

Dilemmas in land reform

THE REVOLUTION that toppled the dictatorship of Somoza, once strongly supported by the American government, still goes on. It is a revolution in a nation of 2.5 million people whose gross national product is only \$2.2 billion – less than the cost of an MX missile.

Due to the hostility of the Reagan administration towards the new governing junta, the average American knows about Nicaragua only in bipolar political terms.

The impact of the Sandinista revolutionaries, on the economic life of this poor central American country, has been largely ignored.

How do you transform a society in which the richest 21% of landowners own half the farmland? How do you transform a society in which 60% of the children went hungry while foreign aid went mostly to the family and pockets of Dictator Somoza?

While the government talks to Nicaragua only in Cold War terms, and cancels needed loans and credits, a San Francisco institute, headed by Frances Moore Lappé and Joseph Collins, has detailed the mixed results of the Sandinista revolution in agrarian reform.

Lappé and Collins of Food First/Institute for Food and Development Policy, ask us to view Nicaragua as a "school" and through "food glasses".

As a school, because the mostly new and young ministers of the government must balance the peasant demand for land against the need to keep up the production of export crops. For a substantial drop in export crops would hurt the entire economy and, primarily, the poor themselves.

As a school, because the Junta must decide between those who have much land, little land and no land. If all the landless were to be given land, would they harvest the export crops during the season?

As a school, because the Junta experiment with various mechanisms to assure the feeding of the poor while relying heavily on the market process.

The authors focus on food and farming because Third World countries like Nicaragua are overwhelmingly agricultural and "we've learned that a society's food and farming policies are powerful lens through which to evaluate the priorities, sympathies,

values and effectiveness of any country's leadership."

In many economic and health areas, the new government – despite many mistakes – has improved the lives of its people.

● Some 40,000 landless rural families have received access to land on which to grow food for the first time.

By E. Robert Scrofani

● Production of basic food crops – corn, beans, rice, sorghum – is up.

● Export crop production is up 10% for coffee and 20% for sugar.

● Consumption of basic foods has soared since July 1979 – corn, bean and rice by 30-40% compared to 1977-78.

● Infant death (an important international criterion) has been reduced. Over 1 million citizens have been vaccinated against polio, measles and tetanus.

● Illiteracy has been dramatically reduced.

Joseph Collins, who served as one of the "experts" invited to Nicaragua, says after many meetings with Junta leaders: "They do not tend to be doctrinaire. They do not attempt to plug in rigid preconceived, ideological formulas. They continue to adapt their policies in light of their experiences." Even the multinational corporation magazine *Business Latin America* called government ministers "pragmatic".

ONE KEY area where the new revolutionary (some say Marxist) government of this small Central American country decided to be pragmatic was in the handling of the estates of the large landowners.

"Land to whoever works it" was the slogan which assured peasant support for the revolution. Immediately after the people's victory, two million acres or 20% of the agricultural land of the country that had belonged to the Somoza family and its associates, were confiscated, leaving two-thirds of the land in the hands of those landowners large enough to hire labour, rent out their lands, or both.

Collins summarises the dilemma of the Junta thus: "Agrarian reform is a drama that unfolds in response to multiple, often conflicting pressures on the government, and the Sandinistas understand this well. So while 'Land to whoever works it' might have been an effective rallying cry during the war of liberation, it got quietly buried once the victorious leadership had to confront the urgent need to get the capitalist farmers and ranches controlling most of the country's exports back into production".

The balancing act of the Sandinistas was also impelled by the hostility of the U.S. government and fear of destabilisation pressures which had been used in Chile. Support from all social classes would be needed to resist these pressures.

The big owners – while hearing the rhetoric of the new government – feared peasant invasion of their farms and ranches. Others feared that limits would be placed on the amount of land they could own.

According to Collins, the philosophy of the reform here is not anti-private property. "Rather the Sandinistas believe that productive private property carries with it the obligation to use the property for the benefit of society." Private property rights are guaranteed by the government only if the owner is using the resource; idle land is subject to expropriation.

The new government gave title to tenants and share croppers and, like the land reform in Taiwan, set a level for rent that would encourage food production.

"We do not want to socialise all means of production but, instead, to socialise the surplus that the private sector produces", says Jamie Wheelock, the Minister responsible for agricultural development. "We can tap this surplus with means used in other capitalist societies: control over credit, export sales, foreign exchange, land use, labour relations, prices and marketing and taxation."

THE NEW government's attempt to permit a "mixed economy" in the new Nicaragua is detailed in the chapter entitled "The Failed Partnership: Big Growers and the State."

These growers control over two-



● Joseph Collins and Frances Moore Lappé

thirds of the agricultural land. They account for 72% of cotton production, 53% of coffee, 58% of cattle and 51% of sugarcane. The government wanted these men to maintain and, indeed, increase their production.

While appealing to their patriotism, the new government also used a substantial amount of the old-fashioned carrot. The growers were offered:

- Substantial credit below inflation rates to cover all working costs.
- Guaranteed prices for export crops to ensure a profit.
- Buffers against any drop in international commodity prices. The government promised to share gains and absorb losses.
- Rent decreases – 40% of cotton growers rent their land from absentee landlords. And finally,
- Lower taxes on personal income and company profits.

This 'sweet deal' was intended to stimulate output, especially in export crops, to produce hard currency. In 1982, 52% of every one of these export dollars went to pay interest on foreign debt.

But did it work? Collins says it did not. "A high official told me they (the big landowners) have blown an historic opportunity. The private sector not only did not revive production, but may be draining the rural economy."

But the big owners saw the deal differently. Under Somoza, the landowners had an unlimited source of cheap labour. But the *campesino* now had cheap rent, government credit, and employment opportunities on State farms. Many did not want to

work on plantations where owners had abused them in the past.

The new peasant associations not only demanded medical benefits but also minimum wages. The government mandated improvements in living and working conditions and offered the rural poor basic goods at fixed prices lower than those at "company stores".

But Collins says that the large landholders could still have made a profit. What they feared was the future. "It was *la Revolución* that threatened them. And in Nicaragua, the fears of the rich affect their behaviour so that their fears were self-fulfilling."

THE GROWERS' "fear" led to a process called "decapitalization", a range of economic sabotage that included:

- Cutting back on cultivated acres.
- Selling off machinery and livestock (often to buyers in Costa Rica and Honduras).
- Paying excessive salaries to themselves and their family members.
- Getting government loans and then converting some of them to foreign currency and sending it to foreign banks, and
- Faking or inflating fees and commissions to foreign firms or individuals.

Thus the vicious circle began. The more the owners acted to decapitalize, the more they were denounced by the peasants and the less secure they felt.

In part, the new government still hoped for a pragmatic solution. But the actions of the large landholders outraged the peasants and land

seizure increased. The government could not ignore the issue.

A new law proposed that in the event of an accusation by farmworkers, that an owner was decapitalizing by selling his machinery, for instance, the farm or ranch would immediately be confiscated. If investigation proved the owner innocent the farm would be returned.

There are a number of "patriotic" landowners who continue to invest and improve their land. But under Somoza, 80% of the investment came from the private sector. Today, the figure is only 10%. With capital still fleeing, investment must come from the impoverished public sector.

"What has made the elite so angry, we were told by many Nicaraguans, is not that the new government has taken their wealth. It hasn't. What enrages so many of the wealthy is that they have lost their power to determine the nation's priorities," says Collins. As a result of the capital flight and decapitalization, the country's efforts to rebuild after the civil war has been seriously damaged.

The book examines in some detail other dilemmas of land reform in Nicaragua: the effect of massive credit in rural Nicaragua; the ability of the State Farm to not only increase production, but also to build a sense of community, particularly in isolated areas; the fever for land versus the need for export crops; the impact of land seizures; and the ability of the market to feed the poor.

Collins and his colleagues are asking the key questions in this field that should be a primer for many other countries.

While the Nicaraguans and the members of the Food First staff have ignored the potential benefits of applying a land value tax and an unearned increment tax to achieve some desirable results, we must realise that they have a strong sense of justice, as does the agricultural ministry in the Junta.

Even though pragmatic in economic terms, the Junta has not learned the lessons of Taiwan in stimulating "land to the tiller" through the use of land tax mechanisms. And there is a feeling that the Food First people would rather look elsewhere for possible solutions.

Yet, as proved in Taiwan, Jamaica and, now, Nicaragua, transforming a Third World society is a complicated process. It is a process well documented in *"What a Difference Could a Revolution Make"*, a succinct book which should be required reading for those who want an inside look at the issue of agrarian reform.