

PORTUGAL'S economic development has been demonstrably related to its landholding system. Its many wars and revolutions have been largely concerned with trying to remedy the defects in this but have always resulted in the situation being very much as it was before, if not worse.

A brief examination of Portugal's history will perhaps make both the system and its defects clearer. Portugal was created by the Romans when they came and conquered the primitive, warlike Celt-Iberian tribes who inhabited what was then called Lusitania. The Romans stayed for 700 years and impressed their culture, language, religion and law upon the peninsula. In the fifth century the Goths crossed the Pyrenees and took the land. They adapted the Roman institutions and were converted to Christianity. In their turn they were deposed by the Muslims who came in 711 and occupied the country for 500 years.

The Christian reconquest started in the north in the 9th century and slowly moved south, with the last Moorish stronghold in the Algarve falling in 1249. One consequence of this time-lag was that the north had known several hundred years of peace while the south was still a battleground. During this time the north had built up a large population which was eager for land in the south. Great areas of this reconquered land were given by the Court to the military orders – the Templars, the Hospitallers, the Knights of Santiago, the Order of Calatrava, and to the monasteries. The division between the over-populated north with its *minifundia* and the large landholding in the south, the *latifundia*, is crucial in understanding Portugal. To this day the vast estates in the south are not used to their best advantage and the minute holdings in the north – 50% are less than 2½ acres in size – are too small for efficient use.

During the 14th century, with its boundaries defined and its economic conditions stable, Portugal emerged as a powerful independent maritime nation. Now free from the likelihood of foreign invasion, and led by a succession of able and strong-willed kings, it became a great trading centre. Exploration and the conquest of other countries followed. Madeira in 1419, the Azores in 1427, parts of the coast of North Africa in the 1430s. By the middle of the next century this coastal empire stretched round Africa to India, and on to China. Basically it was built to protect Portugal's sea-borne trading

PORTUGAL

AFTER PORTUGAL'S left-wing revolution in 1974, 2.4m acres were expropriated from landowners. Collective farms were created, which proved to be economically inefficient.

In 1977, 550,000 of those acres were divided up into smaller units and handed back to private ownership.

The process of reversing Portugal's political ideology has now been almost completed by Prime Minister Francisco Sa Carneiro, who in April announced:

- a £91m fund to buy land for tenant farmers in the north;
- the leasing of tens of thousands of acres of State land in the pro-Communist Alentejo region in the south, where landless labourers comprised 82% of the population before the revolution;
- the break-up of the 500 collect-



ivised farms and the return of much of the land to their former owners.

The government has now used armed troops to assist ex-landowners to eject peasants. Absentee landholdings are being re-created, and there is a shift to capital intensive farming which is causing an increase in rural unemployment.

In the Oct. 5 election, Sa Carneiro seeks a mandate to revise the socialist constitution. GEOFFREY LEE (above) traces the role of land tenure in the development of Portugal's turbulent history.

monopoly, although exploration to the west was to add Brazil to the empire.

Riches flowed into Portugal, and attracted to the golden honeypot came artists, sculptors, poets, musicians and architects from all over the world, all eager to create the Renaissance that the Court was happy to finance. Young men emigrated to the new colonies and much of the homeland was left empty and unused. Indeed the peasantry who remained behind lived always on the poverty line. Above them the nobility and the clergy, who owned 95% of the land, lived in luxury. The influx of wealth from the empire led to inflation which benefitted the landowners and no-one else.

In 1580 Philip II of Spain inherited the crown and for the next 60 years the two countries remained linked, partly by a succession of marriages and partly by mutual economic interests, not least the gold from Spain's American empire and Portugal's Mexican silver. They separated again in 1640, and England became an important ally, opening businesses in Lisbon and Oporto.

In the 18th century Brazil was providing the bulk of Portugal's wealth, which ushered in a second Renaissance. The grip of absolutism was being threatened more and more by a liberal backlash which erupted at the beginning of the next century.

Probably the greatest changes were precipitated by the secession of Brazil in 1822. This brought an era of easy riches to an abrupt end. In 1832 the religious orders were suppressed and their land taken. The end result of this was that the supporters of the new regime became the new landlords with very little benefit to the peasants. Common land used for grazing was being encroached by private individuals. Often these plots were auctioned off to raise money for community needs, although far-sighted citizens protested at this folly. In the 1860s and '70s much common land was partitioned by government decree.

In 1910 the monarchy was replaced by a republic, but political instability and radical changes in government continued until Antonio de Oliveira Salazar took control in 1928. The years of the republic were disastrous. Inflation pushed up the cost of living thirty-fold, there were 25 uprisings and an average of nearly three governments a year. Salazar, strong, austere, religious, ruthless and a brilliant economist, seemed like a breath of sanity amid the chaos. He was to exercise personal control over the country for 40 years, bringing it from bankruptcy to a reasonable state of prosperity.

Caetano, who followed him, was a man of similar ideas, although adopting a policy of "evolution within con-

The Flaw in the '74 Revolution

tinuity." Low agricultural productivity was one problem that Salazar had not been able to deal with. The conservatively-minded farmers objected to any plans that suggested that they should rationalise their land holdings in the interests of agricultural reform. In order to feed the tourists, who were now flocking in, Portugal was obliged to import food.

CAETANO was overthrown in 1974 by Spínola in an uprising that arose out of a desire for more liberalisation of the regime and a change in overseas policy. The Socialists and Communists were dominant in the new government. One of its first acts was to bring in a three-year economic programme to tackle the problem of agrarian reform by ending the medieval tenant farming system. Attempts were also made to force big landowners to cultivate idle acres or lease them to the government; if they failed to do this the land was to be expropriated with compensation and handed to small farmers' co-operatives or be farmed by state nominees. Foreigners' interests were restricted to owner-occupied houses and government approved tourist or industrial projects. These proposals stopped short of the unlimited expropriation of land demanded by the Communists.

In the event farm workers often grabbed farms wholesale and attempted to turn them into collectives. Some of these were run Soviet style and extended to anything up to 50,000 acres. The Communists believed that economic recovery was possible only on the basis of nationalisation and workers' control. Facts proved otherwise. The yield of wheat in Portugal is the lowest in Europe. Although 37% of the population work on the land only half the land is cultivated and only half the nation's food requirements are met. In many cases the workers who took over were too ignorant to run the farms. Stud bulls were slaughtered for meat, cork trees were wrongly harvested and fields oversown. One farm, once highly productive with seven workers, was being highly unproductive as a collective with 50 men. Wheat, maize, rice and other

food is now imported at a cost of \$1bn. a year.

By 1977 the moderate socialist government was contending that more than a quarter of the farm workers in the south were unemployed. Its solution was to return much of the land to private hands; its purpose was to both weaken the Communists' grip and create medium and small farms based on the northern European model.

Compensation owing for farms taken over and not being handed back was already a staggering £1.45 billion in 1977: a crippling sum for a country as small as Portugal. Riots, as Communist-led farmworkers fought against police protecting the farms returned to former owners, flared up in 1977. The Socialist government fell at the end of the year. The violence still continues as the land question remains unresolved. Dr. Soares, Portugal's prime minister and leader of the party which had won every election since the 1974 revolution, was dismissed in July 1978 when his conservative partners withdrew from his government after a disagreement over land reform.

A right-wing coalition swept to power in December 1979, headed by Sr. Francisco Sa Carneiro's Democratic Alliance, to form Portugal's twelfth government since 1974. This will favour private initiative and a trimming of the role of the state in economic life. It seems that Portugal, having experienced the swing of the pendulum of possibilities in land systems, is unable to understand what was wrong with either extremes - land nationalisation or private landownership - and must go on with its uprisings and revolutions. In 1974 it had the opportunity to introduce land value taxation. No land would have been nationalised, no compensations would have been needed, no collectivism required. All that was necessary was to see that the community received the site rents it created. Other taxes would have been reduced proportionately. If this had been done Portugal would today be a prosperous nation. As it is, the future of the country must include yet further upheavals and economic depressions.

Geoffrey Lee

ENTERPRISE ZONES & THE RENT EFFECT

WILL THE enterprise zones planned for six of Britain's urban centres cause land speculation?

There was a difference of opinion in the House of Commons when the subject was raised on June 4 by Liberal MP Jo Grimond and Labour MP Nigel Spearing.

Mr Grimond declared that "There is a danger that there will be land speculation in those areas that people believe may be designated under the Bill", during the debate on the Finance (No. 2) Bill.

Mr Nigel Lawson, Financial Secretary to the Treasury (pictured below), was sceptical. "I see no signs of it", he replied (*Hansard*, 4.6.80, col. 1516).

Of course, he conceded, land values would rise. The Government planned to grant about £25m-£30m. in rate relief and capital allowances. He continued: "Once an area has been designated an enterprise zone, it is likely that land values will then rise. But that is not the end of the world. That is no terrible thing. It is an extraordinary suggestion that we should not rescue these areas from dereliction because land values might rise. It is almost inconceivable that they will not rise..."

But, pointed out Mr Spearing, that meant that landowners would benefit from taxpayers' money. Mr Lawson: "I am astonished at the Hon. Gentlemen. Whenever planning permission is granted, the benefit goes to the owner of the land".

He added: "That is one of the ways of encouraging development in these areas".

● *Financial Times* columnist Andrew Taylor says of the enterprise zones (1.8.80): "Giving free watering cans to nomads and expecting them to make the desert bloom would appear to have as much chance of success."

