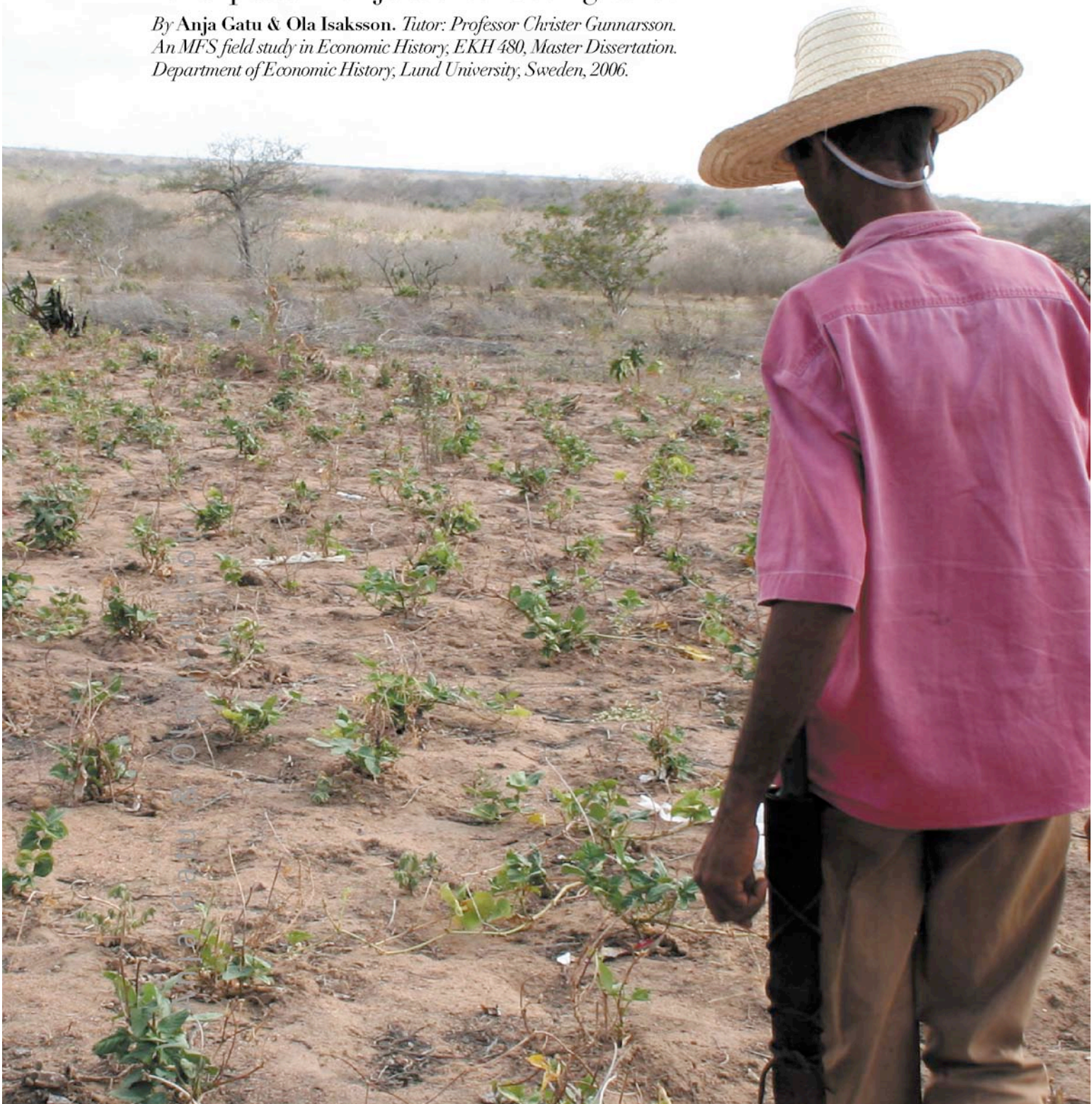


Beyond dusty land

Obstacles and possibilities within the Brazilian land reform. Changing the rural pattern or just distributing land?

*By Anja Gatu & Ola Isaksson. Tutor: Professor Christer Gunnarsson.
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Tutor: Professor Christer Gunnarsson.

**Lund University
Department of Economic History
Box 7083
S-220 07 Lund
Sweden**

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Chapter 1.

Introduction to Brazil and our study.

1.1 Introduction

Brazil of today is an extremely divided country with modern industries and agribusinesses existing side by side with widespread urban and rural poverty. Greater parts of the population live in the cities and make their living within the informal sector lacking access to important services such as education and health care. Due to miserable living conditions and an uneven distribution of land in the rural economy there has been widespread migration into the urban areas since the 1960s. Large areas of land are in hands of big landowners and are not being cultivated while at the same time large groups are fighting for an own plot to secure their subsistence.

It may be argued that Brazil – one of the richest countries in Latin America – could get even richer if it used existing resources in a more efficient way. The combination of high unemployment and large areas of uncultivated land is not an efficient use of the production factors. Neither does inequality gain growth; rather the contrary. It has been argued that countries are more likely to develop with a reduction of inequality regarding property rights, income distribution and opportunities. Access to education, health care and political activity extend personal freedom and contribute to the development of a country. It is from this view, understanding and position that we have chosen to study the land reform process in Brazil.

Various attempts to carry through a land reform have been made in Brazil and elsewhere in less developed countries, but mistakes are frequent and the uneven land distribution often persists. The understanding of the importance of reducing inequality regarding also other things than the mere distribution of land is often low. A well implemented land reform should bring institutional reforms concerning credits, technical support, education and infrastructure. Otherwise land reforms tend to be powerless and involved families will probably feel forced to leave their land since they don't have the capability to use it. Reforming the rural economy is not only a question of handing out land – it is also a question of raising capabilities.

The land reform has been a top priority of the new government of Lula da Silva who seized power in 2003. His forerunner Cardoso was criticised not least by Lula for not sufficiently improving the rural economy. An interesting question is therefore if the government of Lula has been more successful. Is the present land reform different from the earlier one? Has it made any difference for the millions of Brazilian poor rural people? These are big questions for a study of this size. To be able to get at least an idea of how the reform is progressing and whether it is likely to succeed or not, we have to focus on a smaller part of the process.

The aim of our study is to see how well implemented the land reform has been and what possibilities the new settlers have to become independent producers and citizens and improve their living standard as well as their personal freedom. We have chosen to study what happens concretely after a distribution of land. What are the possibilities for the settled families to start cultivating their land, make the production efficient and reach the market? What obstacles do they encounter? Do they have access to fundamental institutions and the capability to use them, in order to derive an income from their new property and become integrated in the modern part of the economy resulting in a higher living standard and more personal freedom? Through examining five settlements by starting out from these questions, our purpose is to discuss the empirical material with the theory, in order to be able to discuss and criticise political interventions and policies.

1.2 Economic and social background of Brazil

Brazil maintains one of the highest levels of income inequality in the world, only second to South Africa. Huge modern agribusiness and industries exist next to widespread poverty. One fifth of the 186 million people accounts for less than 2.5 percent of the national income and 20 percent are making their living with less than two dollars a day. The main part of the population is situated in urban areas where the informal sector employs larger numbers than the formal labour market. Therefore, many Brazilians lack fundamental social services as frequent health care, vacations and insurance.

There is a huge difference between rich and poor in the countryside as well as in the cities. Many people suffer from exclusion from means of production and access to land. Due to scarce opportunities in the rural economy migration into cities has

been enormous during the last few decades. Illiteracy, lacking education and an unequal distribution of land is seen as the most urgent problems to be solved in order to form a more just society.

Only a small part of the population was involved in the transformation into modern agriculture and industrialisation that took place in the 1960s and 1970s (see chapter 3). Therefore, huge and modern agribusiness exist next to the poor, sometimes landless and small undeveloped farms throughout the country. The transformation of some parts of the rural sector also led to a reduction in the number of work opportunities in the rural economy and the widespread migration into the cities began. Poverty and income differences are seen easily by visiting any city in the country with the *favelas*, street vendors and beggars everywhere present. The poorest region is the Northeast, where more than 50 percent of the poor live although the region itself only contains 35 percent of the total population. The inhabitants of the favelas of Brazil commonly originate from the Northeast since the migration from that region is the largest.

Brazil suffers from various kinds of crime. Corruption, encroachments, assaults, rules of exceptions from punishments, murders, tortures and sexual exploitations is common and part of everyday life.

In 2002 when president Lula da Silva was elected president expectations were high. The new government promised radical social reforms and not least to change the agrarian structure radically. Huge parts of the poor saw Lula as a saviour who would transform Brazil into a more equal society far more rapidly than his predecessors. Lula himself appeared to be something more than an ordinary politician. His background of poverty, participant in the labour union and founder of PT, the workers party, appealed to people dreaming of a better life. The government addressed a land reform as a primary aim and at the same time it dissociated itself from bribes and corruption, which for a long time had been plaguing Brazilian leadership and politics, although in 2005 a widespread scandal of corruption appeared and the legal consequences from this are still in process.

The fast transformation of small rural parts into a modernised agriculture (during the green revolution) has led to a reduced number of work opportunities in the rural economy which caused the flows of migration. Traditionally, the situation is difficult for

small farmers in Brazil. The infrastructure system is partly absent or dysfunctional and few but huge land owners control far more land than the small farmers together¹. This perpetuates an unfair competition in the rural economy since the huge land owners often run their own network of infrastructure. The family farms in Brazil employ almost 80 percent of the labour force in the rural sector but they only have access to a minor part of the total agricultural land (one third of the total area).²

1.3 The history of slaves

The high inequality in Brazil and in other parts of Latin America are from a historical background often explained by the high use of slaves from colonial times until the beginning of the 20th century. As estimated by the historian Taunay³, at least 1.6 millions slaves from Africa arrived in Brazil between 1532 and 1888. Though a discussion considering how many slaves actually arrived exists and it is difficult to point out a precise number. The capital of Bahia, Salvador, became one of the most important ports where slaves were sold and the huge black population today in Bahia well illustrates the widespread history of slaves⁴. This history still has an impact on the development in the region since the elite never found any incitement to invest in for instance public school or health. As for instance professor Sokoloff points out the “extreme inequality” which arose in Brazilian colonies and is a determinant for the situation today can be explained by that soils and the climate was ideal to grow sugar and other lucrative crops that could be produced by very low cost in the large plantations where the slaves worked.

“With the consequent importation of enormous numbers of slaves, small elites of European descent dominated a population consisting largely of black slaves, and later (after emancipation) non-white freedmen and their descendants. In contrast, the European colonies

¹ As late as in 1996 around 11 percent of rural property owners controlled 68 percent of the arable land in Brazil; Margolis, “A plot of their own”, Newsweek, January 21, 2002.

²The introduction to our study (ch.1.1) and the summary of the economic and social background of Brazil (ch.1.2) is a compilation from various sources listed below: World Bank, (www.worldbank.org/br), CIA Factbook, (www.cia.gov/cia/publications/factbook/geos/br.html); Roumani, *Brazil, reducing rural poverty through access to land*, World Bank group 2004, The economist, leader section (p. 12), jul 16, 2005. Latin Finance, leader section (p.1), Latin Finance, Sep 2005, Marió & Woolock, *Social exclusion and mobility in Brazil*, World Bank Group, 2004, *Mänskliga rättigheter i Brasilien*, Foreign Ministry, Sweden, 2006, *Brazil Inequality and economic development*, Vol. 1 of 2 / Policy report, World Bank Group, 2003.

³ Unesco, *Slavery in Brazil*. (http://portal.unesco.org/ci/en/ev.phpURL_ID=8161&URL_DO=DO_TOPIC&URL_SECTION=201.html)

located in the Northern part of North America, which became the United States and Canada, developed with relative equality and population homogeneity, because there were relatively few Native Americans and the climates and soils favoured a regime of family farms centered on grains and livestock instead of one of large slave plantations”⁵.

As Sokoloff puts it a mayor obstacle in creating equality is the fact that most of the governments in Latin America “did not invest heavily in public schools or attain even moderate levels of literacy into the 20th century”. In Brazil the problem with schooling still exists where the Northeast parts are the worst part. The illiteracy rate is highest among the afro-brazilians⁶.

This discussion concerning possibilities and capabilities for people within a society and the need of adaptable institutions will be more intensively discussed in our theoretical point of departure as well in chapter 5 and 6.

1.4 Aim of the study

As we have seen, a land reform in Brazil is well-motivated in order to equalise the structure of land ownership. However, in a study of this size it is of course not possible to examine the whole land reform and conclude whether it has succeeded or not. We can only study a small part of the reform and through case studies get an idea of how the situation looks like and how the capability of the settlers actually is. This examination is not a sufficient basis for drawing any general conclusions. But this is not the purpose of our study. The purpose is to see how well implemented the land reform is on a local level and what possibilities the new settlers have to become independent producers and citizens and improve their living standard and personal freedom in five settlements we have analysed. This is done by studying the capability of the settlers and their access to important institutions such as credits, education and a well functioning market. Through examining five settlements we are able to discuss theory in relation to our case studies and assess of policy implementation.

Our main areas of investigation are:

⁴ Ibid.

⁵ Sokoloff, Kenneth L, *Political Inequality in Latin America: A historical perspective*, Development Outreach, February, World Bank Group, 2006.

⁶ Mänskliga rättigheter i Brasilien, Ministry of foreign affairs, Government of Sweden, 2005.
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- What possibilities have the settled families to become independent producers and to raise their living standard, personal freedom and economic and social outcome of their lives? Do the settlers have the capability to use institutions in an appropriate way, gain profit from their property and interact with the surrounding society?
- How are the organisations (governmental as well as non governmental) working in order to provide support for the settled families? Are the organisations adapting to the new situation with a large number of smallholders?
- What are the main obstacles the settlers encounter while trying to improve production and reach the market, in order to both improve their own situation and contribute to the Brazilian economy?

1.5 Method

This study is largely based on interviews with people, who are in different ways concerned with the land reform in Brazil. It is a field study conducted in the Northeast of Brazil, in the state of Bahia, and in Brasilia and Rio de Janeiro during a period of two and a half months in autumn 2005.

The research has been done through focusing on four different topics. These are: (1) credits, technical support, education and other assistance; (2) organisation and leadership at the settlements; (3) market strategies, refinement, co-operation and small scaled industries and finally; (4) infrastructure and other physical conditions. Through these four topics we have been trying to examine the situation at the settlements to point out both the experience the settlers share and those dividing them, to see which strategies are most efficient and successful and how the institutions work in order to see whether the settlers have the capability and access to institutions fundamental for their possibility to develop. Hence, the four topics cover internal as well as external factors and give us a broad picture of the conditions at a settlements. These topics have also been focused on in the interviews with researchers and politicians.

As Lantz writes, the method to be used in an interview varies depending on the kind and amount of data which is being studied. In our study we have used a method mixing

them during the land reform of Cardoso and some during the land reform of Lula. They are all directed by MST, *Movimento dos Sem Terra*, (The Organisation of landless people). Almost all settlements are directed by a social movement and since it is difficult to reach the settlers without having contacts inside the settlements, we have established our contacts through MST, although the presence and influence of the movement differed between the settlements. This means that we are not able to make a comparison between how different social movements manage to direct the settlements, but as this is not our purpose and considering the size of this study we do not see this as a major problem.

One might raise the question whether it is appropriate to make a study like this on a micro basis. An answer and explanation to the choice of method is the difficulties in finding current statistics on the subject. Much research has been done by different research institutes, but since we are interested in the possible changes in the process which might have occurred during the last three years, it is harder to find that kind of material. As discussed in chapter 5 and 6, the five case studies might give us important answers to our questions, even though they are not able to describe the situation of all settlements. In order to make a qualitative study the lack of statistics is by other words not a problem, but to make a comparative study, comparing our cases to quantitative material, would be difficult.

To get a broad picture of the situation and the complexity of problems we have also interviewed people involved in the land reform process, such as agronomists, members of social movements, concerned authorities, research institutes, the university in Rio de Janeiro and an investigator at the World Bank Group in Brasilia. All interviews were made during the time for the field study.

The main material is complemented by articles from newspapers and magazines such as *The Economist*, *Newsweek* and *Economic Affairs* and reports from universities, INCRA, the World Bank and UN. The historical background of Brazil is mainly based on the book *Cutting the wire* and various articles⁸.

⁸ See note 2.

1.8 Acknowledgements

When we refer to settlers in this study we mean people who have received land within the land reform. In this study we will also discuss the terminology of institutions by meaning various establishments and formations people (in this study specifically the settlers) interact with. For instance credit systems, various market transactions, banks, governmental organisations such as INCRA and non-governmental organisations such as MST.

1.9 The interviews

The interviews were all based on the four topics outline above. They were all held in Portuguese, except the interview with Blanco, which was held in English, the one with Leite, which was held in Spanish, and the interviews with Gliemann and Kjörling, which were held in Swedish. No interpreters were used. All interviews have been recorded and transcribed before being analysed.

Here follows a short description of the persons we have chosen to interview and an explanation for those movements and institutes frequently mentioned in the study.

INCRA (*Instituto Nacional da Coordenação da Reforma Agrária, The Federal Land Reform Authority*) is an institute under MDA (*Ministério de Desenvolvimento Agrário, Ministry of Agrarian Development*) which is supposed to implement the land reform. At INCRA Bahia we interviewed Marcelino Galo, manager of INCRA Bahia since February 2003 when the new government seized power. Until then he had been working as a technician with natural resources within the land reform for 23 years. We also interviewed the agronomist Aruldo Andrade at the same office. This to get an idea on how the local authorities look at the situation. At INCRA Brasilia we interviewed four more people with different charges in order to get a more general picture. Geraldo Soares works with the administration of companies and external commerce. Maria Angélica Ribeiro da Cunha is a technician with focus on education. Cecilio Rogério Mariano Anastacio works with the question of credits. Claudio Rodrigues Braga is a researcher.

MST is the biggest social movement struggling for redistributing land to landless people in Brazil. It organises occupations of land, protest marches and one of its aims

is to be present at the settlements once they have become established and legal in order to build up education and social infrastructure. MST is a leftwing organisation with a clear socialistic point of view. The settlements examined in this study are all directed by MST and we have also interviewed some persons connected to the movement in different ways. Julio Cesar Campo is an agronomist employed at MST Bahia. Solange Brito is member of the management of MST Bahia and responsible for gender issues. She is also settled at a settlement in the South of Bahia. Valgir Lucas da Silva is a coordinator at MST in Itaberaba, Bahia. Morten Gliemann works as a journalist at the MST in Bahia on behalf of the Swedish aid organisation UBV. He has been working at MST for two years, before that he worked at CPT (Comissão Pastoral da Terra) in Salvador Bahia. All these persons are working inside the movement since many years and have good knowledge on how it works and what the situation looks like for the settled families. As they all have different tasks within the organisation, they can see the situation from different aspects.

Sergio Leite is working at Universidade Federal Rural do Rio de Janeiro (The federal rural university of Rio de Janeiro) with issues concerning poverty reduction, land reform and rural development. He has been involved in the research of several important reports on the subject the last years.

Fernando Blanco is an economist and investigator at the World Bank in Brasilia. As the World Bank is working with poverty reduction and rural development in Latin America, their perspective and capability of making comparisons with different countries are of great interest for a study like this.

Francesco Pierri is a researcher at the research institute NEAD (Núcleo de Estudos Agrários e Desenvolvimento Rural), which belongs to MDA and is contributing with an important and broad research on the question of agrarian development. Pierri has been working for many years with land reform in the developing process, in Brazil as well as in Zimbabwe.

Lennart Kjörling was working as an aid worker for UBV in Salvador, Bahia during five years (1997-2002) and he is still living part time in Bahia. In 2004 he released his first book about Brazil, *Så länge det finns hunger* (As long as hunger exists) and in 2005 the book *Lula* was released. In his work Kjörling is mainly concentrated on the landless organisations and the situation for landless, settlers and rural workers.

At the settlements we have interviewed the president and the vice president. This might seem questionable as the president might have an interest in describe his or her settlement in a special way. However, the president is the person most likely to give a general picture of how the settlement works. In most cases we have also been talking to other settlers and, above all, seen with our own eyes how the settlement seems to work, what it manages to produce et cetera.

The persons interviewed in this study all have very different occupations and perspectives. This is done on purpose. The question on land reform in Brazil is a very complex question and the interests are strong. The settlers and MST might be interested in giving a picture worse than it actually is, in order to put pressure on the government. In the same way, the personnel at INCRA might be interested in painting the picture more beautiful than it is to gain popularity and support for the government. Therefore, both sides are important, so are also the researchers studying the situation from outside, without any (visible) political interests.

1.10 Disposition

Primarily we will discuss and brief our theoretical point of departure relevant in order to understand our aim and discussion further on in a clear and trustworthy way (ch.2). This will be followed by a closer brief on the agricultural situation in Brazil (ch.3). Thereafter our own results from the case studies in Bahia and interviews made in Brasilia and Rio de Janeiro will be presented in two chapters (ch.4 & 5). Finally our own results and the theoretical point of departure will be summarized and further analyzed (ch.6).

Chapter 2.

Theoretical point of departure

2.1 Theoretical introduction

In this study we approach development and growth from a viewpoint where growth and equality are closely linked to each other in the developing process of structural change towards a modern economic growth. The pattern of growth affects the level of equality, and the pattern of equality/inequality has an impact on, growth processes and structural change. Growth and equality thus affect and reinforce each other.

In the same way poverty reduction influences both the pace and the pattern of growth while the pattern of growth and structural changes influence whether poverty increases or declines. Long-term processes regarding migration streams and size of home market are all important factors for development. They are also heavily influenced by the changes in poverty. A reduction in poverty may therefore give important contributions to economic growth⁹.

In this chapter we present thoughts and theories of various economists with different viewpoints on the development process. A discussion concerning agriculture, land reform, property rights and institutions is as relevant in this study as to deliberate possibilities among individuals and socioeconomic groups to contribute to their own outcome of life.

Examples from Western Europe and East Asia (illustrated further on in this chapter) show that egalitarian systems with a widespread access to capital and resources among the population have been an efficient way to reach economic growth. A common functioning market for both smallholders and large landowners is crucial for development. Thus, the market often fails to contribute in the development process, as the institutions tend to work to disfavour smallholders. Generally, while property rights are vague this results in difficulties in receiving credits and low incentives to invest.

⁹ *The World Bank, World development report 2006*, Oxford University Press, New York, 2005. LAB, 2005 also Ferreira, Walton, *Inequality of opportunity and Economic Development*, World Bank Research Working Paper 3816, (<http://econ.worldbank.org>) January 2006.

Even when property rights are functioning bank systems often neglect smallholders. Thereby one could argue that smallholders and large landowners do not compete under equal conditions at the market. This will slow down economic growth since available resources are not used in an efficient way. As de Soto puts it:

*“What decides an economical system of a country is the way the institutions work.”*¹⁰

He discusses how inadaptable institutions in Latin America exclude people from running businesses. Thereby countries lose important parts of available talents and entrepreneurs¹¹.

In this study we argue for and discuss the need of governmental intervention in order to improve the conditions of the poor and we see personal freedom and development as important factors for improving economic growth. Also governmental technical and financial support is necessary to make the development of the small holders possible. This argumentation is built upon a set of complementary approaches by various economists, who we will discuss more in detail in this chapter¹².

First, we will discuss the concept of equity and the closely linked discussion about individual freedom and social opportunities inspired by Amartya Sen¹³. This will be followed by a brief presentation of relevant economists discussing the role of institutions, property rights and various thoughts of land reforms. This theoretical concentration is of importance in order to analyse and discuss our case studies at settlements in Bahia and the Brazilian land reform as a whole in a wider understandable and trustworthy manner.

2.2 The concept of equity

Equity puts focus on different forms of individual and socioeconomic possibilities and obstacles. For instance life outcome of a person shall depend on his or her efforts and talents rather than socioeconomic backgrounds. It shall not be possible to judge if a newborn child will succeed economically or socially depending on gender, family

¹⁰ De soto, *The other path*, (Swedish edition; *Den andra vägen*), page 252, Perseus Books Group, 2002

¹¹ De Soto, 2002.

¹² For instance Sen, Martinussen and Griffin.

¹³ Sen, *Development as freedom*, (Swedish edition; *Utveckling som frihet*), Daidalos AB, Göteborg, 2002.

origin, race or other similar preconditions. An important tool to use when determining inequality of opportunities is to encapsulate access to health, education and possibilities to participate in the society for different individuals and socioeconomic groups. Also the quality of accessible services and institutions is of importance for understanding the condition of the poor. If one specific group is treated differently by institutions than another it thereby suffers from various forms of discrimination and inclined possibilities to succeed socially and economically¹⁴.

“Two individuals may both live in areas where formal labour market exist, where courts are agile, and where the police force is present. But if these two people, because of their gender, race, religion, sexual orientation, political beliefs, residential address or any other morally irrelevant reason are differently rewarded for the same work in the labour market, are discriminated against by the court of law, or are treated with bias by the police force, then the rules are not being applied fairly. Therefore, these two people do not have the same opportunity sets. Equity also requires fairness in processes.”¹⁵

The quotation above can be applied to the incentives of investing in land or other properties. With few possibilities to maintain or receive property rights people will not invest. A state has to supply various types of public services to make the whole population a part of the economic and social life. As described in the *World Development Report 2006* talents and ideas are widely distributed within the whole population. A modern society is in need of the majority of the population to contribute economically and socially. Therefore various forms of public inputs and goods have to be available to make not only the well-to-do citizens a part of the economic process.¹⁶

Often the status of the institutions is a result of income and power distribution inside a society. As described in the *World Development Report*:

“Poor institutions will emerge and persist in societies when power is concentrated in the hands of a narrow group or an elite”.¹⁷

¹⁴ *World Development Report 2006, 2005 & Andersson & Gunnarsson, Egalitarianism in the process of Modern Economic Growth: The case of Sweden, 2005.*

¹⁵ *World Development Report 2006*, page 19, 2005.

¹⁶ *Ibid*, page 124.

¹⁷ *Ibid*, page 107.

