrow the government (the sixth since the government took power) was put down in a matter of hours by armed members of the pro-government unions.

the same economic goals in a more truculent way.

It is subject to question whether the leaders of the *Movimiento Nacionalista Revolucionario* actually intended to set in motion at once all the forces which have deprived them to a large extent of the initiative by allowing only a very reduced number of alternatives in policy. Their role has become more that of channelizers and interpreters of the public's will and less that of policy-maker. It is to their credit, however, that they have given evidence of shrewd political sense that has enabled them to keep several steps ahead of popular demands. Thus they have had the opportunity to apply, in relatively orderly and legal fashion (both nationalization of the tin mines and agrarian reform do provide for compensation), measures which had strong popular support and which, if repressed, would have led to malignant displays, to disruption and even to anarchy.

*General Economic Meaning of
the Agrarian Reform*

A program of social reform in a developed country may be achieved by resorting to measures such as new taxation systems, rationing, price control, nationalization of certain industries, subsidies to special activities, or similar measures which, in effect, imply a redistribution of income according to a given ideal of social justice. In the case of under-developed areas, agriculture is often the main, if not the sole, source of wealth, and ownership of land the basis for the prevailing pattern of income distribution. Hence the inevitability of introducing changes in the land tenure pattern when contemplating any program of economic reorganization. Land reform, however, is only the first step in an effective program of economic

development and the solution to an agrarian problem—even assuming the accomplishment of an ideal land tenure pattern—ultimately has to be sought in large part outside the field of agricultural economics. Two sets of factors are responsible for this. The first lies in the dynamics of agriculture; the second in the dependent role which agriculture has in modern economies.

The emergence of a problem concerning economic reform and development in a backward country implies both a markedly uneven distribution of income and defective resource utilization pattern. Under these circumstances population pressure tends to lower consumption to subsistence levels while extreme differences in wealth and the resulting insufficiency of demand prevents investment and retards introducing improvements in productive techniques.

Inequality of incomes sometimes promotes savings available for investment. But when differences in the distribution of income are as extreme as they were in Bolivia, when the economy is stagnant (as portrayed so well by Zimmermann in what he calls a "vegetable civilization");⁸ the extreme differences in income tend to perpetuate themselves, making richer those who own the land and pushing the rest of the population closer and closer to mere subsistence levels.

Under these circumstances, economic development can be started only through an initial redistribution of income which will both alter the structure and composition of demand and also increase its total. On the production side, a higher effective demand for food will stimulate a better and more intensive use of the two available factors: land and labor. This, in turn, may open markets for investment which were non-existent previously. Ac-

⁸ Eric Zimmermann, *World Resources and Industries* (New York: Harper's, 1951)

tivities other than agriculture must then be established in order to absorb a higher rate of population growth⁹ and to satisfy the increased need for capital and consumer goods. Only if alternative sources of employment are made available will it be possible to increase efficiency in agriculture, to produce food and raw materials for the non-agricultural population and for industrial needs, and to raise the standard of living and purchasing power of the farmer.

As agricultural productivity increases, the need for industrial requisites—transport, farm machinery, chemical products, etc.—grows, and the strategic factor for expansion shifts to scarcity of capital and lack of entrepreneurial and technical know-how.¹⁰ Thus, in essence and from the viewpoint of its economic effects, agrarian reform in an under-developed country implies first a transference of capital (land) followed by a transference of income.

In a latifundia economy a large share of net income usually finds its way into conspicuous consumption, or at best into such speculative ventures as usury, urban real estate, building of expensive apartment houses, etc. Absentee ownership results in a steady current of capital flight abroad which further handicaps the possibility of investment from savings. After agrarian reform it is expected that the rate of capital formation can be increased if the funds formerly spent on luxury living are turned to providing facilities to produce goods which are useful to the mass of the people.

Under latifundia conditions economic development can hardly be envisaged as a spontaneous self-generating process nor

as a problem of poor resources or defective production techniques since the prevailing pattern of resource use satisfies adequately the needs of those who own the land.

The wide differences in social status and income, of which land concentration is the strategic issue, are the main obstacles to economic development. In fact, *agrarian reform and economic development become identical concepts at this level and under these conditions*. The emphasis upon the land is explained because land is the most important determinant of income distribution and almost the only source of wealth. But, in effect, behind the redistribution of land lies the redistribution of income, the redistribution of opportunity, the first step toward the elimination of the caste system, and the creation and spread of the incentives which set in motion our industrial democratic age.

Within certain limitations this theoretical scheme can be applied to the agrarian reform just started in Bolivia. The initial redistribution of income will increase farm consumption and will also create more favorable institutional conditions to increase the general rate of capital formation. There is the possibility that, in the initial stages of the reform, urban and mining centers will experience difficulties in obtaining a sufficient supply of food; but this is a calculated risk for it would be unrealistic to attempt to change the economic structure of a country without expecting scarcity and privation at first.

The shift in the distribution of income will place a burden on the income groups which up until the present have been in the most advantageous position, while it will simultaneously improve the level of consumption of those groups at the bottom. This levelling of income naturally will require a policy of austerity and restraint from the middle-and upper-

⁹ The experience of Mexico indicates that after agrarian reform higher food consumption in rural areas resulted in decreased child mortality and raised considerably the rate of population growth.

¹⁰ See Edmundo Flores, "Agrarian Reform and Economic Development," *Proceedings of the Conference on World Land Tenure Problems* (Madison, Wisconsin: 1951), Part I.

income groups which could either be self imposed or enforced by the government. The fact that the groups which are called upon to reduce their real income are the most articulate and not necessarily the most socially minded, places an additional problem for the administration, since their protests will be by far louder than the sounds of approval of the benefitted sectors. This difference will be particularly important in the shaping of public opinion outside Bolivia.

The improvement in the level of real income of the poorest sectors, and particularly the peasants, depends on the realization of several conditions in the realm of production as well as on policy decisions. It goes without saying that if the agrarian reform is not followed immediately by a vigorous attempt to increase production and productivity, to open new resources to agriculture and to develop industry and services, its immediate favorable effects will be lost in a very few years.

Assuming that agricultural production will be expanded, there is still another crucial factor which will affect the level of real income of the farm population. The speed at which the resources of the country are developed will depend upon the success of the Bolivian government in securing investments from abroad and upon the domestic rate of capital formation. Clearly, the first possibility involves the approval and participation of third parties and lies outside the control of the administration. Should the government fail to obtain the necessary funds for expansion, they may attempt to increase the rate of capital formation by resorting to a policy of forced savings. In that case the determination of the share of income to be used up in consumption and the share that falls under savings will pose a very delicate problem which will

call for deep political insight. The margin of safety begins where there is a noticeable improvement over the traditional income level, which in this case is close to subsistence.

The Agrarian Reform Decree

The Agrarian Reform Commission was created by a Presidential Decree the 9th of April 1953, first anniversary of the Revolution. It was given 120 days to study the agrarian problem and to write a bill for its solution. Dr. Hernan Siles Zuazo, Vice-President of the Republic, directed the Commission which included some of the leading intellectuals and technicians of the country, representing different political tendencies and regions.¹¹

A brief synthesis and comment on the outstanding points of the preamble and the body of the decree is given below:¹²

In an enumeration of the forces which have dislocated the agrarian economy of the Incas from the time of the Spanish conquest and colonization and, by imposing a semi-feudal system, have given rise to the social and economic problems of the Indians and the land, the decree describes the results of the concentration of landed property. It also states that the findings of the 1950 census showed that 4.5 percent of the rural landowners of the country own 70 percent of the private landed property.

Referring to the Indians, the Decree states that the despoilment of which they were victims and the servitude to which they were subjected have led to a situation in which 80 percent of the adult population of Bolivia is illiterate, and in which technical education for rural producers is entirely lacking and that as a

¹¹ See: Arturo Urquidí, *Plan General para el Estudio de la Reforma Agraria* Imprenta Universitaria, Cochabamba, Bolivia, 1953, 32 pp.

¹² This synthesis follows the English translation of parts of the Decree published in *Industry and Labour*, ILO, Geneva, vol. X, No. 9, November 1953.

consequence of its backwardness and ignorance the indigenous population of Bolivia, housed "in wretched unhygienic dwellings, bereft of medical care, undernourished and wronged both spiritually and economically," is in an alarming situation which is reflected in the rates of mortality and of the incidence of disease.

The Decree establishes first the original right of the Nation over the soil, the subsoil and the waters of the territory of the Republic (Art. 1). The State recognizes and guarantees agrarian private property when it fulfills a useful function for society (Art. 2). The State recognizes only the following forms of agrarian private property: the peasant homesite, which serves the function of rural residence (Art 6); the small holding to be operated by the farmer and his family for subsistence purposes (Art 7); the medium-size holding operated with the help of hired labor or with agricultural machinery for the purpose of marketing most of the produce (Art. 8); the Indian communities, the agrarian cooperative holding and, finally, the agricultural enterprise (Arts. 9, 10 and 11).

It is anticipated that the agricultural enterprise will contribute in the short run to partially eliminate the food deficit of the country. The main characteristics of the enterprise, according to the Decree are: heavily capitalized agricultural undertakings which employ wage labor and apply modern techniques (Art .11).

The State does not recognize the legality of the latifundio which is defined as "the rural property of large size, which may vary according to its geographical location, that remains idle or is exploited deficiently by the extensive system (low capital inputs relative to other factors) with obsolete tools and practices and which serves to perpetuate the serfdom and submission of the peasant" (Art. 12). Therefore, "the

unit of land property defined as latifundio is affected in its entirety" (Art. 34).

It is relevant to emphasize the difference established between the agricultural enterprise and the latifundia since there is a widespread and erroneous tendency to consider as a latifundium a very large property, notwithstanding the social and economic consequences of its operation. If a very extensive farm is operated with large capital investments per unit of land, if it produces for the market, if labor is paid cash wages and enjoys the right to organize and to participate in collective bargaining, it cannot be concluded that such unit is a latifundio, regardless of its size. The acceptance and inclusion of this concept in the decree marks an advance over the agrarian legislation of other countries.

Maximum Allowable Size of Holdings

The decree fixes the maximum size of holdings, which varies according to whether they are on the plateau, on the Puna, in the valleys or in the sub-tropical region, the cultivable area alone being taken into account.

The size for different regions is based on the productive capacity of different types of land as determined by fertility and location and the necessary area to satisfy the needs of a rural family. For the small and medium property, these needs were comprised in a family budget which included: food, shelter, clothing, education, amusements maintenance of equipment, etc.

The Decree establishes the right of the Indian Communities to recover the lands which were usurped from them (Art. 42). As from the date of the promulgation of the decree, the communities which claim restitution rights may occupy the lands toward which they have claims but, provisionally, an area of land equal to a medium-

size holding will be kept for the owner (Art. 44). When and if a court decision acknowledges the rights of the community, the area that remained provisionally under the property of the landlord will be restored to the community without indemnification (Art. 45).

Eligibility of Peasants for Land Grants

All Bolivian citizens, 18 years of age or more, of both sexes, who intend to work on the land will receive grants wherever there will be available lands on condition that they cultivate it within a period of two years (Art. 77).

Peasants who have been subjected to a feudal regime of work and exploitation . . . are declared the owners of the land they are occupying or working until the National Service of Agrarian Reform shall grant them the lands to which they have rights in accordance with the definition of a small holding (Art. 78). Foreigners will enjoy the same rights, as long as they fulfill the regulations of migration and colonization (Art. 80). The right of preference of one individual to receive land grants in a given area rests upon permanent residence in said area and upon his being a farmer (Art. 81).

In the lands of a latifundium preference rights shall accrue to those workers with two years of residence or more computed from the 2nd of August 1953. At the time when the initial land grants are made, an area not smaller than 10 percent of the total individual allotments will be earmarked to be operated collectively by the community. An area equal or larger than that allotted to the peasants will be destined to the school fields (Art. 82.)

In reference to the size of the land grants, it is established that in those areas where there are enough lands the grants per family will be made allotting one unit to each family. This unit will

be equivalent to the size of the small holding. If lands do not suffice to grant a unit to each family, the size of the grant will be reduced in the necessary proportion to accommodate all those who legally shall have preferential rights over that land. The peasants insufficiently provided for will preserve their rights for new grants in other regions where there are available lands (Art. 83).

Aside from the already mentioned grants, any peasant from the Altiplano and the Valleys may receive 50 hectares in the Eastern frontier, provided he applies for these lands and fulfills the obligation of beginning to work them within two years (Art. 91).

Obviously there is inconsistency between the section of the decree which sets the area of a small holding for different regions (Art. 15) and the later admission that "if [latifundia] lands do not suffice to grant a unit to each family, the size of the grant will be reduced in the necessary proportion to accommodate all those who legally shall have preferential rights over that land" (Art. 83).

In Bolivia, the distribution of population is such that there is little doubt that insufficiency of lands will be the most frequent case. Why then take a course which will lead in the short run to widespread, small, uneconomic units?

This problem is one of the most controversial issues of agrarian reform, since in order to arrive at any workable formula it is necessary to conciliate two conflicting ends: to create units close to the optimum and the need to satisfy as much as possible the land hunger of the individual peasant. Any step toward an eventual solution has to be sought in dynamic terms keeping in mind that social valuation and motivation have a determinant influence upon the use and development of resources.

An attempt to grant in the Altiplano region agricultural units close to any hypothetical optimum would require a complete disregard for population pressure or else it would require as a simultaneous step the transfer of population surpluses to other regions or other productive activities. Since both measures are impossible immediately, the only alternatives are either to maintain the status quo or else to redistribute the land, either collectively or individually, according to some workable system of eligibility or priority. Land redistribution in the traditionally farmed and congested areas will achieve two ends: it will provide a stepping stone to incorporate the peasants into the political and social life of the country and it will pave the way for the technological improvement of agriculture in the Altiplano and the consequent increase in the standard of living of the peasants.

One of the distinctive features of the Bolivian program is the integral tie with the encouragement of settlement of eastern Bolivia. Before the reform, there were latifundia in the east which comprised more than a million hectares.¹³ It is expected that the land reform and the construction of communications (the Cochabamba-Santa Cruz highway will be completed at the end of 1953), will in effect open a frontier for the surplus population that now lives in the Altiplano.

Payment for Expropriated Lands

Expropriated lands will be paid, according to their current cadastral value, with bonds which will pay a non-capitalized interest of 2 percent per annum and will mature in 25 years (Art. 156). The collateral of the bonds is, in the first place, the one guaranteed by the peasants

¹³ El Carmen, property of Suarez and Brothers, was 2,004,840 hectares and Alto Paraguay, property of Manuel Peña, 1,462,500 hectares.

through the mortgage of lands they received and through their crops, cattle and industrial processing equipment (industrial installation), and in second place, the guarantee of the State (Art. 157). The bonds will be accepted as payment for mortgage loans owed to the Banco Agrícola, as well as for payment of land taxes in arrears and, finally, for the purchase of public domain lands in settlement areas, within the regulations for the various types of holdings (Art. 158).

Payment for Land Grants

The benefitted peasants will have to pay the cadastral value of the granted lands in a maximum period of 25 years. If payment is finished in a shorter period, the peasants will enjoy discount premiums. The mortgage debts incurred by recipients of grants will be subject to 2 percent interest per annum on the value of the land received which will be paid to the Banco Agrícola.

Payment of the land will be made in 50 semi-annual installments. Failure to make two successive semi-annual payments will be penalized by a charge of 1% interest for the periods owed. Should payments lapse for a period of four installments, the land will revert to public domain. The State will be free then to grant this land to other peasants under terms considered most convenient by the State.

These conditions are very stringent and may endanger the success of the reform unless they are quickly modified. In the first place, 25 years is a very short period in which to pay for the land since agriculture in Bolivia is subject to frequent and serious hazards; frost, drought, pests, etc., and the low technological level of agriculture makes it difficult to reduce or control many of these risks.

But aside from this, the reversion of the land to public domain due to failure to

pay four consecutive installments will place the peasants in an extremely difficult position. Two consecutive years of drought or frost will mean that a peasant—regardless of effort or initiative—will lose his lands. The farmer thus will be punished by the vagaries of the weather not only with a loss of income but with the loss of his land. This is the most serious defect of the decree and, if it is not rectified, it will either burden the State with unpaid-for lands, thus defeating its stated aims, or else the government will have to decree moratoria periods which will set a dangerous precedent since a moratorium is a two-edged weapon which can also be used by pressure groups to achieve political ends.

Organization Responsible for Implementation

To implement the agrarian reform, the government has set up the National Agrarian Reform Service, comprising the President of the Republic, the National Agrarian Reform Council, the Agrarian Judges, the Rural Agrarian Reform Boards and the rural inspectors. The duties of the National Agrarian Reform Council are to establish plans for all agrarian and rural affairs, to draft regulations under the legislative decree concerning agrarian reform, to hear suits concerning land claims, to grant land titles to new beneficiaries and to organize local boards, co-operative societies and farm credit as well as schemes for settlements, rational farming and farm mechanization.

The Strategy for Agricultural Development

In order to plan and to forecast the speed and scope of agricultural development, it is necessary first to estimate the available financial resources (in this case the primary limiting factor). Possible agricultural investment has to be divided into two types: foreign currency invest-

ment and domestic investment. Resorting to inflation, the Central Bank of Bolivia could finance projects for development based on the use of labor and nationally produced capital and consumer goods. Through this policy, it would be possible to use available national resources for expansion of agriculture at the expense of other sectors of the national economy. Naturally, this policy would be limited not only by economic and technical obstacles but by the political pressure of other groups affected. Its initial inflationary effects might be quickly neutralized if these investments increased production. In the case of dollar investments, however, limitations are set only by the dollar income of the country.

Regardless of how small the amount of available dollars for agricultural expansion may be, attention must be given to the fact that foreign investment capital (equipment, fertilizers, fungicides, etc.) will be indispensable only in those areas where there are no possibilities of substituting labor for capital goods. Bolivia has a large supply of both labor and land—its scarce factor is capital. In consequence, it would be folly to attempt to develop agriculture following the model of the United States, Denmark, or any of the highly developed countries of the world. Expansion will have to rely heavily on the fullest utilization of the two factors of which it has the least scarcity—land and labor. The overall strategy in the agricultural development of Bolivia must place emphasis, not on labor-saving devices, but on capital-saving devices.

Topographically, agriculturally and population-wise, Bolivia is divided into two distinct areas—the high Andean plateau and the tropic lands of the east. On the over-populated plateau, dollar investment will have to be limited to fertilizers, fungicides, spreading machin-

ery, improved seeds and practices and possibly foreign technicians, while boliviano investment will have to be devoted to education, agricultural credit (nationally produced seed, cattle, housing, etc.) and a well-organized extension service. The use of imported machinery is not advisable on three grounds, (a) the poor agricultural potential of the Altiplano, (b) dollar scarcity, and (c) surplus labor.

However, in the east, the substitution of labor for capital is difficult. In this area land and labor conditions are the reverse of those on the plateau, inasmuch as its agricultural potential is great and labor is scarce. Furthermore, the rigid social structure of the Indians of the plateau tends to conflict with the concept of modern farming, whereas in the east the nomadic Indian has no established pattern of land use which would act as a deterrent. Consequently, it would appear advisable to concentrate available dollar investment for the establishment of large efficient agricultural enterprises with the dual purpose of rapidly diminishing the chronic food deficit of the country

and creating conditions which would stimulate colonization from the plateau.

Another high-priority dollar investment being considered is the importation of tree-felling machinery to cut timber in the extensive forests of Bolivia for subsequent export to foreign countries. Exploitation may be carried in certain areas even to the degree of complete clearing.

At present, the Planning and Economics Branch of the Council of Agrarian Reform is working on a detailed plan for the expansion and development of Bolivian agriculture. This plan takes into account the participation of the different agencies, national and international, which work on agriculture, and gives a leading role to the Bank of Agricultural Credit. The nine-million-dollar gift granted by the United States will add impulse to agricultural development.

In the near future it will be possible to test some of the hypothesis and expectations advanced here against factual evidence. A subsequent article will be devoted to this task and to the study and analysis of the course of the reform.

Editor's Note: Since the above article was submitted to *Land Economics* by the author there has been published another paper which deals with the current agrarian development in Bolivia. It appears in *Foreign Affairs*, under the title, "Bolivia: Test of Technical Assistance," April 1954, pp. 473-481, and was written by Carter Goodrich who has been in Bolivia on leave from Columbia University.