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HOW A POLITICAL CHANGE ROUSES A STRONG SOCIAL
IMPACT IN THE AGRICULTURAL SECTOR:
AN ATTEMPT AT AGRARIAN REFORM IN PORTUGAL

A. Sebastiao Goncalves

Portugal Before the Political Change

People working in the agricultural sector had a very low standard of living, below the minimum level of culture and sanitation. In one northern area, families lived alongside their cattle, without water and sewage systems. In 1972, about 16 percent of the farms had no access roads for trucks, and in 1960 only 14 percent of the houses had water. In 1968, 97 percent of farms were less than 20 hectares and 39 percent less than 1 hectare. Owners directly managed 64 percent of the farms and 14 percent were managed by someone appointed by the owner. About 56 percent of the farming units did not use any mechanical equipment. Emigration was the only solution for the men, leaving their wives behind to manage the farms, with the result that one-third of the farming units were managed by women, or men over 65 years old.

For economists, the situation was very complicated. Henrique de Baros wrote that "the people working in the agricultural sector are always dominated by economic forces which have done all that they could to keep them in very poor economic and social conditions." However, such a situation does not seem difficult for most politicians. In 1964, one politician said that he tried to find "the way to give a more equitable compensation to the farmers, so they can meet their basic needs and their justifiable wants." But the main political leader for almost fifty years, before 1974, said that "in the country there are not any privileged or underprivileged social classes." Others have said more or less the same; very odd words for an economist. About 20 years ago, a politician clearly said that "agricultural technicians must stay in the fields as long as necessary to take account of producers' needs, and to prepare the rural people." Those are demagogic words. More than 30 years ago, the most important political leader said: "I am always trying to develop government services to increase production." However, relations between the producers and the government departments were rather poor, and beyond the technicians' responsibility.

Agricultural credit was based on a tangible guarantee, mainly a mortgage, so it was practically impossible for nonowners to get a loan. In 1957, a law set up a bank "to promote an accelerated development" of the national economy, with many of its rules borrowed from an official institution nearly 100 years old. The loans were also mainly based on mortgages, and very often the new bank used the money of the old. The new bank's first undertaking was to get a showy building as its head office, near the very people who had no money to improve their production. We must see the reality of credit and its use; quite often landowners got a loan and used the money to make loans to nonowners at a higher interest rate. Loans for equipment were also granted according to the "tangible guarantees" underestimated by the creditor, and the credit repayment not tied to the needs.

Data provided by producers were not comprehensive enough to allow a plan. In 1970, in one district, 43 of the farm managers were illiterate. Nevertheless, in 1949, a national agricultural plan was established, and three years later a politician said that technicians and the government had no relevant data. Nearly 30 years later, a technical meeting was told of the necessity of minimum accounting practices to help manage farming units. How can plans be implemented if the population does not have the basic knowledge to take advantage of them? Can we expect the help of government agencies?

Some of those who attended the 1970 World Conference on Agricultural Education and Training did not understand the need to solve the problem of

technicians who do not like going to rural areas, preferring to stay behind closed doors in their offices in the main cities, or to emigrate. Those who know the situation in Portugal could easily understand the technicians' behaviour in spite of political statements on this matter.

A national plan placing emphasis on the development of technology in the face of emigration was needed, accompanied by modification of the means of production. A long time before, another plan had said that management centres had been expanded to improve productivity. In 1969, the only political party said that "the government was trying to provide technical assistance for a more dynamic agriculture." In 1974, a few days before the overthrow of the government, a politician talked about the possibility of quickly developing the agricultural sector to solve the needs of the country.

We can get an idea of the gap between those wishes and what could be achieved by the available resources. The only political party said: "The Government gave the farmers, owners, and workers the means to promote agricultural development on the basis of cooperatives, and training centres have been set up all over the country." Such a statement is a way to put the responsibility on the technicians, landowners, and workers.

If the landowner has basic knowledge and the necessary means of production, he tries to use his land according to its specific qualities. But, in Portugal, 54 percent of the area is occupied by agriculture and only 24 percent should be used by this sector; in the most extensive agricultural district, only 14 percent of the land has conditions for agriculture and cattle, in spite of being 82 percent used. Because of this situation, even specific products are more expensive in this country than in others with higher wages, and it is not possible to avoid rigid and responsible state intervention. To increase agricultural productivity, technicians working in the public sector have a very important part to play.

Two other factors are very important to increase production: (1) credit managed by a public institution; and (2) price fixing schemes to pay the producer for the more important products. Credit should not be granted free. Many people favour a specialized credit institution, but it is not realistic. It is not possible to have one department able to study all the different aspects usually incorporated in the word agriculture. Each specialized department should carry out the analysis: the amount involved, repayment conditions, and the interest rate. The credit institution is responsible for the monitoring of the credit policy included in the master plan and for the flow of funds. This all depends on cooperation between the producer and the technicians.

Portugal After the Political Change

Political change came in 1974 from a bloodless military coup, and the agricultural sector was very much affected. Before 1974, there were no organized small or medium sized farms managed in accordance with the law (PMA), or workers' associations. The PMAs were a reaction against the situation of an underprivileged class, especially following Joao XXIII's speech on the need for such associations. In regions with large scale farms, occupation of land—often called wild occupation—started soon after 1974 by workers and small owners. "The land for those who work it" was the slogan included in the text of the new constitution. These takeovers scared away some large scale owners and others stopped cultivating.

Early after 1974, production collective units (UCPs) were established. Workers got together and I have seen them working very hard, even without proper inputs or basic knowledge. In 1975, the government decided to help the UCPs through a special credit scheme and creation of Centres for Agrarian Restructuring. But those decisions were not enough to solve the basic problem of instability. One politician said that the agrarian reform should be carried out in the legal order, and also said that agricultural problems could not be solved by laws. People

really did not know what agrarian reform meant.

Instability was very widespread. Technicians gave advice about the need to develop conditions for improved production, but the rural population heard about theft of livestock and equipment and house burnings. This all increased instability, mainly from the government and state departments.

After the land takeovers occurred, a law established the conditions for expropriation according to the quality of land and the size and volume of production, giving to the owner the right to keep part of the expropriated land. Another law established the right to a payment, and that afterwards, according to the new constitution, there would be no possibility of further compensation. Practically, this all involved difficult problems, causing friction and difficulties for land reform.

Another regional agency was created: the Regional Centres for Agrarian Reform (CRRAs) with extensive legislative power to implement new policies to solve regional problems such as acts of sabotage and complaints about agrarian reform. Furthermore, the CRRAs can requisition equipment from large scale farms and put them on UCPs. This short presentation of the goals of CRRAs is enough to make clear the conflicts between the owners of large scale farms, the local population, and even members of the government. Such a task would be very difficult if the CRRAs want to operate within the law. But how is it possible without suitable means? Uncertainty is the worst danger in an organization covered by theoretical laws and government instability. In 1976, some CRRAs were closed, and many of their technicians laid off.

Another government agency--SADA--was set up to inform the PMAs about agrarian reform legislation, and to put forward the problems of people working in agriculture. This is another difficult task; to give information about complicated legislation to a people lacking basic education.

One more government agency was set up: the Commission for the Analysis and Study of the Problems of Agrarian Reform (CAEP), directly under the Minister of Agriculture. According to the new constitution, the agrarian reform implied the setting up of collective forms of ownership under the sponsorship of the state. But the social atmosphere did not permit the forecast results to be attained, and there is even an association which stands against all collective forms. It is easy to understand the difficulty of achieving cooperation between farmers and governmental agencies owing to the political environment which puts emphasis on individual cases. Although the constitution stipulates that technical assistance is a producer right, this general condition is not adhered to, in spite of the musical words of one of these new agencies that "the leaders of the agricultural sector can quickly and efficiently make relevant decisions for each region." The same situation exists now as previously: a lot of words, conforming neither to economists' or technicians' recommendations, nor to the real need to improve the social welfare of the people.

Right after 1974, a law was presented making a provision for "changing the credit policy very shortly so to give an impetus to agricultural development." One year later, the financial situation of farms was more precarious, and another law made pronouncements about credit policy; a month later, the Minister of Agriculture made public his decision about "reformulation of credit policy," fifteen days before the law about special credit for PMAs was made. Four months later, another law made provisions for giving aid to all the collective farms so they could pay salaries. It is interesting to note what this law says: "The Minister has the power to manage the credit and to take care of its correct application." Farmers know the real meaning of such power.

The distribution of loans was easy, but repayment was not easy, owing to the financial situation of the farm units. In 1976, the government decided to collect back payments through the judicial system. But who is responsible for such a situation, the government agencies or the farmers?

Commercial banks do not really have the right conditions to provide credit for

agriculture and cannot promote the adaptation of the sector to production needs. One of the so-called "revolutionary decisions" has been the nationalization of the banking sector; before that, an old public institution existed for agricultural credit, more or less like private banks.

After the great number of revolutionary decisions--very often opposed to each other--by nine governments, the main cause of the risky economic and social situation was the general and demagogic statements about the "rosy days ahead." In 1975, the press wrote that the two main political leaders thought that social discipline was the basis of development. But to have efficient and responsible management of governmental services is an essential condition. And how can we have such management if decisions are inconsistent? It is easy for a politician to initiate reform, beginning with the government and state departments, following a decree that "the government has the means to implement the agrarian reform in an orderly way," because a politician has enough power. But is it possible to have authority without responsibility? For agricultural economists, the responsibility is a necessary prerequisite, beginning with political leaders.

In September 1977, a basic agrarian reform law was issued, with bylaws eight months later. After the nationalization of banking, the system is operating without any policy integrating it with the growth in production. Two years after the approval of the first law relating to agrarian reform, legislative standards started to be more inflexible. In 1977, two basic laws relative to lease contracts, expropriation, and economic and technical aid to the UCPs were repealed. Some UCPs no longer operated, owing to a feeling of frustration, mainly due to police intervention in giving back the land to its owners. It is a duty of the government to set the example of order and responsibility.

Economists--not politicians--are the people working to obtain the means of promoting economic growth. But it is not possible to do so as long as rural people live with a sense of frustration, seeing the economic and political problems topple all their hopes for a change in the situation.

We are thus facing a real challenge for agricultural economists.

OPENER'S REMARKS--Phillip M. Raup

A fundamental task of a government is to establish the rules governing the conduct of business. This obligation is especially critical for agriculture, since long run commitments of labour and capital must be made. The most critical of these rules concerns the tenure under which land is held.

Goncalves documents the disastrous consequences for agriculture that can result from instability in governmental policies, and from uncertainty with regard to rights in land. The point of departure is the political events of 1974 in Portugal, and the subsequent and often spontaneous efforts to carry out agrarian reform. Agrarian reform efforts in Portugal after 1974 did not constitute a formal programme. They were instead a happening--an occurrence--and this complicates any attempt to assess their results by measured performance or stated goals.

An essential prerequisite for successful agrarian reform is the existence of a local network of supporting institutional arrangements. The most important is a tradition of effective local government. Where this is absent or weak, an agrarian reform effort may be defeated before it begins. An equally critical institutional structure is the system of agricultural credit. When rights to land are highly concentrated, are then broken up and redistributed, and are not carefully documented and registered, there is no adequate foundation for land based or mortgage credit. Any credit extended by government resembles welfare payments. A weak base is thus created for the use of credit as a device to guide land use and promote more intensive agricultural production.

The Portuguese experience adds another chapter to the long history of government attempts to promote agrarian reform by creating new forms of organization from the top down. Inadequate attention was given to local units in the organizational structure, although they were the critical ones in the implementation of the programmes that were ultimately attempted.

There was apparently a related neglect of informal and nongovernmental organizations that might have been helpful in mobilizing support for the agrarian reform. This applies especially to paraprofessional organizations of crop producers, livestock producers, marketing agencies, and local merchants.

A basic conflict between objectives is introduced when pricing policies for agricultural products are dominated by a desire to provide cheap food in order to reduce urban unrest. A cheap food policy cannot succeed if the rural sector is itself undergoing a major transformation. A policy for the cities, in this setting, must look first to the countryside. This has been, in all countries, one of the most difficult lessons to learn.

The consolidation and ultimate success of agrarian reform efforts depend upon the quality of the new farm managers. This, in turn, is a function of the availability of local schools which stress vocational training for agriculture. A neglect of this educational component has doomed agrarian reforms in a number of countries. It is extraordinarily difficult to provide this essential link when an entire countryside is torn by political unrest, but this is the time when a widespread network of agricultural vocational schools is most needed.

Underlying the many issues touched upon in this perceptive paper is the problem of congested rural population. Together with Spain and Ireland, Portugal has had the highest rate of population increase among the countries of Western Europe in recent years. Although low by developing country standards, much of this increase has been rural. This has enormously complicated the tasks of agrarian reform.