

# Latin America's Need

## U. S. BUSINESS MEN AND THE ACT OF BOGOTÁ

THE sensible policy of taxing vacant land into use instead of taxing men and machines into idleness receives powerful support from an unexpected quarter in the United States. It is one of many recommendations for helping to raise living standards in Latin America which are put forward by the research and policy committee of the Committee for Economic Development. C.E.D. is "a non-profit, non-partisan, non political economic research and education organisation supported by voluntary contributions from business concerns". It is composed of 200 leading businessmen — generally presidents or board chairmen of large industrial corporations — and educators. "All research is to be thoroughly objective in character," a C.E.D. by-law ordains, "and the approach in each instance is to be from the standpoint of the general welfare and not from that of any special political or economic group". Obeying that directive the research and policy committee — of 50 of C.E.D.'s 200 trustees — could scarcely fail to urge a comparatively radical solution to the land question when considering the problems of south of the border.

The C.E.D. policy statement, *Co-operation for Progress in Latin America*\* contains as an appendix the text of the Act of Bogotá and offers point by point comment on its provisions. The Act was signed last September by the United States and eighteen of the 20 Latin American republics which together comprise the Organisation of American States (O.A.S.) Cuba voted "No" and the Dominican Republic was not represented.

Of the various Measures for Social Improvement recommended by the Act of Bogota, pride of place is given to the following which are designed to improve living conditions and to secure better use of actual and potential farm land. They would be carried out by an inter-American programme in each country as considered appropriate:-

"1. The examination of existing legal and institutional systems with respect to:

(a) land tenure legislation and facilities with a view to ensuring a wider and more equitable distribution of the ownership of land in a manner consistent with the objectives of employment, productivity and economic growth;

(b) agricultural credit institutions with a view to providing adequate financing to individual farmers or groups of farmers;

(c) tax systems and procedures and fiscal policies with a view to assuring equity of taxation and encouraging

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improved use of land, especially of privately-owned land which is idle

"2. The initiation or acceleration of appropriate programmes to modernise and improve the existing legal and institutional framework to ensure better conditions of land tenure, extend more adequate credit facilities and provide increased incentives in the land tax structure.

"3. The acceleration of the preparation of projects and programmes for:

(a) land reclamation and land settlement, with a view to promoting more widespread ownership and efficient use of land, particularly of unutilised or under-utilised land;

"(b) the increase of the productivity of land already in use; and

(c) the construction of farm-to-market and access roads."

Among C.E.D.'s comments the following paragraphs are of principal interest:—

"The Latin American farmer also suffers from handicaps in the distribution of his product which cut down the share he gets of the value of the product. In some cases government regulations on agricultural marketing provide means for collusion between public officials and middlemen to achieve a monopoly position and exploit the farmer. Not only do such abuses need to be eliminated but the whole system of distribution needs to be strengthened.

"There is a strong desire for land reform — for broader distribution of land-ownership — in Latin America. The motive for this is not only the desire for more equal distribution of income. It is probably even more the desire for the status and security that in all agrarian countries goes with the ownership of land.

"In many countries of Central and South America large areas of undeveloped lands are still in public ownership and are, therefore, immediately available without compensation. In some cases extensive areas of undeveloped lands are in private ownership which has not developed them for want of capital or of transportation or of demand for the crops for which such lands have been considered suitable. Owners of such lands are often willing to dispose of them or parts of them, for development, at moderate prices.

"In some cases inadequate taxation of unused land permits its owners to hold it idle. Adequate taxation of the land would force it into use, or into sale where it could be acquired for use by small holders . . . (italics added).

"Mere division of land already under cultivation among the rural population would undoubtedly reduce the productivity and income of the people in most cases. The new owners would commonly be less efficient farm operators than the existing managers, and would find it difficult to assemble capital for fertiliser and equipment. In general, settlement and cultivation of idle land has much more promise for the people of Latin America than the division of land already under cultivation.

"If, nevertheless, steps are taken to distribute among small farmers estates now under cultivation they should be accompanied by improvements of agricultural credit and education. Otherwise, the farmer may find himself worse off as an owner than he was as a tenant or hired farmer. Moreover, fair compensation should always be given for land taken over for redistribution. This is not only just; it is also essential to maintain confidence in property, without which capital creation in the private sector is impossible.

"It is unfortunate that in so much discussion 'land reform' has become identified exclusively with the division of existing properties. The term should have a much more positive and broad content. The affirmative goal is to increase the number of people who own and operate farms of efficient size, in an efficient manner and with adequate equipment and working capital. For this goal division of land already in use is never sufficient and, at least in Latin America, where there is so much idle land, it is usually not a major part of the programme.

"The United States has encouraged and assisted land reform — in the broader sense of the term — in many parts of the world, notably Southern Italy, Japan, Taiwan (i.e. Formosa) and Korea. We should support it in Latin America where undertaken as part of a programme that will raise agricultural productivity. Agrarian reform will be a difficult, expensive and slow process. But nothing could do more to increase the stake of the common man in his society and in the economic development of his country."

Dissenting, Mr. Fred C. Foy, (chairman, Koppers Company, Inc.) thought it improper for C.E.D. to take so detailed a position on agrarian reform. The U.S. had little or no experience of the problem as it exists in Latin America. Acidulously he added: "Certainly we are presumptuous when we suggest such a course as taxation for the purpose of forcing unused land into use, or into sale".

The C.E.D. committee would have been on surer ground had it recommended a straightforward tax at a uniform rate on all land, whether used or idle, urban and rural alike. It is a pity, too, that they regard a more diffuse ownership of land as reform. Certainly it would ameliorate present conditions and certainly it is far more sensible to force idle land into use than to break up productive, reasonably efficient large holdings in an arbitrary manner. What farmers need and crave is absolute

security of tenure and tax exemption of their buildings, machinery, income, etc. They, personally, and society at large would prosper more if they were established on a land rent basis, their holdings being recognised for what they are in fact—part of the partimony of every citizen — and the rent being paid into the public exchequer.

On taxation the C.E.D. publication comments: "The signers of the Act of Bogotá agreed to examine their tax systems, especially with a view to providing additional revenue for the expanded social and economic development programmes. These tax systems also need to be re-examined from the standpoint of their effects on investment, foreign and domestic. In some countries of Latin America personal income taxes are weak and inadequately administered. Taxes on wealth in the form of land are low, but taxes on corporate profits are commonly very high, especially when considered in relation to the need to attract foreign capital and to promote the reinvestment of earnings in successful businesses, foreign and domestic."

The C.E.D. policy statement comments that a major step in encouraging the flow of foreign capital to Latin America would be the bringing of inflation under control. "This is primarily the responsibility of the governments . . . We in the United States should understand the political obstacles . . . they are certainly not unknown here. But we should remind the Latin American governments of the importance of their efforts on a front so vital to the success of our co-operative programme."

## North-East Brazil A Latent Volcano

THE *Wall Street Journal* of April 5 reports on Brazil: "Americans lately returned from South America claim the new government of President Janio Quadros seems little worried about famine in the country's north-eastern sector, where thousands are reported starving. Ever the threat of Castroism, it's said, is not stirring Latin leaders to adopt U.S. urged land reforms that Washington officials contend might help local food production.

North-east Brazil, which has another Castro-style revolution in the making under the leadership of fiery young Francisco Juliao, is larger than the State of Texas, and is inhabited by 21 million people. Actually, this area has been one of grinding poverty for many decades. But now there is a growing peasant movement led by sympathisers of Fidel Castro and the Communists that is capitalising upon the depressed conditions of the people.

Juliao's theme, constantly repeated to Brazil's peasants is: "Cuba is free because the great Fidel Castro gave each peasant a rifle and said, 'Democracy is a government that arms the people.' I went there and saw the results. A miracle was performed in Cuba. That miracle can be repeated in Brazil."