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THE LAND TENURE CENTER
310 King Hall
University of Wisconsin
Madison, Wisconsin 53706

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AN EXPERIMENT IN LAND REFORM:
REFORM ON CHILEAN CHURCH LAND OFFERS STUDY LABORATORY

BY

WILLIAM C. THIESENHUSEN

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William C. Thiesenhusen *

In chiding past and present Latin American development planners, Victor Alba, a Mexican author-journalist, notes that they tend to think in terms of over-simplified cure-alls. At the time of Independence, the panacea for all economic ills south of the Río Grande was elimination of rights and privileges of the Spanish crown. Then, in chronological order, the prescribed remedy became protectionism, foreign investment and industrialization. In 1961 Alba hinted at the next probable ready-made cure, writing, "It seems likely that in a short time it will be agrarian reform."

With the Alliance for Progress providing encouragement for reforms (under certain conditions) and, more importantly, internal left-of-center demands for social change becoming more adamant, we may now be embarking on an "era of land reform." On the other hand, we must not short-change the strength of internal and external pressures that either openly favor the status quo or, more likely, advocate "reforms" which merely make superficial alterations in the fabric of society.

* Assistant Professor, Department of Agricultural Economics, University of Wisconsin and at the time of this writing a Research Associate with the Land Tenure Center and the Instituto de Economía, Universidad de Chile.

There is no denying, however, that land reform has come into recent favor with technical developers. Even so, an English academician has observed that land reform in its initial stages is a political matter and not a question for experts who would "advise it into existence."

Realizing this, but knowing also that real change sooner or later is inevitable, technicians and researchers would do well to study ever more carefully how reform works. When reform comes, their expertise will be vital to its success.

Some scholars of Latin American economies are attempting to remove the traditional bug-a-boos from land reform. For example, one wrote recently that there are fewer economists now who think gross national product will suffer long run damage as the result of reform: "A small group...believe...not only that a more equitable division of the fruits of progress is a good thing because it leads to a better society, but that an initial redistribution of property and the equilization of opportunities by acquiring skills, status, political participation or earning a living is a prerequisite for rapid growth."

This does not argue that land reform is the panacea Alba refers to, for it seems as though we should have learned from past experiences that no one medicine will cure the economic ills of a diverse continent. But neither does it deny that land reform may be a necessary antecedent condition since the "human resources" now outside the main-stream of national life

can contribute to--indeed are essential for--development.

One place for technicians to begin their studies of the process of land reform may be by closely examining the workings of rather isolated "experiments." In Chile, where lands are still highly concentrated in the hands of the few and the number of landless workers is increasing, the reform program on property the Church formerly owned is a case in point.

The Church's Interest in Reform

The Church in Chile was once among those organizations most opposed to land reform. In early colonial times it was undisputedly the largest single landholder in the country. A number of inter-related factors have changed its official attitude. One of these factors is that the Church no longer is a large landholder, now owning, according to a recent estimate, approximately 50,000 hectares in Chile. About half of this is farmed directly; the other half is rented out. The majority of this is owned by orders; a smaller amount by diocese. Some of this land is not held as large fundos, but in city lots on which churches and schools are built. Some rural lands are unirrigable and simply not fit for farming.

Much of the dissipation of large holdings of the Church can be traced to the expulsion of the Jesuits in 1767. Previous to that some of the best-worked farms in Chile were owned by this order. Even though the Jesuits were re-admitted to Chile soon thereafter, they never regained all of their former land wealth.

But the Church's reduced land holding does not explain its present interest in reform since the landed are still numbered among the most influential of its faithful. Another factor changing the Church attitude was certainly the increased acceptance of the social doctrine of the Church reiterated most clearly by Pope John XXIII in Mater et Magistra. Chilean bishops followed this encyclical with pastoral letters of their own endorsing the Pope's liberal stance.

Besides this doctrinal basis, the far left in Chile has shown quickened growth of late. Its promise of land to the poor has put the Chilean Church on guard. To regain an offensive, the Church hierarchy proposed its own experimental program of land division.

Further, many sons of the landed conservatives have become Christian Democrats who realize some change is necessary. The CD party whose roots can be traced to liberal Catholics at the turn of the century and to the Chilean Falange party's founding in 1937, became strong enough to win the presidency in late 1964. This group has been sharply critical of the former government's expensive and slow-moving reform efforts based on planned colonization through parcelization. CD President Eduardo Frei has time and again listed agrarian reform within a democratic rubric as a major concern of his new government.

The Church itself in Chile has had liberal leaders like Bishop Manuel Larraín E., who, for his views favoring land

reform has been called a "demagogue and a fool" not only by the far left but by some active Catholics of a more conservative bent.

Reform on Los Silos: A Communitary Experiment

It was Larraín who spearheaded the Chilean Church land reform program by turning Los Silos, a 182-hectare fundo his diocese owned, over to a campesino cooperative at planting time in 1962. The bishop sold the land to the cooperative at "35 percent below commercial value" at E*210,000 (expressed in 1963-64 Escudos--E*3.2=\$1) payable in installments over 20 years. Payments would be readjustable each year by the percentage price increase in wheat during the year and .5 percent interest of the unpaid land debt would be required each year. (There is talk of making the readjustment for inflation less severe.) Realizing clerics would be unable to handle the details of the reform, Bishop Larraín appointed a committee to plan the techniques of the matter. The same year the Archbishop of Santiago turned over two fundos his diocese owned, Las Pataguas, with 1,213 irrigated hectares, and Alto Melipilla, with 164 irrigated hectares to campesinos. Similar payment-terms to those on Los Silos were established. Like Bishop Larraín, the archbishop appointed a technical committee to take care of the details. In 1963 the two technical committees were merged as Instituto de Promoción Agraria (INPROA)--one of the few private agencies dealing with land reform in Latin America.

Prior to the reform, Bishop Larraín had rented out Los Silos since 1952 when his diocese bought it. The last tenant steadily lost his best resident laborers called inquilinos to neighboring fundos who paid better wages and offered more satisfactory living conditions and perquisites (inquilinos and higher level work supervisors on the fundo are paid part of their wages in cash, the other part in kind). By mid-1961 the workers on Los Silos were among the lowest paid in the zone. To protest their situation at this time, one of the neighboring socialist regidores organized a workers' strike on the fundo. The workers' strike resulted in the renter and the local work inspector negotiating an agreement to pay more wages, but it was never fulfilled and seven of the fundo's employees stayed on strike.

After seven months of workers' strikes, Larraín cancelled the renter's contract and turned over Los Silos to as many of the former workers as would accept the cooperative's principles. His committee selected a former fundo administrator to live on the farm to handle its day-to-day management. Of the 18 families living on the fundo then, four decided to leave. Later the cooperative expelled two more. Four other families of the original group were encouraged from the outside (reportedly by the same socialist leader who organized the labor strike) to neither join the cooperative nor move out. The cooperative still hasn't been able to convince these dissidents to vacate

their houses thus making them available to the cooperative. It is currently embroiled in arduous legal processes to expel them.

One replacement settler was selected by the technical committee because the committee felt he was a grass-roots-type community leader who could help to organize a sound cooperative. He had been an inquilino himself for many years, had taken a brief rural leader training course and seemed to have a good grasp of problems of agrarian reform. The cooperative itself interviewed and voted upon the majority of the remainder of its new members.

Los Silos is now worked cooperatively; one of the first farms in Chile's history to be worked in a community manner. INPRCA, with a 32-member total staff, works not with individual members but channels its credit, technical help and other services through the cooperative.

It will be convenient to describe the present tenure system on Los Silos based on the three major crops grown on the fundo in 1963-64: wheat, making up about 32 percent of the land area; alfalfa (for hay and pasture), comprising about 35 percent of the farm's acreage; and chacras (corn, potato, and bean plots), occupying about 19 percent of the fundo's land. Profits from commonly worked wheat and hay crops were to be destined for the overhead expenses of the fundo: water, electricity, time payments on machinery, mortgage payments for land and interest.

Members of the cooperative drew lots for their chacras. Chacras are individual in the sense that members have the major responsibility for planting, tending and harvesting them; seeds and fertilizer are paid for by INPROA through the cooperative, and members are responsible for repaying these in-kind advances with the harvest. A rental fee is charged for each dairy animal (individually owned) grazing on the common pasture.

A major problem with this system is that there are few clear-cut incentives for members of the cooperative to work to their capacity on common land and not expend most of their energy on their private enterprises. Aside from coop censure and the personal prodding of its committees, a member's primary economic motivation to work on the community property is his knowledge that if profits on common land do not pay off the farm's expenses they will have to be covered with profits from individually owned crops.

The first year of the cooperative's operation, Los Silos showed enough of a net income to make a land payment to the bishop, meet the first installments on some machinery and raise the level of living of most cooperators.

When INPROA was born in 1963 the hired manager who had monitored the project for the technical committee was returned to INPROA's staff in Santiago. It was felt that instead of being looked to by members as an advisor, he was being turned to as a patrón. At this time Los Silos' campesino leader,

who had been elected president of the cooperative, was given more management authority. In the 1963-64 crop year the cooperative made many of its own technical decisions.

Early in the 1963-64 crop year, Los Silos voted its members a daily salary of E.1.1 (about US\$.40--not much more than the year before). Members with specialized functions would be paid slightly more. As with in-kind production credit, it was expected that these cash living cost advances from INPROA would be repaid at harvest time.

The gross income of the cooperative this past year (1963-64) totalled about E.64,000 while its obligations, including all operating expenses, consumption and necessary land and capital payments came to about E.93,500 leaving the cooperative with a total debt of approximately E.29,500. Of course, the 10 percent depreciation charged on the implements the cooperative owns could be made available to Los Silos (about E.4,000) as could a 2 percent marketing charge INPROA levied on all crops marketed through the cooperative (about E.1,000).

An analysis of a neighboring farm--one of the best worked in Chile--shows that per-hectare net production with a similar amount of working capital (not including buildings) and also with few irrigation problems, was 36 percent higher, indicating that Los Silos, through better organization and using top-notch techniques, could raise its production enough to become a paying venture. A comparison of Los Silos with the neighboring farm indicated that Los Silos used about 55 man days of work

per hectare while the neighboring fundo used about 31. If Los Silos could pare back its labor expenses by using only the labor the family provides and not hiring labor from outside the fundo--36 man days of work per hectare are available within the cooperative without hiring outsiders--it could save the E.4,000 spent on extra help this year and apply it to yield increasing capital like fertilizer.

Aside from these admitted difficulties, Los Silos can claim the following accomplishments:

- (1) Production on Los Silos has risen over the production on the same fundo operated under a rental system.
- (2) Although the coop lost since it was unable to recoup most cash advances and production from individually owned chacras or animals, this resulted in a rise in income for 14 of the colonists in 1963-64 over their previous situation as inquilinos, medieros or fundo employees.
- (3) The colonists, who were formerly inquilinos, now seem to be learning to make management decisions even though they have never had that responsibility previous to the reform experiment.
- (4) A cooperative was established as a vehicle through which petitions could be presented and services, originating with INPROA, granted.

INPROA and the Los Silos Cooperative are taking steps to solve last year's problems:

- (1) Stricter measures are being taken on marketing production --even production of the chacras and milk from individually owned cows must now be marketed through the cooperative.
- (2) More emphasis is being given to strengthening the social benefits of the cooperative and to carefully demonstrating that through its organization the lives of its members can be bettered.
- (3) An ingeniero agrónomo has been placed in charge of Los Silos. Although he won't live on the fundo as did the first manager of the cooperative, he will advise the coop closely on technical matters.
- (4) Credit from INPROA will be given to the cooperative only if it chooses to follow the technical advice as it is given.
- (5) Each cooperator has been presented with a bill showing the amount of his debt, reminding him that he must pay it off with the harvest in 1964-65.
- (6) No cooperator will be paid his living expenses for excessive days of illness. (In 1963-64 there were cases of malingering for which members collected their advances.)
- (7) A loan to purchase a herd of good dairy animals has been obtained from the Corporación de Fomento (CORFO). This should intensify the operation and make the cooperative less dependent on wheat.
- (8) At planting time in 1964 the coop hired no outside labor.

Reform on Las Pataguas: Individual Parcels

In contrast to the system on Los Silos and more like the experience of the government settlement program, each colonist on Las Pataguas and Alto Melipilla was sold his own piece of land. On Alto Melipilla most parcels went to higher-level fundo employees more able to pay and not to landless laborers who must, it seems, form the basis for a true reform. Few of INPROA's current resources are going into this project. Since the colonists also manage their own land on these two projects, the cooperative has more limited functions than on the present Los Silos arrangement. On Las Pataguas the coop functions as a service agency through which technical advice and credit can be channelled and produce marketed. It is also the caretaker agency for the fundo's overhead investments and sells groceries to members.

Again unlike Los Silos, for whom the land-holding cooperative was open to whichever former fundo resident would accept its principles, the technical committee of the Archbishop of Santiago devised a point system to select future colonists on Las Pataguas and determine the order in which each would choose his piece of land on the sub-divided fundo. Points were awarded for factors like: number of years worked on the fundo, number of dependents, number of years as a renter or share-cropper, amount of savings (up to a certain amount), etc. Besides, each person selected had to have worked in agriculture five years, belong to a well-established home, promise to farm

his property personally and not already own an agricultural property larger than the one he would get on Las Pataguas.

Three different size categories of units were given out. Huertos are one hectare garden plots. Parcels or "family units" average about 17 hectares and hijuelas range from 35 to 86 hectares. Size of plots in the last two categories depend on soil type and irrigation possibilities.

The point system was applied to 52 out of 60 original fundo inquilinos and higher level employees who wanted to take part in the reform. All but three, who were given a severance pay of E.70 for each year of service on the fundo, were allowed to remain. Six former fundo inquilinos were given a huerto. Four more fundo workers who had a specific craft--a bread-baker, two mechanics and a smithie--were also given huertos. All huerteros, it was planned, might be hired to work on the larger plots of the remainder since it was recognized that their holding would not be large enough to allow them to earn a living. Thirty-one former fundo inquilinos or medieros and four fundo employees remained to get a parcel; twenty-four neighboring minifundio owners or workers on other fundos who applied were also selected to get parcels.

In total, 12 huertos, 59 parcels, and five hijuelas were given out. Awarding differing sized plots defined a social class structure on Las Pataguas. Although one purpose of the reform is to break the rigid social system, reformers in this case re-created a miniature replica of the archaic master

semi-serf class structure existing in Chilean agriculture. Hijuela operators immediately began to dominate the cooperative while huerteros found their situation little improved. Now huerteros worked for new land owners sometimes at a lower cash wage and usually more irregularly than under the old patronal system. INPROA is now encouraging hijueleros to leave the cooperative. To deal with the problem at the other end of the spectrum, INPROA is dividing some land on the fundo which had previously been reserved for coop use among huerteros who want to enlarge their holdings. Hopefully, INPROA's recent policy will help create a truer "middle class" on Las Pataguas.

One drawback of parcelization when contrasted to the Los Silos system is that original costs are higher. On Las Pataguas, some houses needed to be built (since the fundo now accomodates 16 more families than formerly), some replacement dwellings were deemed necessary since the old houses were in a bad state of repair, some internal roads were laid and fences installed. Besides, the irrigation system had to be adapted to carry water to individual parcels rather than to the fundo's original large fields. In total, infrastructure represents about 20 percent of the cost of the reform. Land value was set at about E.918,000 while cost of the additional infrastructure was about E.232,000. Extra costs are added to the colonists' land bill.

To find out the economic situation of new land holders on Las Pataguas during 1963-64 under a system of individual

management, we drew a 25 percent random sample: 19 cases out of the 76. We stratified the sample on the basis of plot size. A personal interview about an hour in length was administered to colonists in our sample to determine net income, attitudes toward the reform and before-and-after social and economic conditions.

All parcel holders are excused from making land payments--which should average about E'825 a year--until 1965. It was planned that interest on the value of the land (initially interest payments will average slightly more than the land quota) would begin in 1963-64. Assuming that colonists were able to give us a more or less accurate idea of their cash consumption expenditures for the year, eight of the 15 parcel holders we interviewed will not be able to meet this year's commitments with the net income they earned on their parcel. Assuming that a land amortization payment had been required this year, the number of those defaulting would rise to nine. The several huerteros we interviewed will likewise default this year. A land amortization payment is required of the hijueleros this year. The two we interviewed will both be able to meet their debts.

Again we found hired labor used rather lavishly. A study recently completed by the Ministry of Agriculture and several other Chilean agencies including data drawn from some 100 cases in the same province in which Las Pataguas is located (O'Higgins), indicates that a farm with the same combination

of crops and a similar amount of machinery and draft power as the 285 hectares we studied on Las Pataguas averages about 10,500 man days labor used a year.

Actually, in 1963-64 about 20,200 man days were used on our sample--double this amount--at a cost of about E.15,000. A neighboring fundo under excellent management with similar soil type and irrigation possibilities is utilizing only about 25 percent more labor per hectare than the study-standard, but is fertilizing at a rate about 2.7 times higher than our Las Pataguas sample. Wheat production per hectare on the neighboring fundo was 33 percent higher than on Las Pataguas and potatoes and corn raised next door showed an even higher yield differential when compared to the Las Pataguas harvest.

Within our sample, 250 man days of family labor over the calculated amount is already available and is probably sufficient to compensate for the higher amount of labor-saving machinery on the neighboring fundo.

If expenditures for hired labor within Las Pataguas could be cut to that already available within the fundo, fertilizer expenditures might be raised to an amount near that of the neighbor's well-run fundo without raising costs more and, undoubtedly, with a substantial increase in production.

If Las Pataguas colonists are to raise their fertilizer inputs, however, many of them will have to be shown that it pays. At first this will probably require the force of some sort of supervised credit program. Of the colonists we interviewed,

many were not convinced that they should apply more fertilizer even if capital were not rationed. A larger number were not able to give a satisfactory definition of crop rotation. Realistically, even more fertilizer is probably necessary on Las Pataguas than the amount used by the neighboring fundo to bring marginal costs up to marginal returns. The neighboring fundo is able to afford a rather long rotation, certainly uneconomical on small plots.

The reform has a number of other impacts on the parcel holders and their community:

- (1) All new land holders in our sample showed a substantial rise in income under the reform.
- (2) A number of small businesses in the neighboring town are failing because the colonists now make their purchases at the cooperative store which sells merchandise more reasonably. Even those selling alcoholic beverages report lower sales since the reform.
- (3) Neighboring fundo operators complain of the scarcity of labor since the reform. They say they now have to offer higher wages to attract outside labor.
- (4) The vast majority of participants seem to pin their highest hopes in owning their own land.
- (5) Although before-the-reform data is difficult to obtain, all indications are that post-reform total production on the fundo has risen somewhat since formerly the fundo was farmed more extensively.

- (6) INPROA has accomplished a reform on Las Pataguas which is running cheaper than the government reform agency's program in which infrastructure makes up about 50 percent of the total costs of settling a colonist. (Even so, one can legitimately ask whether all of these expenses are necessary immediately or whether colonists themselves should improve their own situation as their incomes increase.)
- (7) A cooperative has been initiated and members are beginning to feel it is to their benefit to make it succeed.
Difficulties which remain to be solved are:
 - (1) Although production has risen, it was not high enough on our sample to permit all the new land holders to meet their new debt obligations.
 - (2) The cooperative is still not effective enough to capture all of the produce the colonist raises. Some of this is sold outside the coop to escape the marketing fee and is consumed before the end of the year when the colonist is expected to pay for the credit extended in cash or kind and make his land and interest payments to INPROA.
 - (3) Since most of the colonists have not had management experience previously, some simply **do not** know how to get increased production from their land. This involves a mammoth teaching job--and probably technical assistance tied closely to a credit program coupled with community development assistance.

Current Additions

The current INPROA land reform program involves two other fundos which were added at the beginning of the 1963-64 crop year: Alto Las Cruces (17 colonists--295 irrigated hectares) and San Dionisio (65 colonists--1,128 irrigated hectares). Realizing the problems on its earlier projects, INPROA is attempting a more gradual shift from landless worker to owners on these two. Initially, no adjustments in the irrigation system and few other infrastructural expenditures were made. Most of the farm in both cases is worked on shares, and fields are preserved without physical division. For example, each colonist is given a part of the large wheat field, which then can be planted and harvested with large implements. Another economy of scale which can be preserved with this system is that management decisions will be made by an INPROA-hired manager who, working through the cooperative, will attempt to give the colonist successively more decision making responsibilities.

A great deal of emphasis is being given to strengthening the cooperative. INPROA will use the weapon of supervised credit, withdrawing funds if its suggestions are not followed. On San Dionisio each colonist who wanted could rent a cuadra of sugarbeets in 1963-64 following the instructions of the national sugarbeet company (IANSA) for their planting, care and harvesting. In 1965-66 all mediería will end ushering in a rental step thus giving each colonist still more management

responsibility and the obligation of paying rent with the harvest at the end of the year.

Should colonists wish to continue with any phase longer than INPROA desires, the coop may vote to do so. After a year of renting, the fundo will probably be parcelled out and sold to colonists. By this time INPROA hopes to have each colonist sufficiently trained and the cooperative adequately developed to accept the trying responsibilities that accompany a reform.