

ABSTRACT

Agrarian Reform and Rural Development A Case Study of Brazil

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Finding the solution to successful agrarian reform has been one of the most polemic topics facing the developing world, not to mention one of the major issues that the World Bank has been tasked with helping resolve. In the early 1990s the World Bank started advocating the use of market-led agrarian reform (MLAR) in Brazil, which is a neoclassical approach to land reform focusing on negotiated land redistribution techniques, agricultural efficiency, and rural development. Past state-led attempts at agrarian reform in the country had been criticized for focusing mainly on land expropriation and redistribution which has done little to help increase rural development and productivity. This paper will specifically look at the use of MLAR in Brazil, tracking the progress that it has made and looking at what problems have stood in the way of sustainable rural development and poverty alleviation thus far.

Agrarian Reform and Rural Development
A Case Study of Brazil

by

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ABBREVIATIONS

CEBs	Base Ecclesial Communities
CONTAG	National Confederation of Agricultural Workers
IMF	International Monetary Fund
INCRA	National Institute for Colonization and Agrarian Reform
MLAR	Market-Led Agrarian Reform
MST	Landless Workers Movement
PC do B	The Brazilian Communist Party
PCT	Projecto Cédula da Terra (the World Bank pilot program in Brazil)
PSB	The Brazilian Socialist Party
PT	The Workers Party
STUs	State Technical Units
SUDAM	Superintendency for the Development of the Amazon
SUPRA	Superintendency of Agrarian Policy

To H.C. who always encouraged me to push myself
The following is a result of your encouragement

CHAPTER ONE

The Importance of Agrarian Reform

Land policies and agrarian reform are often on the forefront of policy agendas for the developing world. Having an effective use of land not only leads to sustainable growth in rural areas, but it is also seen as being the key to long-term poverty alleviation in some of the most poverty stricken areas of these countries. Land policies and property rights are vital to providing the base of developing countries' economic systems as land serves as both a means of production as well as a way to secure credit or collateral in a market economy (Deininger, 2003; Deininger and Feder, 1998). Studies of developing countries have shown that by making it possible for rural poor to obtain a piece of farmland that they can work, and thereby decreasing the inequality in property assets, helps to increase per acre productivity as well as bring about substantial and sustainable poverty-reducing results in rural areas (Deininger, 1999; Borras, Saturnino, Kay, and Lahiff, 2008).

Furthermore, individual land policies and rural economic development have been shown to have significant effects on shaping a country's socioeconomic and political makeup and can play a large role in shaping the overall political environment of a nation (Binswanger and Deininger, 1997). A more equitable distribution of land can lead to a country's economic growth in various ways. Not only would secure and obtainable land rights provide a much-needed access to credit for poor families in developing countries, but it would also increase the incentives of the families to invest in the land leading to greater productivity and a higher chance of sustainable rural growth (Deininger, 1999;

Binswanger and Deininger, 1997). In addition, there has been significant research which has shown that countries which do not have efficient or meaningful land reform policies generally face higher levels of rural inequality and violence (Cehelsky, 1979; Collarte, 1973; Alston, Libecap and Mueller, 1999). Therefore, understanding the individual land policies of developing countries, as well as the history behind any previous land reform which has taken place, is important in the process of determining future areas of growth for sustainable rural development projects.

Land policy is an area which intersects with a variety of different disciplines, and as such there has been written on the subject, especially when it comes to the interaction between land and its connection to the broader framework of economic development. Deininger (2003) writes that “land markets cannot be viewed independently from the broader social, institutional, and economic framework. Subsidies will be capitalized in land values, therefore economic distortions will affect a household’s propensity to acquire land. In addition, imperfections in other markets will have differential impacts on specific types of households and therefore affect land market outcomes” (p. 129). While there are many studies which show the connection to land and its influence on the economic development of countries there are disagreements about the best way to utilize land in order to benefit the rural poor and help with the socioeconomic problems that these areas are facing.

Therefore a great deal of academic focus has been on the causes of rural poverty and the prospects of sustainable land reform in the developing world. Within this area of study there is a debate between scholars and organizations about the best method of reform (i.e. state-led reform which is focused on top-down development, or a more

market-led approach which is concentrated on negotiated land reform) and what method will result in sustainable growth that can be felt by the majority of rural poor. While there seems to be some consensus about effective land reform being the key to desirable social change and sustainable development in these areas (Binswanger and Deininger, 1997; Deininger, 1995; Roumani and Coirolo, 2005; van Zyl, , Barbosa, Parker, and Sonn, 1995), scholars still disagree on the most effective and efficient method of land reform which should be utilized.

Part of the reason for this is that the motivation for addressing land reform has significantly changed over the years. Initially, many land reforms were attempted by governments in order to appease social pressures from below. Many authors have pointed out that this pressure has led to hasty and often ineffective solutions to the problem (Cehelsky, 1979; Collarte, 1973; Deininger, 1999; Alston, Libecap and Mueller, 1999). The inability of many states to create effective land reform can be attributed in a large number of cases to the landed elite who have a great deal of political clout and therefore maintain a significant voice when determining the outcomes of any political attempt to redistribute land to rural poor. Countries which have gone through major land reforms in the past have often done so by violent means such as revolution or redistribution after a war (Deininger, 2003).

During the 1970s, the World Bank decided to address the topic of land reform in the developing world and issued a landmark study entitled “The Land Reform Policy Paper,” (1975) which touted the ideas of productivity and efficiency when it came to finding reform solutions. The paper outlined the goals of land reform as being “the desirability of owner-operated family farms; the need for markets to permit land to be

transferred to more productive users; and the importance of an egalitarian asset distribution” (Deininger and Binswanger, 1999). During the time that the World Bank issued this paper there had been a recent wave in developing countries of governments facing political pressure from below to resolve the land issue. This pressure was brought on in large part due to ideological battles which were taking place in the developing world and it had been resulting in a series of increased government interventions and land redistributive measures. As such, the Land Reform Policy Paper recommended that countries do away with the idea of community tenure systems of land reform and replace them with individual land titles. With regards to the title system it urged governments to focus on specific tracts of land which would be the most beneficial to rural poor, thus helping fit into a more general goal of sustainable economic development. The study also was wary of land rental markets, instead seeing land sales as a more long-lasting solution to rural development.

However, since that time the World Bank, along with other organizations which focus on land issues, has changed its views on land reform. While its guiding principles behind land reform remain similar to their 1975 Land Reform Policy Paper, the World Bank now stresses the importance of seeing land reform within the larger scope of rural development. As such, the World Bank has started operating under the guiding principle that land reform needs to be approached not only in terms of efficiency but within the scope of equality and development (Binswanger and Deininger, 1999). Perhaps one of the starkest contrasts with the World Bank’s 1975 study and the ideas which they are advocating now in the area of land reform can be seen in their support for land rentals,

which they previously believed had less importance on rural development than land sales and the permanent transfer of land to the poor.

Finding the Appropriate Method of Land Reform

In a paper covering the changes in World Bank opinion regarding land reform, Binswanger and Deininger (1999) remark that the organization now sees “removing the restrictions on markets for land sales may not be the most urgent requirement for increasing efficiency- and may have a negative impact on equity. Measures thus should be sequenced properly, emphasizing rentals rather than sales, and should be integrated with the development of other rural markets” (p. 249). Out of these guiding principles, the World Bank started advocating a new approach to land reform, which is based on voluntary negotiations between willing buyers and sellers of land and prices that are set by the market, not government. This new method that the World Bank is suggesting to developing countries is called market-led agrarian reform and offers a completely different method to land reform than the state-led models that countries have been attempting for many years now.

Without a doubt there has been disagreement between the World Bank’s market-led approach and those organizations which advocate a more state-led and country-specific approach to land reform. One common criticism of the World Bank, and to larger extent of IMF policies, is that they tend to be a “one-size-fits-all” type approach to reform, which does not always take the individual country’s circumstances into consideration before trying to find a solution. However, the World Bank maintains that the market-led approach is the most efficient, cost-effective, and equitable way to help with rural poverty reduction in developing countries (Binswanger and Deininger, 1997;

Binswanger and Deininger, 1999; Deininger, 1995; Borras, Saturnino, Kay, and Lahiff, 2008). However, the critics of the market-led approach argue that there can be no such thing as a level playing field between willing buyers and sellers when the distribution of income is so unequal in the majority of these countries. As such, they argue that a state-led approach is more appropriate when it comes to land reform, as only a major redistribution of land can lead to sustainable poverty alleviation and rural economic development in developing countries.

While there has been significant disagreement about the type of land reform that is needed in developing countries, there does seem to be a general consensus between these groups concerning the importance of obtaining sound land policies for developing countries. Both groups point to the positive effects that meaningful land reform can have in furthering rural economic development. Agrarian reform is especially crucial in the case of developing countries due to their often heavy reliance in the agricultural sector. As such, the World Bank and other groups agree that land reform is one of the best ways to significantly reduce the harmful effects of rural inequality and help alleviate the often cyclical nature of rural poverty by generating sustainable growth in these regions (Deininger, 1995; Borras, 2003; Borras, Saturnino, Kay, and Lahiff, 2008).

The Value of Secure Property Rights

As mentioned earlier, much has been written about the economic value behind having secure property rights in a country. Not only does obtaining rights to property matter to the productivity and investment opportunities for the rural poor, but it has been shown that ill-defined property rights leads to the inefficient allocation of time and resources on the side of the landed elite in effort to patrol their land and keep squatters

off (Deininger, 2003). Studies have shown that ill-defined property rights such as the case in many African countries, or poor protection of land titles which is common in Latin America, have led to a decrease in landowner's incentives to rent out their land to landless farmers thus decreasing the overall productivity of their agricultural output and furthering the problem of inequality in rural areas. Furthermore, by a country ensuring secure property rights and adequate land records it significantly reduces land transaction costs in the case of selling or renting land and helps to ensure a more equitable distribution of land assets (Deininger and Feder, 1998; Deininger, 2003).

Outside of the areas of credit and investment, land in developing countries provides the rural poor with a means to pass on wealth to future generations. By securing property rights in these countries it makes the rural poor less vulnerable to economic downturns and reduces the need for government social safety nets in times of economic shocks (Hicks and Wodon, 2001; Deininger, 2003). This is due in large part because having secure rights to land enables a household not only to produce on a subsistence level, but it gives them the ability to produce at a surplus and enter into the market thereby having access to savings or money for investment which would not have been previously possible. By moving beyond subsistence living it expands opportunities for furthering rural education levels, which can lead to jobs outside of the agricultural sector and diversification in the market.

Further studies have shown that the ability to own land helps to boost not only the economic status of rural poor but it also helps improve overall social standing by building a sense of collective identity as a landowner. This is particularly important when it comes to the ability of women to obtain land rights and pass them down to future

generations. Often this is an area which receives less attention, but several development studies have shown that land ownership by women has had a positive effect on the levels of spending on their children's (particularly girls) education as well as overall household debt reduction (Shild, and Tait, 2003; Deininger, 2003). In many developing countries, women do not have the same rights to land ownership as men, making it impossible for land transfer in the case of the husband's death. When discussing secure property rights then it is equally important that developing countries have regulations set in place for the transition of land from husband to wife in the case of his death. With the increases in mortality rates due to HIV/AIDS in developing countries this has become a very important issue.

Inequalities in Land Distribution and Rural Poverty

While land ownership is clearly a benefit in any country, there is an even greater importance in developing countries, where land ownership makes up a large percentage of a family's wealth portfolio. A good example of this, Deninger (2003) says can be seen in Uganda where land accounts for about 60 percent of the main asset portfolio in the country (pg. 17). Since land has the potential to play such a vital role in determining the overall household welfare in developing countries it becomes even more important for governments to ensure that large tracts of land which often sits unused or, as in many cases grossly underutilized, gets redistributed to the rural poor who would benefit the most from land ownership.

However, the question then turns to finding the proper method of land redistribution. Should such efforts be headed up by the state or would such a task lead to slower reform, inefficient land policies and an increased chance of government

corruption? Or should land redistribution efforts have a more decentralized nature being put instead in the hands of the market instead of the government? In addition, even if a country were to have an effective land redistribution program it would do little for the overall development of the rural areas without being part of a more comprehensive agrarian policy which incorporated other efforts such as technical training and access to equipment, improved rural infrastructure, and a more vibrant non-farm market for rural employment opportunities that weren't totally reliant on the land.

Certainly, the way that developing countries view land and its role in overall rural development is an important determinant to the way that it will be utilized. In addition there have been various studies which have shown that the way that countries define and protect property rights has an important and long-lasting effect on rural poverty levels (Binswanger and Deininger, 1997; Deininger and Squire. 1998; Roumani and Coirolo, 2005). The type of land redistribution efforts and overall agrarian policy that governments engage in has the ability to make significant impacts on the levels of rural economic growth by making improvements in things such as: improvements in rural infrastructure and technology, access to credit, increased opportunities for trade and investment in both the farm and non-farm markets, rural education, and decreasing the levels of inequality between the rich and poor (Berry, 2001; Deininger, 2003; Borras, Kay, and Lahiff, 2008).

Developing countries face deep inequalities not only in their income distribution, but also in terms of land distribution. Because of this, some scholars have argued that without government intervention into the land market and an attempt to redistribute the land assets then these benefits cannot possibly reach the rural poor. Solimano (1999)

calls for a rethinking of the way that we see development paradigms. By simply focusing on poverty reduction in rural areas, especially by using a growth or market-led approach such as the one that is supported by the World Bank, he argues that countries will be missing the ability to see the more important goals of rural development, which he defines as income distribution and reducing the level of social inequality that occurs in developing countries. Instead he calls for governments to focus more specifically on the development initiatives that are specifically designed towards reducing inequality. “The underlying idea is that more egalitarian development is feasible and desirable and that positive complementarities can be found between distributive justice, social equality, and economic development” (Solimano, 3). The argument is that individual governments must find ‘country-specific’ development initiatives in order to see the best poverty-reducing results, instead of adopting a World Bank approach like market-led agrarian reform.

However, there have been a fair number of studies that have argued against massive redistributive measures by the government, arguing instead that ensuring the rights of property security has an important impact on the overall growth of rural economies (Deininger, 2003; Binswanger and Deininger, 1997; Borras, Kay, and Lahiff, 2008). This is one of the reasons behind the World Bank supporting a method that ensures the property rights of land owners, but still allows for a method in which land transactions can take place with a willing-buyer and willing-seller setting with land prices that are determined by the market, not by government interference. However, this is not to say that these studies do not acknowledge the impact that unequal distribution of land has on a rural economy.

Many of the same studies point out that countries which have displayed a more egalitarian distribution of land assets are generally the ones that have higher levels of overall economic development. As such, these reports say it is important to understand the historical nature behind land ownership in a country since this is a good indicator of what problems a country will be currently facing in rural development. Deininger (2003), points out that in many developing countries “a monopoly on the control of land allowed lords to extract tribute and strengthened their political power to claim the land, monopolize output markets, and control the movement of peasants who, without secure and independent land access, and without an entrepreneurial middle class as possible allies, were powerless to resist the imposition of such constraints” (p. 19).

In many developing countries the distribution of land remains highly unequal. When there is a high concentration of land in the hands of a few elite there is often a monopoly that is held over the rural labor market which has long term effects on the overall output of agricultural goods as well as the development of the rural sector in terms of education, technology growth, and capital accumulation which can lead to a more egalitarian distribution of income. Deininger (2003) goes on to show the example of several Latin American countries and the differences in rural growth when it came to the way that land was utilized by the landed elite:

A comparison between Colombia and Costa Rica on one hand and El Salvador and Guatemala on the other can illustrate this. Even though they share a common colonial history, language, religion, climate, topography, factor endowments, and technology, these countries reacted in quite different ways to the coffee boom of the 19th century. In El Salvador and Guatemala, large landowners who depended on a repressive labor regime to remain economically viable prevailed, and the boom led to land expropriation, especially from Indian and indigenous communities, and concentration of land on a massive scale. Landlords held a monopoly on power in the labor market, which allowed them to pay their workers the bare subsistence minimum, thereby eliminating any incentives for human

capital accumulation. By contrast, Colombia and Costa Rica, two countries characterized by small-scale land holdings where elites depended on trade rather than on large-scale agriculture, the boom led to the emergence of a smallholder coffee economy. As a consequence, literacy rates differed sharply between the two groups of countries from the late 19th century and continue to do so. [There are] also significant gaps with respect to other human development indicators and the establishment of democracy, which occurred about 40 years later in the countries characterized by dominance by large landlords than those countries that relied on a smallholder production structure (p. 20).

As this comparative study shows, the way that a country utilizes its land has long-term impacts for the growth of the rural economy as well the overall development of a country. This being the case, unequal land distribution is not in the best interest of the rural poor of the overall economy at large. However, it is of particular importance the way that a government decides to go about enhancing access to land for the rural poor, making the type of land reform that a government chooses to employ an important topic of discussion. Many countries have been utilizing a state-led model to land reform which works through their own political institutions trying to find a method of reform, but many have claimed that this process can be ineffective due to the political clout of many landed elites and it is almost always guaranteed to take a very long time before any type of reform can be seen by the rural poor. Nevertheless, it is important to see the ways that developing countries have undergone reform thus far and some of the suggested ways for future land reform to be carried out.

Enhancing Access to Land via Land Reform

The way that a country carries out its land reform has long-term implications on the development of the agricultural system. The majority of developing countries who have gone through significant land reforms have often done so by major political upheaval, which can be seen in areas such as Latin America, Asia, Eastern Europe and

Africa. “As land reform involves the transfer of rents from a ruling class to tenant workers, it is not surprising that most large-scale land reforms were associated with revolts (Bolivia), revolutions (Chile, China, Cuba, El Salvador, Mexico, Nicaragua, Russia), conquests (Japan and Taiwan [China]), the demise of colonial rule (eastern India, Kenya, Mozambique, Vietnam, Zimbabwe), or the end of major wars (Hungary and most of Eastern Europe)” (Deininger, 2003. p 15). In the cases where developing countries have not gone through significant political overthrow or change, land reform has either been insignificant due to the strong political influence of the landed elite, or has taken place at such a slow pace that it prevents any meaningful reform from actually being accomplished.

In the case of extremely unequal land distribution in developing countries there has been a higher recorded incidence of distortions in the rural labor market due to rural monopolies as well as increased levels of inequality in incomes levels. These studies support redistribution measures by the government in order to help with creating increased production efficiency and market access. Land reform has been carried out by a variety of means. Some countries have incorporated land reform into their constitution, such as Korea, where they created a ceiling on the amount of land that an individual could own. While the process to move from large landed estates to smaller ones, which they accomplished by selling tracts of land to tenants under “favorable conditions,” took over ten years to complete, the state played a large role acting as a mediator between the landed elite and the tenant farmers. (Jeon and Kim 2000 as seen in Deininger, 2003).

Many African countries were faced with the problem of land concentration heavily favoring the elites from the colonial powers. In these countries, after

independence, they had to deal with the issue of poor land records and huge tracks of land that were formally owned by white families of the previous colonial powers. In the case of Kenya, they enacted a program called the million acre scheme which set out to redistribute around 300,000 hectares of land that was previously owned by the white elites to small farmers and achieved positive economic results from this project (Scott, 1976 as seen in Deininger, 2003). As a result of the success seen in Kenya other African countries went through similar redistributive reform, such as Zimbabwe.

The case of Latin America is an interesting one in terms of its noted land inequality issues as well as its long history of attempting to enact land reform policies but in many cases not being able to instigate effective reform or reduce the levels of rural poverty. There have been large land reforms in several Latin American countries such as in the cases of Mexico, Bolivia, and Peru which underwent significant reversals in their land ownership policies in favor of a more egalitarian system of distribution. In the early 1960s, due to political and ideological pressures, there were attempts in Brazil, Chile, Nicaragua, and Guatemala to push land reforms through. In many of these cases the attempt to redistribute land to the rural poor helped to spark such political unrest that the democratic governments which initiated reform were overthrown. Example of this can be seen in both Chile and Brazil, where the democratic governments were overthrown and replaced with military juntas in order to “restore the peace.”

In many ways, Latin American land reforms have been focused on the goal of giving access to land to the rural poor instead of putting land reform in the larger context of rural development. Some authors have argued that this is one of the reasons that land reform in the region has been relatively ineffective in the past (Collarte, 1973; Deininger,

1999; de Janvry, 1975; de Janvry, 2001). In other cases in Latin America rural groups have started to take matters into their own hands by squatting on land until the government decides to intervene in the matter. This often leads to violence in the countryside, as can be seen with the Landless Workers Movement and their attempt to force the government into redistributing land to the rural poor in Brazil. In addition, several Latin American countries, including Brazil have attempted to simply relocate the landless farmers into frontier settlements under the guise of 'national defense.' In the Brazilian case this was tried under the military regime in Brazil when they encouraged the settlement of the northern frontier region, the Amazon, by rural landless farmers which led to cases of environmental damages and massive deforestation.

The different types of agrarian reform efforts which have been used by countries in the past have had varying results on overall rural development efforts such as reducing inequality levels and alleviating poverty. This provides a valuable reminder that there are no carbon copy solutions to rural development issues. In addition it also shows that a program based solely on land redistribution, without first being incorporated it into a more comprehensive agrarian policy, does not always lead to the most sustainable rural development program. Without a doubt, there are general lessons that one can learn from studying the effects that sound agrarian reform can have on developing countries, but it is important to also take a closer look at individual cases of agrarian reform which have taken place within a given nation to see how reform has had an effect on their economic development.

Land Reform: The Brazilian Case Study

Latin America is a region which has had a long history of land struggles and agrarian reform debates. Many countries within Latin America are known for their inequalities in land distribution and the predominance of large farms belonging to the most socially elite and politically prominent families. The levels of poverty continue to be high in many parts of the region, especially in the rural areas, which has contributed to the overcrowding of urban areas by displaced rural workers searching for employment opportunities in the cities. As such, many countries have started looking for more comprehensive agrarian development strategies which could help alleviate some of the most poverty-stricken rural areas.

Brazil is a country which has been closely watched by politicians and scholars for their efforts in land redistribution and agrarian reform. The country makes for an ideal case study for several reasons. First, it is a country that is known to have one of the most unequal distributions of land in the world. “Brazil’s agriculture industry is extremely concentrated. In 1992, according to the National Institute of Land Reform, rural properties under 10 hectares in size amounted to almost one million units but only covered approximately 1.5% of the total area of surveyed properties. On the other end, properties above 1,000 hectares in size covered 50% of the total surveyed area but amounted to only 41,000 units” (Periera, 14). The huge disparities in land distribution date back to their colonial heritage when large tracks of land were awarded to favorites of the Portuguese King. In addition, Brazil has had issues with either unsecure or poorly enforced property rights which can be seen in a long history falsified land records, illegal seizure of land and land squatters, inaccurate land titles, and corruption cases (Deininger,

2003). Brazil is also known for its large number of landless farmers who have grown increasingly vocal in the last years demanding for increased efforts for land reform. The Brazilian government has attempted both state-led as well as market-led approaches in the land reform debate making it an appropriate case study when looking at the results of the different methods.

The concentration of such large tracks of land by a few elite families in Brazil has led to complaints of inefficient land use and has been sighted as being a key contributor to the high levels of inequality in the rural areas. Although Brazil has a vibrant agricultural sector and has been economically developing at a rapid pace it continues to struggle with its high levels of inequality, especially when it comes to many of the rural regions in the country. In a study that was conducted in 2001 statistics showed that there are over 9.8 million rural poor that are considered to be living in conditions of poverty in Brazil. Of those numbers, the poverty levels show a disproportionate level of the rural poor in the rural North East, where the inequalities in land distribution are some of the worst, with poverty levels encompass around 49% of the rural population (Report No. 21790). In these regions there are alarmingly high rates of illiteracy, poorer standards of health, and a lack of infrastructure or access to credit to help stop the cyclical nature of rural poverty.

Brazil has tried to address the issue of land reform on numerous occasions. It has employed a state-led approach to land reform since the mid-1800s, but actual levels of reform have been alarmingly slow due to the influence of the landed elite in the political process. During the first of the Vargas years (1930-1945) there was more attention being given to the urban sectors and so the rural elite started to lose some of their political

clout, but when the rural areas were able to mobilize and demand some kind of meaningful land reform in the 1960s the government was overthrown by a military junta which would go on to lead the country for over 20 years. During the military regime the land issue was one of the first topics which was addressed, but reform was done in a way that was neither sustainable nor efficient, by sending landless farmers to the northern frontier to try and settle the Amazon region. This program led to massive deforestation due to the poor crop soil and increased rural violence in the region.

In the 1980s when Brazil started to redemocratize a new constitution was written, in which there was another attempt at instigating land reform, but the political debate between groups on what should be done regarding the land issue almost brought the negotiations to a halt. Finally, it was agreed that the constitution would call upon land to fulfill a social function, but left plenty of loopholes that would benefit the landed elite. It was agreed that the Brazilian government would not engage in a massive redistribution program. Instead, only lands which were deemed to be unutilized would be considered for expropriation purposes, and the landed elite would be compensated for their losses.

During this time a rural organization was forming that decided to take the land issue into their own hands. This group, the *Movimento dos Trabalhadores Rurais Sem Terra* (MST) or Landless Workers Movement, is a grassroots organization comprised of landless farmers that were tired of waiting for the government to try and enact meaningful reform. Instead they decided to stake out large tracks of land which they deemed as sitting idle and create a “camp” where a group of landless farmers would wait, many times for years, until the government was forced into making a decision about their ability to stay on the land. This method that was employed by the MST caused an

increase in rural violence, but gained significant international attention and started to shape the debate about land reform for the country. What land could be considered unutilized and thus could be up for government expropriation? How could land be considered as fulfilling a social purpose?

The World Bank started to take notice of what was happening in Brazil, and recommend that the government use a market-based approach to land reform which called for limited government involvement in redistribution efforts instead placing such interactions into the hands of the market. Instead of government intervention in the land redistribution efforts there would instead be interactions between willing-buyers and willing-sellers with land prices pre-determined by the market. This method was initially adopted by the neoliberal administration of Fernando Henrique Cardoso (1995-2002) and interestingly enough carried over into the more left-leaning administration of Luiz Inácio Lula da Silva (2003-present).

It is this method which will be the focus of my thesis. While there have been several studies looking at the advantages of market-led agrarian reform in principle there has been very little research to date which has critically analyzed how the program has preformed in reality. The World Bank has made market-led agrarian reform one of their centerpiece strategies to rural development issues, with Brazil being one of the countries where a pilot program was utilized in order to gauge the success of the program. This thesis will take a critical look at the market-led agrarian reform program in Brazil and see how it has affected rural development issues in the country. I will argue that market-led agrarian reform has proved to be more efficient at land redistribution efforts as compared to the state-led approach in the country. Furthermore, when combined with the social

safety net programs initiated under the Cardoso Administration and expanded under the Lula Administration the MLAR program helps to contribute to a more comprehensive rural development strategy for the country.

Before a critical assessment can be made of how market-led agrarian reform has worked in Brazil it is first important to understand the history behind the land issues in the country. As such, Chapter Two of this thesis will take a critical look at the roots of land reform issues in Brazil and the past state-led attempts at agrarian reform. Chapter Three will then examine why the World Bank recommended the market-led approach for Brazil, exploring the rationale for the program and objectives which were set out for the program to meet. Chapter Four will then turn to the actual effects that market-led agrarian reform has had in the country. It will examine how MLAR has met the goals that were originally set out for it and evaluate how the market-led approach fits in with a more comprehensive agrarian reform program for the country. Chapter Four will also focus on understanding the criticisms of the market-led approach, many of which have been raised by MST who has been one of the most vocal critics of the market-led reform method to date. Finally, the thesis will conclude in Chapter Five with where Brazil is today with agrarian reform and their attempts at developing a more comprehensive rural development program. In addition it will analyze how the Brazil case is helpful when looking at the land reform methods that are employed in other countries. How can Brazil help us understand other methods of land reform that are taking place in other developing countries across the globe? As such this thesis will look at the lessons we can learn from the Brazilian attempts at agrarian reform and their efforts at providing a sustainable rural development program for their country.

CHAPTER TWO

The History of Land in Brazil and the State-Led Approach to Reform

[Agrarian policy] in Brazil illustrates the overwhelming significance of illegality in Brazilian land occupation and the ways by which legal complication leads to the legitimization of usurped land rights. It also establishes the historical foundations of these practices, for the titanic but characteristic complexity takes us through nothing less than 400 years of history to make sense of the present day dispute. Thus we find the structuring relations between land and law that sustain conflict first in the development of Portuguese land policy as an instrument of colonization and then in imperial and republican attempts to use land reform to bring free European immigrants to Brazil.

James Holston, *The Misrule of Law: Land and Usurpation in Brazil*.

The roots of the Brazilian land problem are buried within the unequal distribution of land, which started during colonization under the Portuguese Crown. During the days of colonization in Brazil, as in many other Latin American countries, tracks of land were routinely given away in return for royal patronage or in hopes of profitable extraction measures by the colonizing countries. These plots of land, which became heavily concentrated in the hands of a few selected elites, remains to this day one of the main causes of social unrest and economic handicaps for Brazil. Although the Brazilian government has tried on numerous occasions to reform the land grant system which contributed to concentration of large plots of land in the hands of a few elite, the fact that they are still struggling with similar issues to this day can attest to the difficulty of changing a land system which is heavily influenced by the interests of the landed elites.

In many ways, current Brazilian political leaders and other organizations alike are still dealing with many of the same fundamental issues when it comes to land reform that have been around since the 17th and 18th centuries. The land debate that has taken place

in the county, which has revolved around the legality of land ownership, the inequality in land distribution, the levels of poverty in rural regions, the rights of the rural workers as well as the modernization of the agricultural system, can be seen as one of the most reoccurring political issues in the Brazilian government (Smith, 1964; Cehelsky, 1979). It would be impossible to fully understand where Brazil is today with the current agrarian debate without first having a grasp on the country's turbulent history when it comes to land. In order to do that, it is necessary to follow the path that land reform has taken in the country; a path which starts back in the colonization period when many of the land issues first began.

Land Issues under the Portuguese Crown

Throughout the colonial period, and even during the beginning of the independence period, agriculture formed the basis of Brazil's economy. The Portuguese crown quickly saw the benefit that could be made in the export of sugar among other agricultural and commercial goods such as coffee and cattle hides from Brazil, and as such started to give out plots of land hoping for greater profits. Consequently, the land-grant system that the Portuguese crown developed to help them in these economic ventures instilled two concepts into Brazilian society which would prove to have long-lasting effects. The first of these concepts, and perhaps the most important when it comes to land issues today, was that of land being used as a political tool. Having land gave you political status during this time, and if land could not be bought through the land-grant system then it was quite often just illegally taken. Many who illegally obtained land would then 'gift' pieces of their property to others, such as the Church, in order to help legitimate their claim to the plot (Cehelsky, 30).

The second concept that can be seen as a consequence of the land-grant system devised by the Portuguese crown was the increased need for cheap labor who could cultivate the plots of land which were given out. Since the main purpose of the land-grant system was to help with the exporting of Brazilian goods, new forms of cheap labor would have to be introduced into the Brazilian society. As a result, there was an increase in the demand for slave labor in Brazil, which was first filled with indigenous workers and later by the African slave trade. When Brazil started to experience pressure from Britain and other countries to end slavery in the country, one of the main concerns turned to who was going to be able to replace the labor shortage and help cultivate the land (Dean, 1971; Cehelsky, 1979).

The Land-Grant System: Sesmarias and Posses

The land-grant system that was devised, which would be used in Brazil until the early 1820s, involved distributing out plots of land called *sesmarias* to colonists for a small amount of money in return for a promise to work the land.

“The royal grants [...] were clearly not homesteads; a labor force would have to be introduced to carry out the manual labor. [...] Anyone with the necessary 300 to 400 *milreis* (375 to 500 US dollars in 1800) to pay for the formalities could obtain a *sesmaria*. Any immigrant who lacked that amount could squat on unclaimed crown lands. This was illegal [...] but seldom punished or even noticed...” (Dean, 607).

Obtaining land was not difficult during this period, and many people who did not have the financial means to go through the official channels could simply resolve to squatting on land and claiming it for themselves. This was not uncommon, and often squatters would claim land that was similar in size, or at times greater in size, to the formal land-grants given out by the crown. The illegal plots of land were referred to as *posses*, and will serve as a major source of contention during the legal and legislative battles about

what to do with the land after Brazil had gained its independence from the Portuguese crown (Holston, 1991).

Although the land-grant system was inefficient in terms of rural development and in many cases encouraged corruption, the Portuguese crown still saw the various benefits of it; the most obvious being the enormous economic profit that it was making because of it. The crown profited greatly from Brazil, which proved to be rich in minerals and agricultural goods. By handing out *sesmarias*, the crown created a work force which could cultivate the land, thus increasing agricultural productivity and aiding in this extraction enterprise which Portugal had found so advantageous. “The owners of the *latifunda* formed an aristocratic subservient to imperial interests. They sent Lisbon their sugar and hides [...] and remained dependent on the Portuguese merchants for credit and slaves” (Dean, 607). By doing so the crown developed a sound base from which it generated substantial profits. It would be this base however, the landed elite, which would soon become the new political power in Brazil that would have strong influence over the governing parties after Brazil’s independence.

The formation of the land-grant system proved to be useful to the crown in other ways as well. “The *sesmarias* were granted unsystematically and probably often corruptly. Frequently there were mere speculations, never cultivated or even occupied. Their indefinite boundaries sometimes overlapped and their owners often encroached on adjacent holdings” (Dean, 607). The disputes over land rights created a system of violence from the start in Brazil, which often distracted the farmers into fighting amongst themselves instead of plotting against the crown for the country’s independence. As such, the crown could maintain a degree of power over the territory which was critical

since the distance between Portugal and Brazil made it difficult to exercise complete control over the rapidly changing Brazilian territory (Holsten, 1991; Dean, 1971; Cehelsky 1964).

However, the confusion surrounding the land-grant system was found to be beneficial for some groups. The Brazilian-landed elite started to see how they could use the land-grant system to their own political advantage. The current system contained many confusing loopholes which pertained to the *sesmarias*; loopholes which could prove to be beneficial to those who knew about them. James Holston writes about this in his article, *The Misrule of Law: Land and Usurpation in Brazil*:

“The Brazilians themselves developed the strategy of legal confusion [...]. Having taken the best lands, the rural elite worked in the eighteenth century not only to augment their individual shares but also to dominate the system of land distribution by preventing others to access it. Certainly, their means were violent. More effectively, however, they dominated distribution by generating such a confused heap of legislation about *sesmarias* that only those already in power could manipulate it” (712).

Inevitably, the distance between Portugal and Brazil proved to be one of the crown's most difficult challenges to overcome. Brazil was not only distant from Portugal, but it was also vast, allowing for those seeking power to acquire large tracts of land assuming wealth as well as a considerable amount of influence. Matra Cehelsky (1979) remarks on the difficulty of the Portuguese crown when it came to Brazil; “the great distance between the colony and mother country, and the enormous expanse of the new territory made efficient administration and central control difficult” (18). The owners of the *latifunda*, or the large tracts of land which the landed elite are known for today, became increasingly powerful and started to have an increased role in the politics of the country. By the time that King João VI moved his court to Brazil in 1808, due to the Napoleon invasion, the landed elites had already secured a central place in the Brazilian

political scene, where they exercised a considerable amount of influence over the current political system and likewise the future of the system as it pertained to their own land issues.

Land Policy under the Brazilian Empire

Brazil experienced a considerable evolution of land policy during the Empire (1822-1889), paralleling the gradual achievement of abolition and the growth of export trade. [...] Its government sought consciously to deal with land concentration and to counter the power of the great land owners. The final failure of these efforts is an interesting example of the difficulty of reform from within a political system dominated by the landed elites.

-Warren Dean, *Latifundia and Land Policy in Nineteenth-Century Brazil*

The *sesmarias* system ultimately ended in 1822 due to ardent misgivings by many in the Brazilian government about the ability of the Imperial government to give away public lands at will to those in his good graces. As such, it was agreed by the Brazilian Council of Appeals that no additional public lands would be confirmed until the Constituent Assembly made a ruling about how such lands would be appropriated for the future (Dean, 608). However, the Imperial government under the control of Dom Pedro I decided to dissolve the Assembly and created a constitution which didn't include any provisions about land. This was in part because the Chamber of Deputies, who had control over the Brazilian purse, had many ties to the landed elite and saw it in their best interests to ensure that no provisions were made at that time.

However, during this time land disputes provided a serious point of contention among both land owners who were involved in grant disputes as well as between the Conservatives and Liberals who each had strong opinions about how the land issue should be handled. Liberals, who favored a more decentralized government policy strongly distrusted the central government, and at times encouraged rural revolts to

further their cause which only led to the violence in the countryside (Holston, 1991; Cehelsky, 1979). This violence was on top of the increased hostility between owners of the *sesmarias* and those who illegally lived on the *posses*. To further complicate the matter, Brazil started to face pressure from Great Britain to end slavery, which the country depended on for a source of labor to work the land. All of these ingredients added together only fueled the fire under the already hotly contested land disputes in the country.

The Lei da Terra (Land Law) of 1850

In great part due to these issues, the Brazilian government was unable to agree on land legislation until 1850. The legislation that followed would serve as one of the most important bills when it came to agrarian and land reform issues until new legislation would be passed in 1964 under João Goulart. While there had been numerous attempts to reform the land system in Brazil up to this point, this bill was important because it actually held up and legitimized the system of large-landed estates and made it more difficult for day laborers to own their own plot of land. In this regard the *Lei da Terra* of 1850 only served to legitimize the *sesmarias* system which had existed for so many years before. This was the system which had created such large tracts of land in Brazil, and as a result Brazil would continue to see such a system exist. Warren Dean comments on the ensuing legislation:

...crown land was to be alienated only by sale. *Sesmarias* had to be revalidated and *posses* legitimized. Intrusion into private or public lands was subject to fines and imprisonment. The public lands were to be surveyed, subdivided into lots of 250,000 square *braças* (about 200 acres), and auctioned off. The minimum bids could be well below the current price of public lands in the United States. The land tax designated to suppress uncultivated *latifunda* was eliminated from the bill (618).

With the introduction of this bill, Brazil hoped to actually give a value to the land, and as such they wanted to prevent the possibility of acquiring land by occupancy. This new Brazilian law concerning land rights would be in stark contrast with land laws which were forming in the United States. In the United States, The Homestead Act of 1862 gave away pieces of land to those pioneers that wanted to settle on it. With the Brazilian Land Law which was passed in 1850 they put a price to the land which would ultimately prevent many laborers from being able to own plots of land (Dean. 1971).

It is important to note that around this time Brazil was facing increased international pressure to abolish slavery. In 1850, the same year that the *Lei da Terra* was passed, the foreign slave trade was banned in Brazil (although the actual abolition of slavery did not happen until 1888). Because of this there was a growing fear in the country regarding the shortage of labor due to the abolition of the foreign slave trade. The government hoped to fill this labor void with European immigration which would not only help cultivate the land but also to whiten and hopefully ‘modernize’ Brazilian society. During the debate over the Land Law of 1850, this fear was brought up several times. Warren Dean shows one deputy from Minas Gerais as stating:

“the introduction of free laborers in the country, even if they do not come enslaved temporarily, is always useful, what we want is that our lands should have value, and that our proprietors should have an income. It is indifferent to us whether this value, this income derives from day labor or tenants; what we want is cultivated land and increased production” (Dean, p. 618-619)

However, not all in the Brazilian government felt the same way about using European immigration as a substitute for labor in the absence of slavery. One deputy from Pernambuco went on record as stating that:

“Putting fetters on colonization, in order to convert the colonists into slaves of the country’s plantations? Do the noble deputies want agriculture in Brazil to be maintained perpetually on the same footing of today, that of colossal properties? As the country becomes more civilized, as the different forces in society become better differentiated, as we advance in enlightenment in this regard, the great estates will be broken up. (Dean, 619).

Despite this disagreement on the labor issue, the 1850 Land Law in Brazil did little to actually reform the agrarian issues that the country was facing. In essence the *sesmarias* system as well as the illegally obtained *posses* were both legitimized with the passage of this bill. This, in turn, would serve to legitimize both the large-landed estates in the *latifunda* that were often greatly underutilized as well as illegally obtained land which were formed as *posses*. “In short, land law in Brazil promotes conflict, not resolution, because it sets the terms through which encroachments are reliably legitimized” (Holston, 695). By not enforcing strong land laws where property rights were clearly defined and protected, Brazil would be setting the scene for increased land struggles and disputes in the years to come. The fact that the Land Law of 1850 legitimized such acts would only serve to undermine any kind of real attempts at agrarian reform for the next 100 years.

The Old Republic and the Continuance of Traditional Agrarian Politics

During the period in Brazil which would come to be known as the Old Republic which dated from the fall of the Brazilian Empire in 1889 until the start of the Vargas regime in 1930, Brazil went through a heavily decentralized period. This time in Brazil is characterized by corrupt politicians and the landed political elite had strong control over many of the political decisions which were made, especially when it came to discussions involving land issues. During the Old Republic often governors were guaranteed reelection of their states in return for their political support of the president’s

prerogatives which, when it came to land issues, reinforced the political support for large tracts of land and politically powerful landed elite. As such, during this time there was strong political support for maintaining large tracts of land and raising funds via export agriculture.

Agricultural exports such as coffee and sugar continued to be a strong base for the Brazilian economy but the country failed to push forward towards increased industrialization which was necessary if Brazil was to become a more dominant power in Latin America. During this time Brazil was referred to as a “sleeping giant” because the country had potential to become a more dominant political player; however it remained tied up in oligarchic politics which were dominated by the traditional-landed elite who had little reason to push for modernization. It would be this stigma that Brazil would try to overcome in the years of the Vargas presidency.

Joseph Love remarks on the politics of this period commenting that: “below the governors and their state executive committees stood local bosses, called *coronéis* (colonels). The *coronel* was usually, though not always, an owner of a *latifundium* [...]. Following the precedent of the colonial and imperial eras, the large landowner in the Republican period tended to monopolize political as well as social and economic preeminence” (9-10). This system of *coronéis* simply continued on with the patronage-based theme in Brazil which had started during the colonial period. The military coup in 1930 is significant in that it was a break away from the political power of the past; the traditional-landed elite who had dominated politics for so long in Brazil had their candidate taken out of the presidency. Getúlio Vargas was chosen as the new leader, and he made it a centerpiece of his presidency to push for development of the urban centers,

increased industrialization projects, and a move towards modernization of the Brazilian economy.

Vargas: The New Republic and Urban Focus

During the first Vargas presidency, which spanned from 1930 to 1945, Brazil found itself in the midst of the industrial revolution. Getúlio Vargas widely pushed for the development of political institutions, and earned much of his political power from pursuing populist policies which gave him the support of the masses in the urban areas. During this time, the push for economic modernization in Brazil was leading to a huge transformation of the society. “The patrimonial bureaucratic state faced immediate and continuous challenge of successfully altering the traditional basis of its economy and incorporating new social and economic sectors into the political order in such a way as neither to threaten its elitist orientation nor erode its corporatist and static ethic of legitimacy” (Cehelsky, 16-17). During this period of change the agricultural sector of Brazilian society remained quite unchallenged and was simply incorporated into the Vargas dictatorship.

Although it once served as the economic base for Brazil, the industrial and business sectors quickly surpassed agriculture as the main sources of economic wealth as the country moved into the twentieth century. However the fact that the agricultural sector, which was deeply rooted in tradition and Old Republic mentality, managed to remain influential and virtually untouched by the Vargas administration is a testament to their power. “The traditionally organized agrarian sector [had] preserved its continuity and power against new economic and political contenders by its ability to define the limits of acceptable change” (Cehelsky, 17). Vargas needed the support of the landed

elite to pursue his economic policies, and in turn they received an extended period where the Brazilian government agreed not to interfere with the current state of the rural social structure.

The Vargas government saw the advantage in cooperating with the landed elite, as many of their industrialization plans were actually paid for with the profits of agricultural products, mainly coffee. Also, by allowing the landed elite to maintain the traditional control over the rural areas, it served to provide a sense of political stability in the country where there was much political unrest in the urban areas as Brazil experienced rapid urbanization. In all, Vargas proved a shrewd political leader by cooperating with the landed elite, but the issue of land reform did not disappear, instead it was simply pushed off to future presidents to deal with at a later time.

Return to Democracy and the Increasing Attention to Rural Issues

After the end of the Vargas dictatorship in 1945, Brazil saw several different democratically-elected presidents, one of which was Vargas again (1951-1954), although this time he was voted in by the people. This period of democratic rule would come to an abrupt halt however in 1964, when João Goulart was overthrown in a military coup in part because of his stance on the agrarian issue. In his article, *Political Participation in Brazil 1881-1969*, Joseph Love comments about this period in Brazilian politics: “As a result of the conflict between congress and the executive, three major crises occurred in the postwar era. In the first, a president committed suicide (Vargas in 1954); in the second a president resigned after six months in office (Quadros in 1961); and in the third a chief executive was overthrown (Goulart in 1964.) [...] There can be no doubt that the

landed elite- “traditional Brazil’- joined the army and other groups to “close down” the system of mass political participation in 1964” (22).

The democratically-elected presidents who came to power during the era before the military dictatorship quickly saw that the way to political influence in the country lay in playing to the masses, and we can see a rise in the populist tendencies in Brazilian presidents during this time. This can be attributed in large part due to the expansion of voting rights and the growth of the electorate. Authors who have studied this time in Brazil often describe this period in Brazilian politics as a: “populist exploration of an electorate expanding rapidly because of the population growth, increasing literacy, and a heightened consciousness among both the urban and rural masses” (Cehelsky, 32). Because of this changing political atmosphere they had to cater to a host of players, both old and new, which would inevitably change the way that the political system functioned in Brazil.

This atmosphere, along with the post WWII international push for modernization and development, made for a difficult balance that these Brazilian democratic leaders had to face. On the one hand, they needed to cater to traditional domestic influential players such as the landed elites, while on the other, they fought to seek political support and legitimacy from the masses who were calling for more reformist and nationalistic policies. On top of it all, the pressures from other state leaders and requirements from the international lending institutions had their own demands of countries wishing to acquire funding of their development projects. “The difficulty of this task is underscored by the fact that during the democratic interval only one president, Juscelino Kubitschek (1956-1961), succeeded in making this formula work” (Cehelsky, 32). However, it is

speculated that much of Juscelino's success can be attributed not to a policy of change, but rather to one of postponement.

During this period, which fell between the fall of the New Republic in 1945 and the military coup which ended Goulart's presidency in 1964, Brazil saw a rapid increase in the number of people flocking from the rural areas to the urban. This was in large part due to the large industrialization projects that Vargas had pushed during the New Republic. The lack of any kind of real agrarian reform combined with the increasing inequalities between the rural and urban sectors was also a contributing factor to the urban flight. This redistribution of the Brazilian population also helped to redefine the political map of the country, something which would help in the push for agrarian reform by the Goulart administration.

Not only were the rural areas losing sizable portions of their population, but they had also started to lose some of their political stronghold over the government. Up until this time the landed elite had a considerable hold on Brazilian politics. With the Vargas era urban elite started to gain increasing power in political circles. However, it should be noted that many of these elites still had some ties to the landed elites or land issues. Although there were attempts during this time for agrarian reform, there still lacked any kind of political action behind these reforms and as such little was done. Julian Chacel talks about these numerous attempts in his article "*Land Reform in Brazil, Some Political and Economic Implications*":

"From 1948 until 1960, draft bills concerning land or agrarian reform were peacefully resting in the two Houses of Congress. Up to now, more than two hundred drafts of bills have been submitted to Congress, a great many of them presenting, of course, only marginal differences. However, no effective action has been taken. Throughout the whole period, both executive and legislature are to be blamed for the lack of willingness to reach a decision" (Chacel, 365).

While it started to seem like the agrarian issue would simply die in legislative red tape, another important phenomenon started to occur which greatly increased the focus on the rural sector. After the Vargas dictatorship ended in 1945, and Brazil started to come under democratic control once again, there was increased attention by politicians to cater to their constituency. Until the late 1950s, Brazil had a literacy requirement in order to be able to vote, which greatly disenfranchised the rural poor. During the Vargas years a major suffrage bill was passed which gave women the right to vote (1932) as well lowered the legal voting age from 21 to 18. Even with this substantial move to expand the Brazilian electorate, the right to vote was still not extended to illiterate citizens. This was attributed in large part to the resistance of the landed elite and the political patron-client relationship that was still being practiced in rural areas.

Although the landed elite opposed such a bill, it was decided during the presidency of Jânio Quadros in 1961 that this requirement be removed as it disenfranchised a great majority of the Brazilian rural population who didn't have the same education levels as the urban sector. As such, Brazil experienced a huge increase in the percentage of the eligible voting population from the 1945-1962 period, which jumped from 13.4 to 19.6 percent (Love, p. 19). The rural sector, which had up to this time been largely disenfranchised, started to gain increased attention from politicians. It is also important to note that there was a shift away from the rural system of patronage in Brazil around this time. With the expansion of voting rights, and the increased efforts by the Catholic Church to reach out to the rural poor, there was a decline in the incentive for the rural poor to politically align themselves with the landed elite. This increase in

suffrage and inclusion of the rural sector helped to pave the way for the presidency of João Goulart in 1961.

Goulart, the Question of Agrarian Reform, and the Overthrow of Democracy

The Brazilian democratic experience ended in the midst of a heated debate over land reform that reflected the culmination of a sociopolitical crisis long in the making. Brazil's political leadership had deliberately postponed the problems of integrating the agrarian sector into the modern economy and incorporating the rural lower class into the political process. In doing so, it purchased some time and illusory stability to undergo industrialization. But in the long run, it was impossible to isolate the countryside from the impact of economic and political changes originating in urban areas or from nationalist and exogenous reformist ideologies.

Matra Cehelsky, *Land Reform in Brazil: the Management of Social Change*

The atmosphere surrounding the agrarian issue in Brazil was already starting to thicken when João Goulart took over the presidency in 1961. Although there were some attempts in the mid-1800s with the *Lei da Terra* to reform the country's agrarian policy, Brazil's powerful landed elite had managed to prevent any kind of change which they saw as being adverse to their own economic and political interests. Their ability to do so ultimately left the Brazilian rural sector behind when it came to the overall development of the state. The great disparity between income, education, and health levels when it came to the Brazilian urban and rural sectors was starting to get noticed by an increasing set of domestic and international actors.

As such, the call for some sort of agrarian reform in the country started to become one of the most talked about issues in intellectual circles as well as the non-governmental and political organizations alike. While there was both domestic and international interest in seeing some sort of agrarian reform in Brazil, it is important to note that there were many competing ideas surrounding what that reform should look like. Some actors during this time were pushing for massive land redistribution seeing this as the only way

to bring about any kind of real social justice while others wanted to see a more conservative approach specifically dealing with increased rural training, education, and compensation (Carter, 1972; Cehelsky, 1979; Love, 1970).

Nevertheless, the increased attention being focused on issues surrounding rural labor rights, land issues, and the negative effects of the current agrarian system on Brazil's economic development helped to place pressure on the government to tackle Brazil's agrarian problem. It just so happened that the culmination of these events occurred right around the time that João Goulart, who was already known for his more populist tendencies, took office in 1961 after Jânio Quadrio resigned. Goulart was quick to recognize the increasing attention being placed on the agrarian issue and as such made it a cornerstone of his political agenda. In order to understand the position that Goulart took when it came to agrarian reform, it is first important to know the main issues and political actors which were involved when it came to the Brazilian land debate.

The Issues

In his article, *Land Reform in Brazil*, T. Lynn Smith, who served as an American advisor to the Brazilian government over agrarian reform in the country, wrote about the major indicators of the need for agrarian reform in Brazil. These indicators, which were published in the Smith article in 1964, right before the military overthrow of the Goulart regime, are important to understand because they were the main concerns of a variety of actors which had come together to discuss the agrarian issues in Brazil. These actors included members of the Brazilian Congress, clergymen from the Catholic Church, union leaders, among many others that debated about the main roots of the agrarian problems in Brazil. The issues that these actors agreed upon, which are discussed in the Smith article

in great detail, are outlined below. They were seen as being the fundamental problems of the current agrarian system in Brazil, and as such were singled out by these groups as being the most important issues to reform.

Latifundismo: as mentioned earlier, the Brazilian *latifunda* refers to the large tracts of land which generally can trace their roots back to the Portuguese crown's land-grant system, that generally has a low productivity rate. Often this land in Brazil remains untaxed, and as such can remain a place for many of the landed elite where "the result of the ownership of the land is in effect an asylum for capital" (Smith, 6). This land often contains some of the richest soil which is ideal for agriculture, and as such is the most sought after.

A High Degree of Concentration of Ownership and Control of the Land: Outside of the *latifunda* there is still a large portion of land which is largely concentrated in the hands of an elite few. In a census done in 1950 it was shown that only one out of every four farms in Brazil was actually operated by what was considered a farm operator. In other words, few that actually owned the farm lands actually lived and operated the lands, rather they employed a small group of laborers who would then try to scrape out a subsistence living from the land.

High Proportions of Agricultural Laborers in the Agricultural Population: Brazil has some of the most productive farm land in the world, however this land is owned by a very small amount of Brazilian elite who then employ masses of generally uneducated and unskilled laborers to work the land. Many times these laborers are landless and migratory, and never had the opportunity under the Brazilian system to own their own

piece of land. This ultimately created a system of laborers who were at the low end of the socioeconomic scale with little hope of ever rising out of this existence.

The Prevalence of *Minifundia*: The *minifundia* in Brazil refers to the tracks of land which are so small or unproductive that it is impossible to produce a sufficient crop or make enough profit off the land to support those that work it. Although the owners of these plots of land are indeed land owners, the possession of such a small or unproductive plot of land contributes to the overall poverty level and meager subsistence living that Brazil is trying to move past. The problem of the *minifundia* is not as prevalent in Brazil as it is in other Latin American countries such as Ecuador or Venezuela, but in Southern Brazil the issue has arisen with immigrant peasants which came to Brazil looking to make a living off the land.

Low Production per Worker: There was an increased interest in the late 1950s and early 1960s to get a general idea of the production output of the Brazilian agricultural worker. This is in large part because Brazil was pushing for modernization techniques. In this article Smith mentions that the many economists and governmental officials that studied the Brazilian agricultural production per worker found the output to be very low. This fact was attributed to the socioeconomic gap as well as the “preponderance of the *latifundismo*” (Smith, 13). However, also contributing to this low level of production was the lack of training for farm workers leading to a low level of agricultural skills as well as the absence of constant management on the Brazilian farms which led to inefficient practices of the rural workers as well as lowered the standards and general upkeep of the farms and cattle ranches themselves.

Low Average Levels and Standards of Living: The rural population of Brazil suffered one of the largest income inequalities when compared with their urban counterparts. This fact can be attributed to several reasons, in part due to low education levels and also due to the fact that the landed elite needed cheap labor to work their farms, and as such had pushed against governmental reforms which had tried to raise a minimum wage system for the rural workers or any kind of social benefits. In many areas there was an extremely poor standard of living which contributed to a high infant mortality number as well as lower than average life expectancy when compared to the urban parts of Brazil.

Extreme Degrees of Social Stratification: Up until the 1960s in Brazil there had always been a small handful of elite at the top of the political as well as social pyramid. “In all societies in which a system of large estates has dominated the social, economic and political aspects of life, the class system has come to be one in which there is a handful of elite families at the apex of the social pyramid, and a great mass of impoverished, uneducated, unskilled, and slightly productive workers at the base of it” (Smith, p.12). Such was the case when it came to the landed elite in Brazil and the masses of undereducated rural laborers who dominated the rural scene during this time. The rural areas contained virtually no middle class that could act as a barrier between the two groups.

The Actors

The rural labor movement was becoming increasingly organized, thanks in large part to several groups who were pushing for the mobilization of rural laborers and sharecroppers. Up until this point rural movements had been much less successful at

organizing themselves into a political bloc, especially when in comparison to the much more active urban labor groups. Julian Chacel (1964) remarks on why there was a lack of rural organization up until this point in Brazilian history: “first, in urban areas the demonstration effect plays a much more intensive role than in rural areas; second, up to now the urban workers had been much better able to group themselves into powerful political blocs [...]; and third, it is much more difficult to enforce working legislation in the rural sector because of the geographic dispersion of production units...” (58). In large part due to these reasons it was difficult to have any kind of actual rural movement up until this time, so the presence of actors which helped the rural workers organize was a big change in the history of agrarian reform in the country.

The Political Parties: With the increase in rural mobilization there became an increased interest over winning the support of the workers. While there were many different political parties which were interested in providing some kind of progressive agrarian reform, there were three in particular that were involved in the organization and to a certain extent the mobilization of many of landless and rural laborers. Of these parties, the Brazilian Communist Party and the Brazilian Socialist Party were the most active during the late 1950s and early 60s. Later the Brazilian Workers Party, which would become more important in the 1980s, would also see the political benefit in getting the rural workers organized under their party’s banner.

While these parties had mainly political goals in mind, there was fear about their motives especially since their work with the rural poor was during the time of the Cold War and there was a definite communist fear that was sweeping across the Americas. The Cuban Revolution also added an increased fear of rural mobilization and both would

end up contributing to the eventual military overthrow of João Goulart. Nevertheless, it is important to understand the organizational work that these parties had put in place in the rural sector before the coup as they contributed to the foundation of current agrarian movements in Brazil.

Partido Comunista Brasileiro (PC do B): The Brazilian Communist Party or PCB was the main political party supporting rural mobilization. This party worked closely aside the *ligas camponesas* to push for massive agrarian reform in the context of land redistribution. “The Communist-controlled *Federação dos Trabalhadores nas Indústrias de Alimentação* of the state of São Paulo was organizing strikes in which rural workers and sugar mill workers participated side-by-side” (Houtzager, 109). The Brazilian Communist Party was by far one of the most involved in organizing the large labor strikes in demands for rural labor and land rights.

The Brazilian Socialist Party (PSB): The PSB was also a strong supporter of rural labor rights and agrarian reform. While they were an active political party they did not gain as much attention as the Brazilian Communist Party did when it came to the call for reform, in large part because they were not as active in organizing the large scale strikes which the Communist party was known for in the country. The more moderate political members of the Left were also interested in a structural change, albeit to a lesser extent than the Brazilian Communist or Socialist parties, seeing it as a way to provide a more effective income distribution when it came to the rural laborers or sharecroppers.

The Partido dos Trabalhadores (PT): Although the Workers Party (PT) was not formed until 1980, it is often remembered historically as being the political party that helped push the agrarian reform issue through the years. This can be attributed to the fact

that the Brazilian Communist and Socialist parties were both dissolved during the military regime, and the Workers Party was the one that stood up for workers rights during this time (Martins 1999; Pereira, 2003). While this party was clearly not active during the time of João Goulart, it is important to mention them as they would be the party that would continue the fight for agrarian reform in the absence of the Communist and Socialist parties.

The Catholic Church: Also working closely to organize rural laborers were some of the more progressive members of the Catholic Church. Historically, the Church was very much on the side of the landed elite, but towards the end of the 1800s and start of the 20th century, the Church started to find itself on the wrong side of history. The Church in Brazil had failed to keep up with the times, and as such lost touch with the masses during the populist period of Getúlio Vargas (Mainwaring, 1984; Pereira, 2003; Adriance, 1994). Changes to the Church started to come around in the late 1950s and early 1960s which are clearly shown with the Second Vatican Council (which was opened in 1962). The Second Vatican Council proved to be a major turning point in the Church that pushed for a humanitarian social doctrine which included new forms of ministry with a progressive lay leadership.

These progressive members of the Church assisted with the organization of the rural poor into community associations and unions so that the laborers could become more aware of their rights as well as form some kind of united front. Much of this organization can be attributed to the base ecclesial communities, or CEBs. While it wouldn't be until 1967 with the meeting in Medellín, Colombia that the Church formally implemented the more progressive ideals formed under the Second Vatican, many of

these grassroots organizations had already started with the CEBs and more progressive members of the Church. “Base communities were the perfect solution to the problem facing the Latin American Catholic Church in the 1960s: how to evangelize the masses in the face of competition from evangelical and Pentecostal churches, despite a shortage of priests and in the spirit of the Second Vatican Council” (Adriance, 171-172.) The Church was particularly interested in the development of the rural poor and looking for a more socially just way of providing for the landless farmers who were among the most improvised.

Other Domestic Players: Only adding to the host of players involved in the agrarian debate during this time was the professional class, which involved many of the upper middle classes in the urban areas. While they did not directly have a say in the agrarian debate, they generally supported an overall restructuring. This was in large part because “they are actually thinking in terms of agrarian reform as an instrument for increasing the purchasing power of the agricultural laborers and peasants, thus expanding the domestic market’s capacity for absorption of manufactured goods” (Chacel, p. 368). While they were not in favor of massive land redistribution, which was viewed at the time as a communist idea, this group served as a middle ground which generally pushed for a reform which would benefit the Brazilian economic structure overall.

With all of these actors being involved in the agrarian debate, it is easy to see that there was more than one idea about how to solve the land issue in Brazil. Those pushing for more aggressive land redistribution were hoping for a major overhaul of the land system which Brazil had operated under since colonization. Others wanted to just see a more equitable distribution which would help benefit the economy. “The conflict which

emerges most frequently is between the demand for greater social equality and the need for increasing efficiency in agriculture, since the kind of society one would ideally like to live in does not necessarily have the type of economy that will feed people best” (Chacel, p. 60).

International Pressure: The issue of land reform was not just something that Brazil was struggling with during this time. Many other Latin American countries were experiencing difficulties when it came to land reform, and during this time where economic development and modernization were overarching themes in this region, there were attempts at finding some kind of sweeping reform to help solve the issue which many saw as holding Latin America back in terms of development. One of the most noteworthy attempts was the Alliance for Progress, “which made land reform the cornerstone of agricultural development in Latin America” (Feder, 1965). The Alliance for Progress was seen as recognition by Latin American countries that in order to bring about economic development they would first have to tackle some of their existing social issues, the main one being that of agrarian reform.

The Alliance for Progress, which began during the Charter of Punta del Este, (1961) was started as an American attempt to reestablish dominance in the southern hemisphere and ensure that communism would not spread from Cuba to the rest of the Southern Cone. The bulk of the Alliance for Progress underlined the need for economic development and modernization of the Latin American nations, and offered both economic as well as technical assistance to countries which followed the reforms that the Alliance for Progress set forth. The United States played an active role in pushing for agrarian reform which was not heavily redistributive in nature, as this would have been

ideologically viewed at the time as being too communist. However, it was noted that land reform was desperately needed; therefore the US had a strong incentive to make sure that the reform that took place would be ideologically aligned with US interests. As such, land reform was deemed as one of the most necessary reforms in order to receive aid:

“Programs of comprehensive agrarian reform leading to the effective transformation [...] of unjust structures and systems of land tenure and use [...] so that [...] the land will become for the man who works it the basis of his economic stability, the foundation of his ensuing welfare, and the guarantee of this freedom and dignity” (Title I, art. 6 as seen in Feder, pg. 653.)

While the Alliance for Progress displayed a framework for reforms which were thought necessary for economic development, there was little organization to the actual implementation of such reforms, something that can be seen when it comes to land reform issues in Brazil under both Goulart as well as the military regime who both were trying to fulfill the Alliance for Progress goals with land reform programs, although both had very different plans on what they intended as the final outcome of the reforms. Goulart saw the need for increased international aid and viewed the Alliance for Progress and its push for agrarian reform, something that he was already in support of, as a way to secure this funding.

All of these factors combined to complicate the political atmosphere surrounding agrarian reform in Brazil when João Goulart took office. In reality the demands for agrarian reform had been coming from different groups for years, especially towards the end of the 1950s, but the combination of increased attention being placed on the issues from various domestic and international actors along with the need for a comprehensive agrarian reform policy being necessary for Brazil to further develop economically made the matter especially important when it came to Goulart's presidency.

SUPRA and the Estatuto do Trabalhador Rural (Rural Worker Statute)

With this increased attention being placed on the issue of agrarian reform, the Superintendency of Agrarian Policy, or SUPRA was formed in 1962 which was designed to review the current agrarian problems that Brazil was experiencing and help to draft a solution for it. SUPRA was created in part for the government to assert some kind of control over the various movements that were rapidly appearing calling for agrarian reform (Houtzager, 108). SUPRA was also put in charge of overseeing any legislation that was passed that covered agrarian reform to ensure the follow-through of any reform legislation that was passed. In part because of the recommendations of SUPRA along with the desire of other domestic and international actors Goulart was able to pass legislation regarding rural labor reform.

The main legislation that Goulart was able to see passed through the Congress was the *Estatuto do Trabalhador*, or the Rural Worker's Statute. While this piece of legislation often gets overlooked, it was actually an important step in the fight for rural labor rights. During the Vargas years there was important legislation passed that gave rights to the urban workers when it came to social security and workers benefits; this legislation as never extended to include the rural worker (Malloy, 1981; Pereira, 2003). The rights of the rural worker were often done on a patron-client basis, where the worker would be at the mercy of the land owner when it came to pay. Up until the 1960s, "wage laborers and small farmers in various forms of land tenure had effectively been excluded from existing labor legislation, social security, and coverage by national law in general. Instead, various traditional and clientelist forms of social control regulated rural social relationships" (Houtzager, p. 103).

In essence, the Rural Worker's Statute was able to bring rural labor rights to the forefront of the agrarian debate. By focusing the agrarian issue on rural labor rights Goulart was able to get this piece of legislation passed and bring any existing legislation which dealt with rural labor rights under one comprehensive set of laws. By doing so the administration of João Goulart passed a set of labor laws that is comparable to what the Vargas administration passed in the 1940s. Goulart continued to press for increased attention to be placed on rural issues, often putting agrarian reform at the top of his list. Without a doubt, the push for agrarian reform by Goulart was not the only reason or even the main reason for the military overthrow. The end of democracy in Brazil can be attributed to a much broader set of issues, of which the push for land reform was only one of them.

However in many ways, Goulart's call for agrarian reform only added to the increased fears of political and military powers about his populist tendencies. In many ways the overthrow of João Goulart by the military in 1964 can be attributed to the time period. Internationally the world was in the middle of the Cold War, and the United States became increasingly worried about communism infiltrating into its backyard; Latin America became an area of political interest. Cuba had already fallen into the hands of Castro, who had also called for an extensive agrarian reform. As such, the overthrow in Brazil was actually supported by many parties in Brazil, including the Catholic Church, who saw the politics of João Goulart as being too extreme (Cehelsky, 1979; Dillman, 1976).

The Military Government and the 1964 Estatuto da Terra (Land Statute)

While agrarian reform was central to the Goulart regime, the military government took a very different approach to the agrarian debate. They also recognized the need for reform, but wanted something vastly different than what the Goulart administration had been calling for. In fact one of the first things that the military government did when it came to power was devise a panel to review the main setbacks that Brazil had when it came to the economic modernization of the country; the issue of agrarian reform came up on the top of the list (Dillman, 1978; Holston, 1991; Houtzager, 1998; Pereira, 2003). As such they decided to enact their own land statute, which was passed soon after their takeover of government; however the objectives of their agrarian reform would focus on the agricultural modernization rather than land redistribution.

As such, the military government decided to put agrarian reform at the forefront of its domestic policy; however it would be a policy that is vastly different from what supporters of Goulart wanted to see. The Land Statute, which was the land policy that the military would put in place, focused primarily on the modernization of agricultural policy throughout the country. While it mentioned little about agrarian reform, it did lay out plans for a future expansion into unclaimed lands in the Amazon region to the north that would be possible for future colonization. Anthony Pereira (2003) outlines the military government's plan:

“The military regime of 1964-85 subsequently imposed policies that essentially took land redistribution in already settled areas off the political agenda. Government policies of subsidized credit (mainly for large producers), tax breaks, price supports, and other incentives promoted the development of large, highly capitalized, mechanized farms and ranches, many of them producing for export” (Pereira, 43).

The plan for agrarian reform turned into a plan for agricultural reform under the military government's control. Instead of land redistribution they focused on modernizing the techniques that were being used on the farms that already existed. This policy, which in many ways this helped the owners of the large landed estates, focused on the large *latifundios* which were seen as the more economically beneficial under the new military plan. Not only was this policy beneficial to the landed elite, but it also helped to create even larger plots of land in some cases. The government started to give out subsidies and rural credit, and in order to promote more efficient farm use for the export of agriculture, they created a system where the more land a person owned the easier it was to obtain credit to buy more land in the future. Thus, the problem of land distribution was only exacerbated during this period. (Helfand, 1999; Pereira, 2003).

The Issues

While the issues concerning agrarian reform were the same for the military government as they were for the Goulart presidency the priorities between what issues each government saw as important to address was vastly different. The military government was more interested in the economic implications of the agrarian debate, specifically in the need to modernize the large farms in order to increase export production of agriculture. In essence such a transformation of the Brazilian *latifúndia* would not only help to modernize the country but also contribute to the economic miracle which Brazil became famous for during this period. While the issues were similar, there was a new set of actors which would help them to achieve this new goal of land transformation.

The Actors

Banco do Brasil: It would be impossible to mention the actors that were important to the military land policy without first discussing the central role of the *Banco do Brasil* (the Brazilian national bank). They were the main institution that gave funding to many of the modernization projects for the new land projects. As such the *Banco do Brasil* had great say as to who received land credit or financing for their land projects. Perhaps more than any other institution, the bank had the most say in the day-to-day operations of the land owners as well as the future funding of land projects that would lead to the colonization of the Amazon region which was part of the National Security policy of the military government and a way to give land to many of the landless peasants.

INCRA (National Institute for Colonization and Agrarian Reform): INCRA really developed out of an earlier creation by the military government called SUDAM (or the Superintendency for the Development of the Amazon). This organization was formed in order to give financial incentives to the landless peasants or any others that wanted to go and settle parts of the Amazon. This was done in part due to the governments concern over National Security issues; it was thought in part that if the Amazon region was more settled than it would help protect the northern region of Brazil which is primarily covered by the Amazon. (Adriance, 170). Out of SUDAM evolved INCRA, which was created to help with the overall resettlement process of those who were interested in relocating up to the Amazon region to farm. INCRA's main function was to assist the settlers in the region and to prevent any kind of violent peasant uprising in the area. In 1970 President Médici stated that the relocation of peasants and subsequent colonization of the Amazon

region would in fact “give a people with no land a land with no people” (Adriance, 171 shown as being quoted from Foweraker 1981: 42).

The 1970s: Land and National Defense

The connection between land and national defense issues happened primarily in the 1970s when the government started to attempt to settle the Amazon region in order to secure its northern borders. SUDAM, the organization put in place by the military government to help settle the region, and the financial incentives that they offered became widely popular around this time when a growing number of the Amazon region started to be settled by farmers who would clear cut the land and attempt to grow crops. This would prove to be an economic as well as environmentally unwise move for the Brazilian government as the soil and other conditions in this area were not right for seasonal crops, and as such it created another problem of slash-and-burn farming where farmers would have to continuously cut down more acres of forest in order to continue living off the land.

It was not only environmental and economic concerns that the colonization of the Amazon brought to the military government. In 1970 when President Médici started to heavily promote the settlement of the Amazon and the financing options offered by the government sponsored SUDAM there was a large interest by the landless to take up on the opportunity. However, they were not the only ones that were being offered land from the government. Ranchers were also getting large plots of land from the government in the same region, and in the absence of strict governmental oversight of the land plots, they would often encroach past their original plots of land and claim larger plots. Between this and the new settlers there were often violent confrontations that would arise

between the two groups. “Although the [ranchers] claims were legally dubious, with frequent forgeries and multiple titles for one plot, the ranchers had the resources to call on private gunman and military police to evict peasants” (Adriance, 171).

As such, the land reform policies that were pursued under the military dictatorship in Brazil were two-fold. On one side the reform policies aimed at modernizing the large landed estates in hopes of increasing land efficiency and using the money from increased agricultural export to help fund their infrastructure plans as part of the ‘economic miracle.’ This did little to help with the issue of land concentration that the country was facing, and in fact only helped exacerbate the problem even further. On the other side, the attempt by the military government to relocate the landless farmers up to the frontier region of the Amazon simply put off any kind of meaningful reform that might have taken place to actually assist the landless. The soil in the Amazon region was poor for agriculture or raising cattle and the plots of land were badly managed encouraging corruption and violence between the farmers and cattle ranchers. This would be a problem that would be inherited by the new democratic governments that came in the 1980s.

Redemocratization, Land, and the Landless

When Brazil returned to a democratic government in 1985 under José Sarney there were talks about a land resettlement plan as part of a more extensive agrarian reform made possible under the Land Statute passed under the military government in 1964 (Holston, 1991). This plan called for the relocation of over one million families into the interior of Brazil, a program which was set to span over a five-year period of time. While this ambitious plan was attempted, it came nowhere near carrying out the

resettlement of such large numbers of families. The attempt by the government to resettle families on rural land was an important start, but another important development was happening at the same time. Around this time there was an increase of organization among peasant groups that were starting to stand up for their rights to the land. These groups, most notably the Landless Workers Movement (or MST) would have an important role when it came to agrarian reform in the years to come.

During the time of democratization, a new Brazilian constitution was written (finalized in 1988) where there was another attempt at instigating land reform. During the time that it was being drafted the political debate between groups on what should be done regarding the land issue almost brought the negotiations to a complete stop. There were strong disagreements about the direction that any kind of reform should take. When an agreement was finally reached it was determined that there would not be redistribution measures written into the constitution. However, it was agreed upon that the constitution would call upon land to fulfill a social function, but it does little to define what that really means.

By not laying this out it left plenty of loopholes which would benefit the landed elite. There was also a clause that land must be engaged in a productive purpose, in attempt to take away some of the power of the large landed estates that simply sat idle. While these were minor concessions to be made in the whole scheme of land reform, they would actually be the ones that the MST utilizes when it takes over “unproductive” tracks of land and demands that the government expropriate them in order to fulfill their social function. The fact that the government does not spell out what that means though leads

to lengthy court battles and often violent means by the landowners to keep the landless farmers off their property.

Conclusion

The early years, which are defined during the period of colonization and the periods under the Brazilian Empire and into the days of Brazil's Old Republic, Brazilian laws seemed to legitimize the centralized control of the land in the hands of the landed elite. This can be attributed in large part to the fact that the landed elite in many ways controlled the Brazilian government during this time. The wealth that they amassed with their large estates was enough to put them in a socially and politically elite category where they were able to oversee any change that occurred when it came to agrarian reform.

This all started to change with the increased attention being placed on urban areas as Brazil pushed for increased economic growth and overall modernization of the country. The overthrow of the government in 1930 and the takeover by the Vargas regime would be a perfect example of the country's desire to move forward and distance itself from the more oligarchic government under the careful watch of the landed elite. However, the Vargas regime did little to upset the delicate balance that existed by his new government and the transitionally powerful landed elite and as such rarely made rural issues or agrarian reform major topics during his time in power.

As such, we see an increased call for reform in the 1950s and into the 1960s with various domestic and international actors calling for agrarian reform in the seemingly forgotten rural areas in Brazil. The need for such reform was evident, and as Brazil pushed to become more modernized and more economically competitive on the

international scale it seemed that the time for reform was ripe. However, the reform that was attempted by President Goulart seemed too extreme to some powerful actors in Brazil, and as such served as one of the reasons for the military overthrow in 1964.

The military however, also saw the need for such reform to take place, and as such enacted their own set of reforms when it came to land policy in Brazil. However, this set of reform differed greatly from Goulart's idea of land reform, and instead of a comprehensive agrarian reform they are often accused of only focusing on agricultural reform which was centered on the economic benefits of export agriculture from the large landed estates, and thus perpetuating the problem of land concentration that has plagued Brazil throughout its history. Another key part of the military land policy was the focus on the colonization of the Amazon region, which they saw as a suitable solution to the landless issue as well as a way to address National Defense in the northern region of the country. However, this program only led to increased violence in the northern region and environmental degradation of the rainforest. As such, the land reform which took place under the military regime in Brazil only added to the already high tensions surrounding the agrarian debate in the country.

After the redemocratization of Brazil in the 1980s there were increasing cases of land conflicts, especially in the northern region where the military government had tried to colonize with the landless peasants. The problem with land concentration only worsened during this period, with large estates only increasing in size and a decrease in the numbers of small or middle-class farm lands. Anthony Pereira talks about the land problem as it appeared in the mid 1980s:

“With one of the most unequal distributions of land in the world, the Brazilian countryside has been the site not only of the creation of great fortunes, but of social devastation reminiscent of the enclosure of common lands in early modern Europe of the outmigration of displaced smallholders in the U.S. Dust Bowl during the Great Depression. This devastation has been created partly because the policies promoting “modernization” of agriculture have placed a premium on narrow criteria: the creation of a large, exportable surplus of agricultural good” (Pereira, 46).

It was during this time that we will see increased actions being taken by the landless peasants themselves. The Landless Workers Movement, or MST as it is commonly referred to, started to gain momentum during these years. This group became one of the main players that pushed for a state-led reform to the land issue which would focus on the government redistributing some of the largest tracks of land that were sitting idle. The MST focused on the 1988 Constitution that claimed that land should be used to fulfill a social function, and attempt to force government to redistribute land based on that clause. In order to prompt government into action the MST organizes camps that illegally squat on land that was otherwise sitting ‘unproductively’ until the government and courts are forced to get involved.

However, instead of implementing massive redistribution plans when it came to land the administration of Fernando Henrique Cardoso decided to follow a plan that was being supported by the World Bank that focused on a market-led approach to land reform. This approach, referred to as market-led agrarian reform (MLAR) is a neoclassical approach to land reform focusing on agricultural efficiency in order to promote economic equality. Under MLAR government intervention remains at a minimum and prices can be determined by market value in order to increase efficiency and reduce the levels of rural violence. It is thought by the World Bank, as well as by the Cardoso administration and subsequently the Lula administration that would continue

using the program when he was elected, that this would be the best way to combat rural poverty in the country.

It is important to see why the World Bank was supporting the use of market-led agrarian reform in Brazil. Why did they think that this would be the best method at reducing rural poverty in the region? Why was this policy, instead of the MST's proposal at state-led redistribution program, the reform method that was implemented by the Cardoso regime? In order to understand these questions the next chapter will focus on the tenants of the market-led approach and the argument by the World Bank that it would be the best method of reform to employ in the case of Brazil. It will look at the pilot program that was first implemented in the Northeastern part of Brazil and the successes that it achieved. Also, it will see how the pilot program, along with the arguments of the World Bank, convinced the Cardoso administration to move forward with the plans to implement a country-wide market-led approach to tackle the land issue in Brazil.

CHAPTER THREE

Brazil: A Candidate for Market-Led Agrarian Reform

The history behind land reform and attempted reform in Brazil is extensive. Up until the 1990s the land reform efforts that had been used in Brazil were all state-led, and while there had been some results the land situation that was inherited by the Cardoso administration in the mid-1990s was bleak. Studies estimate that in the early 1990s there were around 2.5 million families who were potential candidates for land reform at this time, with the cost to the federal government at around \$11,000 per family that was able to be resettled (Deininger, 1999). There had been numerous attempts at reform up to this point in time, but the majority of them had been rendered as ineffective in their ability to redistribute substantial plots of land or inefficient given the amount of time that it took to expropriate property and the large sum that it was costing the federal government to resettle families on the land. When Cardoso came to power he inherited a state-led land reform program which was paid for by federal funds and managed by INCRA, the government institution for agrarian reform. INCRA was tasked with overseeing the land reform efforts in Brazil, a country such vast amounts of arable land that the task would have been daunting for an organization that had the full support of the government, which many argued that it did not.

It is not that it was difficult to see the usefulness in land reform in Brazil; a country that is known for its inequality in land distribution, but the topic was a political mine field which many politicians wanted little to do with. This was mainly because the state-led reform measures that were currently being utilized when Cardoso came to power

in 1994 were done via land expropriation allowed by a 1988 clause in the Brazilian Constitution. This clause allowed for the government to take over nonproductive farmlands greater than 15 hectares, pay for them in government bonds, and redistribute them to the landless poor. Needless to say this method was not popular among the land owners which made it difficult to have strong political support for swifter expropriation methods, not to mention the state-led reform methods were turning out to be costly for the federal government to carry out.

But the political and social landscape surrounding the land debate would not allow for inaction by the Brazilian government. When Cardoso came to power there was increased attention being paid to the land issue by both domestic and international groups. The Landless Workers Movement (MST) had been very active in the late 1980s and early 1990s at squatting on nonproductive farmlands in order to try and force the hand of the Brazilian government to expropriate the lands and redistribute them at a faster rate to the landless poor. In addition to the pressure from the MST the World Bank was starting to push developing countries to take a closer look at agrarian reform as well, as they were beginning to see it as a way to help eliminate some of the worst cases of poverty which were heavily concentrated in rural areas. However, the World Bank was pushing for a new kind of agrarian reform, which led away from a centralized state-led reform method towards a more decentralized market-led approach, to help eliminate some of the inadequacies that they saw with the state-led reforms in developing countries.

It was at this time, when all of these issues were colliding, that Brazil elected a new president: Fernando Henrique Cardoso. It would be under the Cardoso Administration that the land reform attempts in Brazil would take a dramatically different

approach, one that is still being utilized in Brazil today. This chapter will take a closer look at the market-led approach in order to gain a better understanding as to why it was chosen to help with the land concentration problem in Brazil.

Cardoso and the Modernization of Brazil

Fernando Henrique Cardoso (FHC), who became President of Brazil in 1995, may have seemed to be an unlikely candidate for the neoliberal policies that he would follow during his presidency. Many still remembered Cardoso for his dependency theory or some of his neo-Marxist writings, but this past was a dramatic break with the neoliberal policies that Cardoso would be remembered for during his presidency. Interestingly enough, Cardoso was an unlikely candidate for the neoliberal title that he would later become known for. In fact, during his years as a scholar and professor of sociology and political science he was known for his socialist and at times Marxist ideologies that he espoused in his writings and lectures. During the Brazilian military dictatorship FHC had to flee the country with his family in order to escape political persecution for his leftist ideologies. It was during this time outside of Brazil that he co-wrote one of his most famous works with Chilean social scientist Enzo Faletto, *Dependency and Development in Latin America* (1979), which gained international notoriety and earned Cardoso's the nickname "the father of dependency theory."

Petras and Veltmeyer argue that Cardoso's academic past may be the least relevant part to understanding how he would rule Brazil under his presidency. Instead they believe that the most relevant issue lies in understanding "Cardoso's long-standing ties to the Ford Foundation and the international academic world, both of which were closely linked to U.S. corporate power and Washington" (10). They go on to say that

Cardoso and Faletto's *Dependency and Development in Latin America* (1979) argued that "associated dependency," which was described in their book as the link between developing countries and large corporations based in the developed world, could actually be an important route to development in the region. It is the belief in the importance of the international financial community, such as the global financial institutions and the large corporations in the U.S. and Europe, which are fundamental to understanding the policies that Cardoso would choose to follow when he became president of Brazil in 1995. This belief, Petras and Veltmeyer argue, has been held by Cardoso ever since he was a young academic.

Before Cardoso won the presidency he was widely known in Brazil, as well as within the international financial community, for his work as the Minister of Finance when he successfully introduced the Plano Real to the country in order to stabilize the currency. Inside the country, many Brazilians credited him as being the mastermind behind taming the massive inflation problem that Brazil, like many other Latin American countries at the time, was experiencing during the early 1990s. It was this feat which earned him notoriety with the Brazilian people and started the neoliberal free-market policies which he would become internationally known for during his years serving as the 34th president of Brazil. This move was widely recognized for its successes in stabilizing the Brazilian economy while still leaving it open to foreign direct investment and outward development instead of taking the path of protectionism and nationalization. Many believe that this move helped convince many skeptics in the international financial community that he would be a candidate that would stand up for the interests of international development and globalization and also gave the majority of the Brazilian

people the confidence that they needed in a candidate to know that he would be able to give the country the financial stability that it was in such need of (Petras and Veltmeyer, 11).

These ties to the international financial community, especially institutions such as the IMF and the World Bank, would become even more important after Cardoso became president and started to layout his neoliberal political framework for the Brazilian economy. This framework, which would include policies of liberalization and privatization, would be used throughout his political agenda. This chapter however will focus specifically on how Cardoso's neoliberal agenda came into play with the adoption of Market-Led Agrarian Reform (MLAR), a World Bank prescription, in order to help solve the land crisis that Brazil continued to face during this time. Cardoso's neoliberal agenda would be of particular importance in the belief that the government should take a more hands-off and decentralized approach in some areas of the economy, which is exactly what MLAR was designed for.

It is important to remember that Brazil was currently undergoing a state-led approach to agrarian reform when Cardoso became president. When Cardoso first become president he moved forward with appointing a Minister of Agrarian Reform, a position that was not in existence before the Cardoso Administration. This move sent a strong signal to many in Brazil that Cardoso was more interested in dealing with the land issue than past presidents. In addition to this he considerably increased the land reform budget, which went from US \$0.4 billion in 1994 to around US \$1.3 billion in 1995 and a proposed budget of \$2.6 billion in 1997 (Deininger, 1997). The funding at the time was going towards the state-led agrarian reform process that was being overseen by INCRA, a

federal organization in charge of the state-led reform process but at the same time he was closely watching the development of a new pilot program in the north of the country that was trying out a new form of agrarian reform at the time.

It was during the end of Cardoso's first term and into his second that his Minister of Agrarian Reform received the initial results of this pilot project, which took place in five northern states, and utilized the market-led reform method as their main way to reform the land redistribution process. The funds for this pilot program were paid for with a loan from the World Bank and approved by the federal government, under Cardoso, in Loan Agreement 4147-BR (Sauer, 180). It was this market-based program that would eventually be expanded to the majority of the Brazilian States under the Cardoso Administration, which signaled one of the biggest breaks from the traditional state-led agrarian reform process in the past. In order to understand why the Cardoso government felt MLAR was the most appropriate method to solve the land situation it is first important to understand the political landscape surrounding the land debate, both in terms of actors as well as political and economic factors.

The Social Landscape: Poverty in Rural Brazil

The stabilization plan that Cardoso masterminded helped lay the groundwork for the high rate of overall economic growth for the country. This growth can start being seen in the early part of 1994:

The rate of growth of the economy, which was already substantial in the first two quarters prior to the introduction of the Real averaging 4.3% per year in the first half of 1994, rose to a yearly average of 5.1% in the second half of 1994, 7.3% in March 1995, 7.8% in June 1995 and 6.5% in September 1995. [...] The rate of investment which had been low for over a decade picked up. For all of 1994 it amounted to 16.3% of GDP, dropping to 16% in March but then rising to 16.7% in June 1995 and 16.8% in September. - From the second quarter of 1994 to the

second quarter of 1995, consumption rose by 16.3%. Rising sales reflected mainly the purchasing power of lower income groups whose real incomes rose by the fact that their monthly losses from quasi hyperinflation had disappeared. In addition, as nominal salaries were also rising in the second half of 1994, real salaries were 18.9% higher in the first two months of 1995 than a year earlier (Amman, 2000).

As a result of the growth and macroeconomic stability that was brought on by the Real Plan, there were overall declines in poverty and income inequality in the country. “Over this period, per capita labor income increased by roughly 30 percent for the lowest four declines of the income distribution, while the top’s declines income grew by only 10 percent. The strong income growth of the poorest groups is reflected in a drop in the percentage of Brazilians in these areas living below the poverty line, from a peak of 42 percent in July 1994 to 27 percent in December 1995” (Rocha, 1996 as see in Clements, 1997). However, despite the fact that Brazil was experiencing economic growth and a decrease in the income distribution gap, there was still an alarmingly high level of inequality in the country, which had a Gini ratio of around 0.60 (Clements, 1997). In addition, it was estimated that slightly over 20 percent of the Brazilian population at this time were below the poverty line (Clements, 1997). When taking a close look at Brazilian poverty levels it was consistently the rural population that had the most striking numbers. While reports show slightly varying statistics on poverty concentration during this time they all point to the fact that rural poverty, in terms of overall numbers, was one of the main areas that needed to be addressed if the overall problem of income inequality and poverty were to be adequately countered during the Cardoso Administration.

One such report released by the World Bank had statistics showing the levels of rural poverty stating that: “the bulk of the total estimated poor in the rural NE and SE, 83.6% (about 6.7 million people) and 90.3% (about 1.6 million people) respectively, are found to be farm households located in remote, isolated sparsely populated and low

productivity areas, for whom income from farming and agricultural labor represents approximately 70% of their total household income” (World Bank, 2001 pg. ii). The main issue that the report tried to highlight, and indeed the most pressing problem, doesn’t necessarily lie in the overall number of people that are affected by rural poverty but rather the concentration of poverty in these rural areas. By finding an adequate solution to address poverty concentration in the rural areas Cardoso would be able to help find a way in which to significantly, and sustainably, lower the overall levels of poverty in the country.

Cardoso initially thought that the Plano Real and the stabilization of the Brazilian currency would help to curb the majority of the problems that the poor were facing during this time. Without a doubt finding a solution to the hyperinflation problems that the country faced during the early 1990s was an enormous help to the nation’s citizens, particularly those that were already living precariously close to the edge. As such, there was not any kind of strong push for a heavy social agenda during the early years of the Cardoso Administration. “At the beginning, the Cardoso government relied on a program of price stabilization (Plano Real) rather than any specific social policy for spreading the social benefits and improving the living conditions of the poor” (Petras and Veltmeyer, 51). This hands-off approach that the Cardoso government initially took to the poverty issue in Brazil falls in line with the neoliberal framework that Cardoso had been trying to follow from the beginning of his presidency in which the government would take a more backseat approach when it came to certain social and economic issues.

However, during the first Cardoso term it became increasingly evident that the issue of rural poverty was not going to be able to right itself without some kind of

additional assistance. The normal state-led approaches to land-reform, which focused on the expropriation of land, were still being used and overseen by the INCRA, a government organization. But the process was lengthy, taking years in some cases for a land transaction to take place. Additionally, during this time there was an increasing amount of literature, coming from both sides of the political spectrum, which argued that the incidence of rural poverty was tied up with the historically unequal land distribution in Brazil. Reports coming from both the World Bank which supported MLAR as well as reports coming from the MST which opposed such a move stated that the inequalities between the Brazilian *minifundia* and *latifundia* were of primary concern when it came to the ability of the Cardoso Administration to combat rural poverty.

“According to the 1996 census data, there are a total of 4.8 million farms in the country, covering 353.6 million hectares. Of the total number of farms 89.1 percent are *minifundia* (smaller than one fiscal module, the minimum deemed necessary to support a family) and farms under 100 hectares, yet these only account for 20 percent of the land area. At the other extreme of the land-holding structure, large holdings (over 1,000 hectares) account for 1 percent of the total number of farms and 45 percent of the farmland area. These large landholdings make up a sector that includes over 35,000 farms classified as unproductive *latifundia*, covering a total land area of 166 million hectares” (Sauer, 179).

The major concern with these numbers was the percentage of families that lived on farms that were below or barely hitting subsistence levels when it came to farm production. When you contrast this number with the large volume of *latifundia* land, which is deemed as unproductive or unutilized land, it makes a compelling case for land redistribution for the country.

This call for land redistribution was not just being made by the Landless Workers Movement (MST), which will be discussed in greater depth below, but it was also starting to be made by the World Bank who had begun to make the case for agrarian reform as a means to poverty alleviation in rural areas. While both of these actors had

diametrically opposed ideas for the actual method of redistribution they wanted the country to follow they both cited similar motives behind agrarian reform as the need to eradicate rural poverty in Brazil. In addition, both of these actors were starting to make increased calls for the government to become more active in the land reform process. The MST wanted to see the Cardoso government start expropriating more lands at a greater pace and the World Bank was advocating a move away from the state-led approach which focused on expropriation and instead supported a more decentralized method that made the market the main method of redistributive measures.

The Political Landscape: The Backlash Against State-Led Land Reform

During the time that Cardoso came to power there was an increasing amount of literature that was warning against the methods of state-led land reform (Deininger, 1995; Binswanger and Deininger, 1997; Binswanger and Deininger, 1999). This literature came upon a resurgent wave of interest being given to the rural sectors of developing countries which was starting to be seen as a key component towards the overall achievement of political and economic stability in the developing world. Much of this literature was provided by the World Bank itself, who started to take a specific interest in agrarian reform as a means to alleviate rural poverty in developing countries. The main criticisms that the World Bank and other like-minded authors raised with the state-led approach is that it has been mainly reactionary in its efforts to redistribute land (Deininger and Binswanger, 1999). By this they meant that developing countries would often agree to some type of redistributive program in response to an internal uprising, often led by the rural poor, in attempts to quell a political overthrow. However the World

Bank has argued that this has historically led to inefficient and ineffective models of reform.

In addition to many state-led land reform policies being reactionary in nature there are arguments that the state-led approach is also supply-driven in nature. In other words the state-led approach starts by first looking at lands to expropriate or by finding landless who need land, but in focusing so intently on land redistribution such policies ultimately fail to capture the larger picture of land fitting into a sustainable agrarian development program for the rural areas. As such, it is argued that the supply-driven nature of the state-led approach:

“...starts either by first identifying lands for expropriation and then looks for possible peasant beneficiaries, or by first identifying potential peasant beneficiaries and then seeking lands to be expropriated. This leads to heightened economic inefficiency (...) and relies heavily on the central state and its huge bureaucracy for implementation through top-down methods that fail to capture the diversity between and within local communities and are unable to respond quickly to the actual needs at the local villages” (Borras Jr., 103).

With this argument, proponents of the market-led approach argue that state-led agrarian reform concentrates too heavily on the land distribution aspect instead of seeing the larger picture when it comes to agrarian reform. With this critique the World Bank and other supporters of market-led reform argue that a program that was more concerned with helping the overall aspects of agrarian development will be much more likely to eventually lead to a sustainable system of rural development.

Other literature argues that state-led agrarian reform policies have actually encouraged a system of unclear or unsecure property rights which has led to the increase in inefficient land use. In the case of Brazil, it has been argued by proponents of the MLAR model that state-led land redistribution policies have led to inefficient land use because farmers of large landed estates worried about proving to census takers that their

lands are being used in a productive manner and patrolling their grounds to ensure that landless squatters are not taking up on their property. The need for a clear set of property rights is not only important in Brazil, and has been argued that it is of fundamental importance for developing countries from a fiscal standpoint since the lack of such rights deters banks from investing in the rural areas which so desperately need it. (Borras Jr., 102).

Given the inefficiencies that have been historically shown in the state-led land reform approach, the World Bank has argued that the state needs to implement a type of reform that would maximize efficiency while at the same time removing many of the political barriers that are associated with land reform. By putting the market at the center of the redistribute land measures it ensures that the government remains primarily removed from the process, thus helping to reduce the distortions in the land markets and eliminate many of the inefficiencies of the state-led approach to reform. Critics of the state-led approach argue that by putting the responsibility of land redistribution in the hands of willing-buyers and willing-sellers the market-led approach helps reduce the economic and political costs that are often associated with land redistribution efforts and can more easily be integrated into a comprehensive rural development program.

The Main Actors in Brazil's Land Reform

While the social and political landscape surrounding land reform helped to shape the decision of the Cardoso government to use the market-led approach to agrarian reform, the political actors that were involved in the land debate also factored into the decision. Many organizations played important factors in the Brazilian land debate during this time however, the two which arguably had most visible influence on the

Cardoso government, helping to push his administration into action when it came to the land debate, were the Landless Workers Movement (MST) and the World Bank. As I mentioned before, both organizations had very different opinions about what method of reform the Cardoso Administration should choose when it came to the land debate. The MST argued, and continues to argue to this day, that the state needs to take a more active role in carrying out the clause in the 1988 Brazilian Constitution regarding land reform which states that unproductive land should be expropriated in order to fulfill its social function.

The World Bank and their supported program of market-led agrarian reform on the other hand argues that the market, not the state, needs to be at the center of any redistributive measures thereby removing economic inefficiencies and reducing political and economic costs to the state. Even though the MST and the World Bank have different ideas about the method of reform that they wanted to see Cardoso utilize they both agreed that agrarian reform was the best means to alleviate the high levels of poverty in rural Brazil. It is important to take a closer look at the MST and the World Bank in order to see the role they played in Cardoso's decision to try a pilot market-led agrarian program up in the north and ultimately to expand this program to the rest of Brazil.

The MST: The *Movimento dos Trabalhadores Rurais Sem Terra* (MST), or Landless Workers Movement as they are often referred to, is one of the most vocal actors in the struggle for land rights in Brazil. The organization's contribution to the land struggle is not only relevant because of their large number of participants, which ranges around 1.5 million, but also due to their ability to remain organized in 23 of the 26

Brazilian states and maintain a unified front and consistent message about their demands for land reform in the country. In sheer numbers the MST is thought to be one of the largest social movements of its kind in the world which has made it a strong political opponent in the debate over land rights in Brazil. Through their ability to hold community forums, organize land occupations and camps, and carryout several massive demonstrations that have taken them across the Brazilian countryside and into the Brazilian capital they have arguably remained the most relevant and vocal opponent to the neoliberal policies surrounding land reform.

The MST process (in an extremely simplified version) starts with the decision to occupy a piece of land which the organization has determined as “unproductive” and continues on into the settlement phase where the families actually maintain and work the farms on the land. The entire process can take years to complete, in part due to the complexities of the judicial system in Brazil, but also due to the fact that many the occupations face violent backlashes from the farmers whose land has been occupied and the MST members are often forced off the land which they are trying to occupy. Even if a case is brought to the courts it is not guaranteed that the ruling will be in favor of the MST participants. They are trying to force the Brazilian government to recognize a clause in the 1988 Constitution which stated that unproductive pieces of land greater than 15 hectares in size could be expropriated in order to fulfill their social function.

It is the MST’s argument that the Brazilian government, and not a member of the international financial community such as the World Bank, should be heading up the reform process when it comes to land. By the time that Cardoso came to government the Landless Workers Movement had already been heavily involved in organizing and

carrying out the land occupations. They started to steadily increase these occupations throughout the 1990s in order to push the government into action. “Land occupations [went] from 119 in 1990 to 505 in 1999, [resulting in a] a total of 2,210 occupations in nine years” (Martins, 269). The MST and the occupations were starting to generate increased domestic and international press attention, many of which focused on the violent backlash from the landowners who had their land occupied. The increased media attention that was surrounding the MST actions started to put pressure on the Cardoso government to make a move when it came to land reform.

World Bank: The World Bank offered Brazil an alternate path to land reform than the highly coercive nature of forced occupations which the MST was carrying out during this time. As mentioned earlier, the World Bank had started to take an increased interest in finding a solution to the problem of rural poverty in developing countries. It had revised its own ideas from their 1975 Land Policies paper which looked at land reform in primarily economic development lens, and instead started focusing on agrarian reform as a means to alleviate the occurrence of rural poverty in developing countries. As such, the World Bank started to produce a growing amount of literature which looked at rural land markets and past attempts at the state-led approach to reform. They also focused on ways to move forward from the state-led approach which might be more sustainable and effective when it came to poverty alleviation.

The literature pointed out the inadequate nature of the past attempts in Brazil, and in other developing countries, at enacting meaningful state-led land reform. By looking at ways that it reform was done wrong in the past they developed a market-led approach that was non-coercive in nature and would take place between willing sellers and willing

buyers thereby reducing the role of the state in the land markets. Having a functioning land market, free of government distortions, is an important key to the market-led approach. “The proponents of market-assisted land reform contend that land reform cannot be complete if a functioning land market is nonexistent, and a fully functioning competitive land market may make an expropriative land reform program unnecessary” (Mitchell, 2). In other words, the World Bank became a proponent of the idea that if you can restore a functioning land market in a developing country then this will be an important key towards ensuring that a more equitable redistribution of land can occur in a non-coercive and non-violent manner.

It is important to understand the fundamental tenants of the market-led agrarian reform process, including the actors that are involved in the amount of government intervention as well as the specific goals that the market-led approach aims to achieve. However, in it is first necessary to understand why the market-led program was adopted in the country in the first place. The adoption of MLAR can be attributed to the social and political landscape during the time, combined with the increasing occupations by the MST and the alternative route to land reform offered by the World Bank, all of which came together during Cardoso’s Administration. Socially the country was facing a continued crisis of poverty, which was concentrated in the rural farming areas of the country. Politically, the land reform debate was a political mine field, guaranteed to attract political opposition if it came to massive state-led redistribution efforts.

In addition there was increasing literature being produced which claimed that the state-led approach to land reform was inefficient at best and at the very least produced long-lasting distortions in the land market. This came around the same time that five of

the northern states in Brazil became the testing area for a pilot program which attempted the market-led approach in their region. The states that decided to take on the pilot program Ceará, Maranhão, Pernambuco, Bahia, and northern Minas Gerais, were some of the states that were the most effected by rural poverty (Sauer, 180). As such, the progress of this pilot program was being carefully watched during the early years of the Cardoso Administration. If it was successful at meeting its goals then it would be a program that could possibly be implemented nation-wide.

The social and political landscape surrounding land reform at the times that Cardoso took over the presidency was becoming increasingly intensified. The state-led approach was costly, both in economic and political terms, in addition to the fact that the entire process sometimes took years to complete. As such, there was increasing pressure by the Cardoso government to do something about the current land reform, not just because of the concentrated levels of poverty in the rural areas but also because of the growing number of land occupations that were being carried out by the Landless Workers Movement, which were starting to provoke more violent resistance from the landed elite as well as attract international attention.

The World Bank offered Cardoso a viable alternative, and one that was politically aligned with his neoliberal agenda. In this alternative reform method the markets, not the Brazilian federal government, would take the center stage in the land reform efforts. This would remove the Cardoso Administration from having to spend much political capital in Congress, which would have been required if he was trying to increase state-led redistributive measures, but also gave him the means to attempt some kind of reform on the countryside which was so desperately needed. In addition, the market-led land

reform had already been taken on as a pilot program in five northern states (Ceará, Maranhão, Pernambuco, Bahia, and northern Minas Gerais) (Sauer, 180). The individual states agreed to participate in the pilot project, and were specifically targeted by the World Bank because they were known for their unequal distribution in land as well as for their staggering rates of rural poverty. While the initial loan for the pilot program was done between the federal government and the World Bank, it was individually agreed to by these five states. I will explain the pilot program, referred to as the *Projeto Cédula da Terra* (PCT), in greater detail later in this chapter. First however, it is important to understand more about how the market-led agrarian reform approach is carried out in order to see how it was utilized in Brazil and why it was considered a viable alternative to the state-led approach.

Market-Led Agrarian Reform

Where critics say state-led agrarian reform failed they claim that market-led agrarian reform works. While a common critique of the state-led approach is that it is often reactionary or supply-driven they say that the market-led approach is demand-driven and will put an end to many of the inefficiencies which surround the state-led approach. “Instead of aiming to increase productivity and reduce poverty, the main goal of many [state-led] land reforms in the past has been to calm social unrest and allay political pressures by peasant organizations” (Deininger, 1999, pg. 6). In order to ensure that the rural poor are actually targeted and not just the well-connected peasant organizations that cause a political uprising, the World Bank claims that the market-led approach will be a way to reestablish functioning land markets in developing countries again and put the rural poor in a position where they can start to look out for their own

well-being with a system that encourages willing-sellers and willing-buyers when it comes to land. In addition, supporters of the market-led approach say that by using this reform method as opposed to the state-led approach will help dramatically cut state costs in the amount that they have had to spend in the past on state-led land reform measures.

The market-led program works entirely differently from the state-led program in that it does not involve land expropriations. While land seizures by the MST and expropriations were still taking place during this time, the market-led program operated on a system of negotiated land reform between the land owner and the association of landless who are wishing to acquire land. The participants, under the market-based program rules, must be poor and without enough land or means to support themselves in their current lifestyle.

The *Cédula's* target participants are made up of the landless wage earners, renters, and sharecroppers, as well as *minifundistas*, poor farmers without enough land for subsistence” (Sauer, 181.) Under the *Cédula da Terra* program there was essentially a credit line that was created which was intended for the landless farmers’ use in order to purchase land. Before any participant could enter into the program they first had to enter into an ‘association’ of farmers who would all take the loan out together, since one of the tenets of the market-led program requires that it is a community-based program. The formation of an ‘association’ is fundamental to the market-based system since it has been shown in the past that having a community helps keep families on the land and repayment rates tend to be higher when there is a community which is putting pressure on one another to pay. “Experience of land reform over many decades has shown that to avoid out-migration and keep families on their land, conditions must be created for them

to establish themselves in the area immediately after the land is acquired” (Management Response, p 20). The family associations that come together to accept the loans are generally comprised of groups of 10 families all the way up to 30 families.

After an association has been formed then the group can then decide to enter into agreement with a landowner that is willing to sell their land. Before any loan is given out, the land and the agreement must first be approved by the state technical units (STUs) to make sure that the land can be legally sold and that the rate is at the fair market price. Once the STU has given their stamp of approval then the bank issues the funds which go directly to the seller of the land who is paid in cash for the transaction. The associations are then able to receive credit, in the form of ‘grants,’ which they can use for improvements on the land which are necessary to grow crops. In the case of the market-based pilot, a mechanism was introduced by which, immediately after land acquisition, the Technical Unit calculates the amount of community investment to which each beneficiary association is entitled, plus aid in the amount of US\$1,300.00 for the cost of establishing each family” (Management Response, p 20).

If technical assistance is needed then it can also be provided by the states STU’s, but this is generally only given if it is asked for. The farmers association that was formed then decides how they want to farm the land, be it community style or individually, but they are all held liable for the loan repayments as a whole, which makes them accountable for one another. The debt that was acquired by the land purchase was initially intended to be paid off in ten years with a three year grace period. After some initial concerns about the ability of the farmers to pay off the loans in this amount of time the government extended the loans to twenty years, but maintained the three year grace

period. The loans were given long-term interest rates or around 4 percent, which was below the national average for long-term loans and was more in line with keeping up with the national inflation rate. (Sauer, 2006).

In order to understand how the market-led agrarian reform system actually works it is important to take a closer look at its main principles, the actors that are involved in making the system work, and the objectives that the market-led approach is trying to obtain. Also, we will see just how the market-led approach differs from the state-led approach in Brazil in order to have a better understanding of the differences between the reform methods. It is only by fully understanding how the market-led approach works that we can see if the program is actually meeting its goals in Brazil of peaceful land redistribution measures and sustainable rural development.

Main Principles

The World Bank has four main principles for the market-led agrarian reform process which help to form a framework around the whole project design. These principles are outlined and reiterated by authors Roumani and Coirolo in a World Bank publication for Latin America “*En Breve*” (2005) as being decentralization, a community-based approach, access to complementary investments to enhance productivity of the newly acquired land and an operational framework using innovation, pilot testing intensive evaluation and fine-tuning.

Decentralization: This process takes the responsibility of land reform away from the federal government and puts it back in the hands of the rural workers and unions. Instead of the federal government having to identify land that could be considered appropriate for expropriation the market-based approach puts the responsibility back on

the buyer. Lands are no longer expropriated, but rather they are purchased by willing-buyers from land owners (willing-sellers) in cash, not government bonds as they previously were under the state-led expropriation model. The loans which are provided to the new land-owner are long-term and low-interest making the process for them to repay as easy as possible. “Loans were initially given for 10 years with 3 years of grace at the Government long-term interest rate, later changes to confirm to complementary Law 93, i.e. 20 years with 3 years’ grace period and a 50 percent rebate on the nominal interest rate for timely payment by associations located in more difficult agro-climatic areas (i.e. semi-arid)” (Roumani and Coirolo, 2005, p. 2).

By decentralizing the land-reform process the market-led approach removes the cumbersome and lengthy process of involving the federal government and attempts to put the power back in the hands of the rural poor. While there is a shift from what is expected from the government to what is expected at the state and local levels under the market-led approach there are still some responsibilities that the market-led approach lays out for the federal government. One of them is to decrease incentives for non-productive land by raising the tax rates on them (Roumani and Coirolo, 2005). By doing this, there is more of an incentive for the land owner to sell some of his land, especially given the additional incentive that he will sell the land at market-value and receive cash for the property that he has sold. “Government’s role is reduced to providing assurance that there are no problems with the land titles, and ensuring that the price negotiated between community groups and landlords is within acceptable boundaries. [Market-led reform] projects are approached at the state level” (Deininger, 1999, pg. 23).

A Community-based approach: There is an obvious disadvantage to a sole rural farm worker, who is often less educated, trying to negotiate one-on-one with a land owner. Therefore, the market-based agrarian reform project requires that participation in the program be based on a group, not an individual, basis. As such, the market-based program requires that farmers group themselves into an organized collective or association before they can be considered for a loan. In addition, none of the farmers that are applying for the loan should have already accepted any aid or government assistance for other land reform programs in order to be considered for the program. The responsibility for choosing what participants should be considered for loans is also removed from the government under the market-based approach.

Associations of farmers that are interested in participating in the program must first meet the general requirements set forth by the program and if they meet these standards then they are eligible to apply for a loan, with loan approvals being done on a first-request basis. “The program calls for self-selection of beneficiaries. In other words, the Program does not select participants, but merely defines basic characteristics of potential beneficial and access conditions. Then those interest in getting into the Program would seek it out, being served on a first-come, first-served basis” (Filho, Buainain, Dilveria, Magalhaes, p. 8).

The objective behind making the loan process more of a community-based project was to ensure that participants had a sense of community support and greater ability to negotiate with the land owners. Also, once the land has been bought there is greater autonomy with this program as to how to use the additional loan funds will be spent on the land which has been purchased. “Beneficiaries associations have autonomy to make

decisions on how to use financial resources and specific productive strategy will follow. They have also to decide how the land will be distributed among families and how common land and individual parcels will be used. The association assumes financial obligations, which are, in fact, a mutual responsibility of its members” (Filho, Buainain, Dilveria, Magalhaes, pg. 9-10).

Access to complementary investments to enhance productivity of the newly acquired land: There are obvious additional funds that new land owners will need before they can start to turn a profit on the land and repay back their initial loans. Part of the loan process ensures additional funds are given in incremental amounts to help with these purchases of things such as technical equipment, farm supplies, and additional start-up items that are needed on a farm. Also, there is the ability to get technical assistance under the market-based approach, but this is offered on only when asked for by the new land owner. “Technical assistance is provided on a strictly demand driven basis; beneficiaries can use part of the community grant made available under a World Bank loan to contract private providers” (Deininger, 1999 pg. 23).

An Operational framework using innovation, pilot testing intensive evaluation and fine-tuning: The market-based approach was recommended for Brazil because it looked as though it could help solve some of the problems that the country was experiencing with the state-led model of land reform. Clearly some kind of land reform was needed, but the Brazilian government had not made much progress with the state-led approach, and the success that they did have was slow to come around. As such, a pilot program of the market-led agrarian reform approach was recommended and was accepted by the governors of 5 northern states in Brazil. This pilot program, the *Projeto Cédula da Terra*

(PCT), was meant to be closely studied on its ability to help alleviate rural poverty in these areas, which was the main objective of the market-based approach in Brazil. If this, and the other objectives of the market-based approach, were met then it would be recommended that the program be expanded to other states in Brazil.

Actors

The market-led approach to agrarian reform is much more decentralized than the state-led approach. However, this does not mean that there are fewer actors that are involved in the land reform process, only that there is a noticeable shift away from the centralized role of the federal government and more of an emphasis on the state and local levels for support. The World Bank's played a significant role in MLAR coming to Brazil, but there are other actors who are much more involved in the day-to-day operations of the MLAR program in Brazil. Two of the main actors which deserve to be understood in greater depth are the State Technical Units (STUs) and the National Confederation of Agricultural Workers (CONTAG). Both of these organizations play important roles in helping to ensure the market-led approach is being carried out in the intended manner.

STUs: A main group of actors under the market-led approach are the State Technical Units (STUs). The STUs are specialists in their given state, being tasked with needing to know more about the specific land quality, land titles, and agricultural capabilities of their specific state. By building up a high level of knowledge about the land in their area as well as a wealth of technical expertise they are in charge of helping execute the market-led program in their given region of the state. 'the STUs have a key role in executing the program, building on their accumulated knowledge, technical

capacity and institutional memory” [of the market-led process] (Roumani and Coirolo, pg. 2). By knowing the land the STUs are able to help the farmers associations that are interested in applying for loans in order to buy land. They are also able to assist in the land negotiation process helping to advise the farmers about the actual value of the land. In this capacity they are able to help the associations of landless farmers in the negotiating process when they are looking to acquire a loan and negotiate with land owners.

National Confederation of Agricultural Workers (CONTAG): The role that CONTAG plays in assisting with the market-led reform process is also a more decentralized then the state-led approach. CONTAG’s influence on the market-led approach is based on a state level where it helps set guidelines for the market-led program as well as on the local level where it works with the rural workers unions to explain the specifics about the program. “CONTAG’s role and influence is exercised through its State Federations (FETAG) by participating in the State Project Councils and at the municipal level, through the ubiquitous local rural workers’ unions (*sindicatos*)” (Roumani and Coirolo, pg. 2).

CONTAG helps provide the link between making the market-led approach function at the state level and making sure that the relevant information gets to the local level and the landless farmers that will need to know more about the program requirements and details. In this way, CONTAG “participates in the state councils and assists with information dissemination and land purchase negotiations” (Deininger, 1999, pg. 23). CONTAG itself was created back in the 1960s in Brazil, and represents thousands of unions and millions of rural workers throughout Brazil. It is seen as an important actor in the market-led process acting as the link between the rural workers and the program which was being operated at the state level (Childress and Munoz, 2008).

Objectives

The main objectives for MLAR are to assist with the peaceful redistribution of land, to help alleviate rural poverty, and to fit into a more comprehensive and sustainable rural development program for the country. The issue of rural poverty reduction can be seen throughout any of the literature that is provided about MLAR provided by the World Bank. “Poverty reduction has been the over-arching objective of this program since inception with explicit objectives evolving at each new stage” (“Roumani and Coirolo, pg. 3). While poverty reduction is a major goal of MLAR, it needs to be seen within the larger goal of developing a comprehensive rural development program. Attempts at poverty alleviation will not be effective without attacking the issue on multiple fronts, which is what the market-led approach claims to help with. By removing the land redistribution efforts from being a solely state-led issue to a more market-led issue then valuable state led resources and funds can then be spent on projects that are dedicated to helping with education initiatives as well as helping improve employment opportunities in the non-farm sector in which are vital to helping rural communities thrive.

In addition, MLAR aimed to fix many of the inefficiencies that are associated with the state-led reform method such as removing much of the bureaucratic red tape that is associated with government involvement as well as helping reduce the cost of land redistribution efforts under the state-led approach. Another objective was for a reduction in the levels of rural violence due to land reform. The following table shows some of the key differences between state-led and market-led approaches, and the ways in which the market-led approach overcomes many of the inefficiencies that have been associated with the state-led approach to land reform in the past.

Table 1.1. Key Features of State and Market-Led Approaches

KEY FEATURES of STATE and MARKET-LED APPROACHES Based on the pro-market explanations of how to carry out land reform in private lands		
Issues	State-Led	Market-led
GETTING ACCESS TO LAND		
Acquisition method	Coercive; cash-bonds payments at below market price, and so is opposed by landlords leading to policy 'failures'	Voluntary; 100% cash payment based on 100% market value of land, and so will not be opposed by landlords thereby increasing chances of policy success
Beneficiaries	Supply-driven; beneficiaries state-selected therefore "unfit" beneficiaries have usually been included	Demand-driven; self-selected, therefore only "fit" beneficiaries will be included in the program
Implementation method	Statist-centered; transparency and accountability = low degree	Privatized-decentralized; transparency & accountability = high degree
Pace & nature	Protracted; politically & legally contentious	Quick; politically & legally noncontentious
Land prices	Higher	Lower
Land markets	Land reform: cause of aggravates land market distortions; progressive land tax and titling program not required- all resulting in the inefficient allocation and use of land resources	Land reform: cause & effect of land market stimulations; progressive land tax & titling program required, and so will result in the efficient allocation and use of land
POST-LAND TRANSFER FARM & BENEFICIARY DEVELOPMENT		
Program sequence; pace of development & extension service	Farm development planned after land redistribution; protracted uncertain & anemic post land transfer development; extension service state-centralized = inefficient.	Farm development plans before distribution: quick, certain, & dynamic post-land transfer development; extension service privatized-decentralized = efficient
Credit and investments	Low credit supply & low investments, resulting in economic stagnation and poverty	Increased credit & investments, and will result in economic growth & therefore poverty eradication
Exit options	None	Ample
FINANCING		
Mechanism	State "universal" subsidies; sovereign guarantee; beneficiaries pay subsidized land price; "dole-out" mentality among beneficiaries = resulting in the waste of public funds and persistence of inefficient land users/producers	Flexible loan-grant mechanism; co-sharing of risks; beneficiaries shoulder full cost of land; farm development cost given via grant, and so will result in greater economic/fiscal efficiency
Cost of reform	High	Low

Copied From: Borras, Saturnino M. Jr. 2006. The Underlying Assumptions, Theory, and Practice of Neoliberal Land Policies. In *Promised Land: Competing Visions of Land Reform*, ed. Peter Rosset, Raj Patel, Michael Courville, Land Research Action Network. pp. 108-109. Food First Books.

Projeto Cédula da Terra (PCT): the World Bank Pilot Program in Brazil

Starting in 1997 the Brazilian government decided to start a pilot program of market-led agrarian reform up in five northern states: Ceará, Maranhão, Pernambuco, Bahia, and northern Minas Gerais (Sauer, 180). Although land reform efforts had been heavily centralized at the federal level, the individual states in Brazil also had an important role that they played in the decision making process when it came to land reform. In the case of the decision to use the pilot project of market-led agrarian reform the decision actually came originally from the state government of these five states, not the federal government. While federal funds at the time were being spent with the state-led approach, these five states decided to try an alternate approach to the reform process to see if the inadequacies which they saw with the state-led approach would be addressed with the market-led approach. When the program was first being tested a report was released which reviewed the new pilot program that was being attempted in this region of the country: “state governments in the Northeast have been moving ahead and set up a decentralized market assisted pilot scheme. This scheme (supported by a \$90 million external loan) aims to speed up the land reform process, reduce costs, and provide the basis for a model that could eventually be adopted nation-wide” (Deininger, 1999, pg. 22).

One of the main goals that these states were trying to achieve was to reduce some of the time and cost that was associated with the state-led expropriation process. The state-led process could take years to complete a land transfer, but the market-led approach was supposed to take a fraction of that time, so these states, who are arguably some of the most effected by rural poverty in Brazil, wanted to see if this would help

speed up the transaction time between being landless and landowners. By reducing the transaction time, and some of the land improvement measures that were being used in the state-led approach the federal government was able to reduce the price for land resettlements from US\$11,000 to \$3,000” (Deininger, 1999, pg. 22-23). In addition, the process of land transfers in the market-led system would be much less coercive and violent than the state-led model because farmers would not be forced to sell their land, but rather would be free to sell it at a market-value rate and would receive compensation for the transaction in cash, not government bonds as was the method under the state-led model. The northern states that participated in the pilot project were some of the states that had been known for violent clashes in the past between the landless and the land owners, so the new reform process was a way of trying to avoid these confrontations from occurring in the future.

In addition to generally wanting to increase the speed and efficiency as well as reduce the coercive and sometime violent nature of land transactions there were specific goals that the pilot program set for itself. The states that decided to attempt the pilot program of market-led reform wanted to see specific results, particularly when it came to the resettlement of families and their ability to access land and be able to make a profit off these lands. If this was achieved then it would show that the market-led approach to reform was not only more efficient but it was also sustainable, without being a huge drain on federal funds. If the pilot program was deemed successful in these five states then the Minister for Agrarian Reform, a position that was created under the Cardoso Administration, would consider expanding the project on a national level. The objectives that the *Cédula da Terra* pilot program set forth were to: “(1) increase the incomes of

15,000 poor rural families through improved access to land and participation in complementary, demand-driven community subprojects, (2) raise the agricultural output of lands included in the project, (3) pilot test a community-based approach to land reform, which, if successful, would enable Government to accelerate pace and reduce cost of its land reform actions” (Roumani and Coirolo, pg. 3). In order to see if these goals were being met, the pilot program called for effective oversight and monitoring of the programs results to be done by several different organizations. As such, the program was closely monitored by the University of Campinas, São Paulo (UNICAMP), along with the Ministry for Agrarian Reform under the Cardoso Administration. The World Bank also had a team of people watching the pilot program in Brazil to monitor if it was meeting the specific objectives that were set out for it.

The pilot project and the monitoring process went from 1997-2002 and the results that were presented to the states that took part in the market-led reform project from the monitoring units with UNICAMP and the World Bank were encouraging. While there are some groups that dispute the optimistic success stories from the pilot project the World Bank reports that during this time the northern states participating in the project saw significant improvement in the land reform process. It boasted that the end results of the pilot project:

“were highly encouraging, in terms of speed, cost-effectiveness, participation of beneficiaries, and sustainability. [The pilot program] benefited 15.267 million families which bought and settled on 398,732 hectares of land, acquired at a per hectare cost of about R191 (US\$183 at appraisal exchange rate, or US\$54 at closing), or at about R\$4,759 per beneficiary family. Beneficiary nominal incomes increased by an average 180% from 1998 to 2003, equivalent to a monthly per capita income of R\$122, significantly above to poverty line of R\$70” (Childress and Munoz, p. 1).

These results were taken into consideration by the Minister of Agrarian Reform and the Cardoso Administration when it came time to decide about the expansion of the program to the rest of Brazil. Given the history of the state-led land reform approach, the market-led approach seemed like a good alternative, especially with the results of the pilot program from the poverty-stricken northern region of the country. As such, the Cardoso Administration decided to expand the market-led approach to the rest of the country under the title of “The New Rural World.”

The New Rural World

It was during Cardoso’s second term in office that he decided to expand the *Cédula da Terra* project, which utilized the market-led agrarian process, to the rest of Brazil. In order to get the funding for the project Brazil entered into a second loan agreement with the World Bank. “On November 30, 2000, the board of directors of the World Bank approved the request for a second loan of approximately US\$200 million to expand Brazil’s market-oriented land reform” (Sauer, 180). With this loan the Cardoso government intended to expand the *Cédula da Terra* project from the original five northern states to fifteen states. While there would be a few changes in the expansion of the market-led program, one notable one being the easing of the loan repayment guidelines for the program participants, the market-led approach would be carried out much as it was under the pilot project in the northern region of the country.

This expansion of the market-led agrarian reform method in Brazil met resistance from some domestic groups, such as the Landless Workers Movement, as well as some international agrarian groups such as the Rural Justice Reform. These groups were highly critical of the results of the pilot program in northern Brazil and argued that the

market-based program had not been properly vetted before the Cardoso government decided to expand the program to more states. Their resistance to the additional World Bank loan can be seen in the redirection of the loan funds from initially creating a Land Bank to “establishing a Land Credit Program for Fighting Rural Poverty (also included in the law that created the Land Bank), as a continuation of the *Cédula da Terra* experience” (Sauer, 180). In the creation of the Land Credit Program the Cardoso Government was essentially expanding the use of market-led agrarian reform to a greater portion of the country. There were high hopes among the Cardoso Administration that the program would be as successful as the pilot program was reporting to be.

Conclusion

The utilization and expansion of market-led agrarian reform marked a significant change in the land reform process. The Cardoso Administration chose to make a break with the past attempts in the country at state-led reform and instead chose to take a more decentralized approach to the issue hoping that it would decrease many of the inefficiencies that were associated with earlier state-led attempts to fix the problem. The utilization of such a program goes in line with many of the neoliberal policies that were put in place during the Cardoso Administration. In fact, the initial successes that were being reported from the use of market-led agrarian reform in the pilot program were touted by the Cardoso Administration as being a new way forward in the agrarian debate. The decision for the Cardoso Administration to rely on a World Bank model of land reform needs to be seen in the context of his overall neoliberal agenda for the country. He relied on the World Bank, and other international financial institutions such as the IMF, heavily during his presidency. As such, his decision to utilize market-led agrarian

reform needs to be seen in the context of his overall neoliberal agenda during his presidency which focused on decentralization and economic growth.

Nevertheless, Cardoso showed an early interest in agrarian reform, which can be seen in his decision to greatly increase the land reform budget and create a new position of Minister of Agrarian Reform for his cabinet. The decision by the Cardoso Administration to adopt the market-led reform policies in Brazil was an example of the Administration's continued push for comprehensive agrarian reform in the country which streamlining reform with his push for neoliberal policies. The MLAR model would be a way that could help fix many of the deficiencies in the land market that occurred under the state-led approach. In fixing the land market and decentralizing the land reform efforts there would be an increase in efficiency and ability for land transactions to take place in the country.

This break with the state-led approach has hailed by some and deeply criticized by others. Some groups questioned the results from the pilot program that was carried out in the north. Were that many families actually helped by the market-led approach? How were these families doing at the loan repayment process? Was there enough time between the pilot program and the acceptance of a second loan to expand the program to a greater portion of Brazil to actually evaluate the successes or failures of the program? In addition, how did MLAR fit into the wider concept of a comprehensive and sustainable rural development program for the country?

In order to look more closely at these questions Chapter Four will take a critical look into the actual results of the pilot program as well as the MLAR program under the *New Rural World* started by the Cardoso Administration. It will evaluate these market-

led agrarian programs based off of the objectives which were originally set out for them; mainly on their ability to redistribute land at a faster pace than under the state-led initiatives as well as their ability to do so in a more peaceful manner than what had previously been seen with land expropriations. In addition, it will take a critical look at how, or if, the MLAR approach has been able to fit into the larger role of a comprehensive rural development program aimed at alleviating rural poverty issues in the country.

CHAPTER FOUR

Assessing the Market-Led Agrarian Reform Program in Brazil

The Cardoso Administration brought with it a new era to Brazilian politics. Under the banner of the Social Democratic Party he was able to usher in a new set of neoliberal reforms that would ultimately change the direction of many Brazilian governmental institutions. One of his most striking reforms can be seen in his willingness to take on the land reform issue, an issue that many Brazilian politicians wanted little to do with. In many ways, as Chapter Three pointed out, the land reform problem in Brazil was something which could simply no longer be ignored. Due to the pressures from the MST and their increasing boldness when it came to land occupations, the public's attention was being increasingly drawn to the subject given the media's fascination with the movement. This spotlight on Brazil's land reform problem put pressure on the Cardoso Administration to find a solution which would quell the rural violence being brought on by the land occupations as well as appease the rural landless who were growing increasingly angry at the drawn-out efforts by the state to help them find land.

The increasing need for more aggressive efforts by the Brazilian government to help with the land reform issue presented a problem for the Cardoso government however. Engaging in massive land redistribution efforts was not an option if he wanted to push through his neoliberal agenda in the areas of finance and trade; policies which were more in line with what he was wanting to see for the country during his term. In

addition, the message large land expropriations in Brazil would send to international investors would have made his larger goals of economic reform and increased foreign investment in the country nearly impossible.

Cardoso could always have chosen to continue on the path of land reform that had been pursued in the past; a state-led approach being managed by the government-run INCRA, a department in charge of agrarian reform. However, this path was being heavily criticized for its inability to settle landless farmers in a reasonable amount of time. This was due, in large part, to miles of bureaucratic red tape that INCRA had to jump through in order to expropriate lands that were deemed eligible under the 1988 Brazilian Constitution. Furthermore, a continuation of the state-led approach to land reform, as it was when the program was inherited by Cardoso, wouldn't have been able to send the signal to the Brazilian people and the international community that his Administration was ready to tackle the land problem and help find a solution to the increasingly dire situation in the countryside.

This put Cardoso in an interesting situation when it came to land reform: it would be nearly impossible for him to ignore the problem given the media attention it had garnered, yet continuing on the current path to land reform no longer seemed a viable solution either. Moving forward with land reform via expropriation would be politically risky due to the almost certain anger he would receive from the Brazilian land owners as well as the high risk of such policies scaring the international financial community from investing in the country. It appears that one of the ways that the Cardoso government decided to tackle the problem is by first regaining control of the political debate when it came to land reform. The MST had been attracting a lot of media attention to their cause,

via land occupations or non-violent marches that took thousands of landless participants to the streets of the capital demanding to be heard. While the Cardoso government seemed hesitant to meet with the MST in person there was an increase of literature being put out by the government mentioning the need for land reform where Cardoso himself stated that the land problem is not just an economic one, but a social and moral one as well (Cardoso, 1997). By starting to regain control over the dialogue of land reform, or at least shift the debate away from the MST focus, the Cardoso government showed that it was not just going to sit idle when it came to the land reform debate.

It was around this time that the World Bank started taking notice of the land situation in Brazil, in many ways due to the international attention that the MST was receiving from their land occupations (Harbury, 1999). It was thought by the World Bank, and later by the Cardoso government, that the market-led approach to land reform would be a good candidate to help Brazil with many of the issues that they were facing in the countryside with the MST land occupations as well as with the complaints that the state-led approach was receiving regarding the time-intensive nature of the current land reform process. While the program was initially started out as a pilot program in five of the northern Brazilian states that were known for their high levels of rural poverty, the program was quickly expanded after the first initial results of the pilot program came back with moderately positive results.

The rapid pace that the Cardoso government pressed for additional loans from the World Bank in order to expand the market-led reform efforts met heavy criticism by certain NGOs and other land reform groups that were paying close attention to the land reform efforts in Brazil. They claimed that the pilot program had not had time to be

properly vetted before it was approved and expanded to become a country-wide solution to land reform. After all, as many of the critics pointed out, many of the landless farmers that had been granted loans under the market-led program had not even had to start repaying these loan requirements back by the time that the program expansion was approved; so how could the market-led approach be seen as successful when the loan repayment rate was still unknown?

It has been almost ten years since the initial market-led pilot program was initiated in northern Brazil and over seven years since the program has expanded to other states in the country. Given the highly political nature surrounding land reform, the evaluations of how market-led agrarian reform has performed in Brazil also have strong political biases in them. Government reports covering the pilot program as well as the expanded market-led program in Brazil paint a much rosier picture than what can be seen in papers that are coming from the MST or other like-minded land groups. To be sure, part of the reason that groups can be so biased in their results is the fact that information regarding rural poverty rates in some regions of Brazil are much more difficult to obtain. Limited information from these regions has allowed for more biased reports to be published over the actual results of the program.

Nevertheless, it is important to try and understand the impacts that such a program, given the dramatic shift in the nature of the market-led approach from the state-led approach, has effected in the Brazilian countryside. In order to do this, there is a brief look at both the government's position on market-led land reform as well as the MST's since they are the two main actors in the land debate in Brazil. Next, there is an overview of the market-led objectives and what the Cardoso government hoped that the program

could achieve in Brazil. Since the Cardoso government adopted the market-based approach based on these stated objectives this paper will evaluate it based on its ability to achieve these stated goals for the countryside. This chapter will then look at the results of the program, based off the objectives that were initially set out for it to accomplish, seeing what has been achieved since its adoption. Finally, this paper will also look at where the debate is now when it comes to land reforms, including some of the ways that the process has evolved in Brazil to better meet the needs of the landless farmers.

Market-Led Agrarian Reform: Its Greatest Supporters; Its Harshes Critics

The use of market-led agrarian reform in Brazil, much like any discussion of land reform options in the country, has been a controversial subject which has had both its avid supporters as well as its vocal critics. Before being able to fully understand the results of the market-based land reform project in Brazil it is first necessary to understand just how polarized the issue has been the country. Land reform is an incredibly political issue in Brazil, as shown by looking at the history of land in the country. As such, the different methods of reform have had both its supporters as well as its critics. As such, material regarding land reform in the country is often politically charged or biased in its critique of the effectiveness of reform attempts and objectives. Therefore it is important to understand the two main players when it comes to the debate over the adoption of market-based land reform in Brazil.

MLAR: Its Supporters

One of the biggest supporters of MLAR in Brazil has been the Cardoso government, which pursued an active media campaign to try and show some of the

programs successes to both the Brazilian people as well as the international press. One of the reasons that the Cardoso administration felt that land reform was such an important issue to tackle was due to the media attention given to the MST which created a situation where the government had to act. As such, Cardoso was not only tasked with coming up with a viable solution to the land problem in the country but also finding a way to turn the media attention away from the MST and land occupations and onto the land programs that he was promoting.

As part of this effort, Cardoso launched a media campaign that sought to hit the right balance between restating the importance of land reform on the countryside while at the same time easing the anxieties of the wealthy land owners and right wing politicians who didn't want to see land reform which centered on land expropriation policies. As such, Cardoso and his administration played a central role in selling the new market-led approach to the Brazilian people, marketing it not only as a solution that everyone could live with, but also one that would produce the results necessary to alleviate rural poverty in the countryside.

This media campaign by the Cardoso administration started midway through his first term when he started to release a number of pamphlets and reports regarding the status of land reform in the country. In one such pamphlet: "*Reforma Agrária: Compromisso de Todos*," (1997) Cardoso refers to the land problem in Brazil as a social and moral obligation that all Brazilians, government included, have a responsibility to try and resolve for the betterment of the country. In the same pamphlet Cardoso lays out statistics about the amount of land in Brazil, and puts the number of rural families which were considered landless at the time around 4.8 million (pg. 38). Admitting such a

shocking number of landless families in a government pamphlet was a way for the Cardoso administration to set the precedent for his government to take a more active role in the land reform debate.

The more active role that the Cardoso administration would take in land reform can be seen in its adoption of the market-led approach to land reform and its break away from the state-led approach. The media campaign surrounding land reform which Cardoso had laid out continued when it was decided that the government would expand the market-led pilot program from the northern states to the rest of the country. As such, there are many documents that have been released from both the Cardoso administration as well as the World Bank that point to the particular successes that the market-led approach has had in Brazil and the reasons that it was expanded to a more country-wide program. However, these government and World Bank documents paint a far rosier picture than what the MST claim is the real story behind the market-led agrarian reform objectives.

MLAR: The Critics

The MST, or Landless Workers Movement, has been one of the harshest critics of the market-based land reform process in Brazil. While both the Cardoso administration with the market-based land reform, and the MST who supports a more state-led approach to land reform, have similar goals in wanting to settle more landless farmers and combat rural poverty they have very different views on how to combat the problem as it stands in Brazil. The MST has been successful at maintaining a unified front against the market-based approach to land reform in part due to its incredible ability to adapt to the changing political and social environment around them.

In the years since its inception (formally organized in 1984 as the combination of several land reform groups) the MST has utilized various tactics outside of the land occupations that they are most commonly known for, to bring the debate surrounding land reform into the center ring. Throughout that time they have refocused their struggle in ways which have shown the organization's strength and ability to adapt to the changing climate regarding land reform. As a result, they have been extremely successful at widening the movement's scope and purpose. While the MST was founded initially on the struggle to get the government to redistribute land they have been able to expand their scope to pushing for additional credit access, educational funding, and technical assistance.

The MST, and especially the land occupations and encampments, have had amazing success at drawing attention to the land issue in Brazil. While the MST is not the first group to challenge the legality of land distribution in Brazil, they certainly have been one of the most successful at using law to help them with their social cause. Perhaps one of the most important legal claims that the MST makes refers back to the 1988 Civilian Constitution which brought into question the idea of 'productive' property versus non-productive property. Interestingly enough, the clause in the 1988 Constitution referring to 'productive property' was actually meant to be an obstacle to land redistribution. It was stated in the 1988 Brazilian Constitution that productive lands were not to be considered for expropriation; however it left task of defining what was considered as productive and what was constituted as non-productive land up to individual laws. "As one senior judge from São Paulo put it:

“imagine out there...someone who has a vast holding of land. He puts a few cows there. Is it productive or isn't it? And what are the criteria for defining this? From there you can string out a discussion for a long time. Technically, is there a means of lancing the boil or not. There is an infinitude of appeal mechanisms...With the Brazilian judiciary, if you have an able lawyer you can almost eternalize the discussion: it never ends!” (Meszaros, 525).

The Brazilian judicial system is infamous for its ability to create red tape and slow the process of any meaningful reform down to an almost halt. The language which outlines the possibility of land reform in the 1988 Constitution seems to be counting on the fact that it could be disputed in the court of law and the process itself would prevent reform from coming about. Chapter III of the Constitution, which specifically outlines agrarian reform, was one of the most fought-over areas of the new Constitution and it is rumored that an agreement was almost not reached. It is also one of the areas in the Constitution that you can clearly see the different political forces at play.

“It makes grand gestures on the one hand, opening real possibilities of change, and then proceeds to undermine these with a gamut of qualifications on the other. Thus, for example, it affirms the power of the Union to ‘expropriate on account of social interest, for purposes of agrarian reform, the (*sic*) rural property which is not performing its social function, and then proceeds to erect formidable technical obstacles by emphasizing not only that compensation should be ‘prior and fair’, and that expropriation of ‘productive property’ is ‘not permitted’, but that discussion of productivity indices should be reserved for a later date” (Meszaros, 525).

By using the judicial branch as an obstacle to land reform, the landed-elite or those opposed to land reform hoped to create enough bureaucratic red tape to prevent actual reform from happening in the country. However, the MST was not prepared to wait around for reform this time. Given the history of land reform in Brazil, which spans over hundreds of years starting with the *sesmaria* laws in the mid 1500s and continuing on without any kind of substantive change in the 1980s they wanted to take the land debate in a different direction. They look at the 1988 Constitution seeing the call to have

land perform its 'social function' and use this to back up their case that their land occupations are not only necessary in forcing the government into action when it comes to the land debate but also that they are constitutional.

While the MST is associated with its success at controlling the dialogue surrounding the land debate in Brazil, it is also known for being one of the loudest objectors to the neoliberal economic models which were adopted by the Cardoso Administration. Their ability to organize themselves in such a way as to present an obstacle to neoliberalism in the country is a political feat in itself. The MST in many ways sees the market-led model as a direct affront to what they were trying to accomplish in the countryside, which they describe as searching for a 'classical' agrarian reform in terms of establishing a more just land distribution coupled with strengthening the Brazilian internal market and creating a more equitable income distribution. The fact that the MST pits themselves against neoliberalism puts them directly at odds with the market-led agrarian reform process.

The root of the problem lies within the question of community-ownership over land versus the privatization of land and individual ownership. The MST ideal argues that land needs to be seen in terms of an overall social and community good, while the market-led approach seeks to give individuals and families the ability to own a piece of land in order to be able to obtain credit and help pull themselves out of poverty. As such, the MST does not agree with the overall goals of MLAR as they are based on the ideas of decentralization and individual land ownership. The MST on the other hand has been fighting for a major government overhaul of the way that Brazil views land, arguing

instead that the land needs to be used for the betterment of the overall social good instead of trying to exploit the land and earn a profit off of it.

In the end, the debate for appropriate land reform in Brazil centered on the Cardoso Administration with their support for the market-led approach and the objections by the MST for a more state-centered approach that revolved around land expropriation as based in the 1988 Constitution. Both sides were pushing for similar objectives such as poverty alleviation and a more egalitarian distribution of land in the countryside, but they had a disagreement about the way to go about achieving these objectives. Although the MST has a strong ability to organize and is a political force in the sense that they have a large amount of participants and an ability to attract media attention, the Cardoso Administration still chose to go in a different direction than what the MST preferred when it came to land reform. It was the Administration's argument that the market-based approach would more effectively improve the problem of land distribution in the countryside and would more adequately meet the needs of the rural poor. More importantly, it was a new direction for land reform in Brazil, which had not been able to adequately meet its goals under the state-led approach. As such, it is important now to see how the market-led approach, which has been utilized in Brazil now for almost ten years, has been able to meet their intended objectives when it comes to land reform.

An Overview of the Market-Led Reform Objectives

In order to be able to critically evaluate the market-based approach it is first important to have a firm understanding of the programs objectives when it came to the Brazilian countryside. Overall, there were four main objectives that the program had set out that made it particularly appealing to be used in Brazil. These objectives were:

reducing inefficiencies from the state-led approach and cutting down on the transaction time between being landless to being a land owner, reducing the amount of rural violence when it came to land redistribution efforts, poverty alleviation in the countryside, and contributing to a more comprehensive and sustainable rural development program for the country. In order to see why these were considered the main objectives for Brazil, I will cover each objective in more detail. It is important to note that these objectives were set forth by the World Bank and the Brazilian government under the Cardoso Administration. The MST, who pits themselves against the neoliberal approach to land reform, would not agree on this set of objectives in which to critically evaluate land reform. This disagreement between the MST and the market-based objectives will be discussed later in this paper. First, we will review the objectives that were laid out for the market-led approach:

Reducing Inefficiencies and Transaction Time:

One of the main goals of the market-led approach was aimed at reducing many of the inefficiencies that the state-led approach was known for. This can be seen in two fronts. The first is the massive amounts of money that the Brazilian government was throwing at the land issue under the state-led approach. Between finding land that could be considered for expropriation and then going through the process of identifying families for settlement the government was spending money that could otherwise be saved under the market-led approach which, by-and-large, cuts out these steps and places the responsibility in the hands of the market with the willing-buyer/willing-seller principles.

In addition to reducing some of the major funding inefficiencies of the state-led approach there was also a general need to speed up the transaction time between being landless to being landowners. A major problem that was often brought up when speaking about state-led land reform in the country was the amount of time that it took in order to see any actual results. Due in many cases to bureaucratic red tape, land reform under the state-led program was drawn-out and incredibly time-intensive which was frustrating for landless farmers that were waiting to be settled on lands which could be considered for expropriation under the Brazilian Constitution. The market-led approach offered Cardoso another solution to this problem, as the time it took between a farmers association being formed and receiving a loan to when they were able to be on their new land under the market-based program was dramatically reduced. This was credited to the fact that farmers were able to be paid in cash for their land and they did not have to sell if they did not want to. “[The program] proceed to be fast, low-cost and non-conflictive compared to other state-administered land access methods” (Roumani and Coirolo, p. 1). The faster transition time between landless and land owner proved to be another way that Cardoso could market the program to the Brazilian people.

One of the ways that the market-led approach was supposed to do this was by leaving behind much of the bureaucratic red tape by simply removing the national government from much of the process. The land transactions under the market-based approach would be performed between willing-sellers and willing-buyers and the land would be purchased in cash, not government bonds that would be paid out over a series of years. By putting the land redistribution measures in the hands of the market the goal

was to remove many of the inefficiencies that were experienced under the traditional state-led reform measures and speed up the transaction process to land reform.

Reducing Rural Violence over Land Redistribution Efforts:

By the market-led approach putting the negotiating powers in the hands of the landless farmers they removed much of the incentive for massive land occupations that were being carried out by the MST. This put the World Bank approach at odds with the MST, since they were trying to use the land occupations as a method to pressure the government to follow-through with the 1988 Constitutional clause that called for unused lands to be expropriated in order to fulfill their social function. However one of the reasons that the MST was getting so much media attention, which they were then able to use in order to pressure the Brazilian government into action, was due to the violent resistance from the landowners when their property was being squatted upon by the MST settlers. Some of these confrontations, especially in the North, turned deadly.

One of the reasons that the market-led approach to land reform was so appealing was that by putting land redistribution onto the shoulders of the market it greatly decreases the chances of violent encounters such as the ones that the MST was seeing in the mid 1990s. “The beginning of Cardoso’s first term was also dramatic in terms of its dealing with situations known as the “social conflicts of the countryside.” Two terrible slaughters in Carajás (State of Pará) and Corumbiara (State of Rondônia) were necessary before political support leaders concluded that the agrarian problem could no longer be handled by [the State alone]” (Viega, 3). As such, the media attention that the MST was receiving from these deadly confrontations not only served as pressure for the Cardoso government to do something about the heated land confrontations taking place but it also

served as a political platform that Cardoso could later use to promote the market-led agrarian program showing how it aided in helping cut down the number of deadly incidences taking place on behalf of land disputes.

Poverty Alleviation:

One of the main objectives of the market-based land reform project, according to the World Bank, is to help eliminate rural poverty. This can be seen throughout any of the literature that is provided about market-led agrarian reform provided by the World Bank. The reason that the market-led approach was thought to have a greater chance of effectively reducing rural poverty rates, in comparison to state-led approaches, was because the World Bank's market-based program focused on more than just land expropriation measures, allowing for actual 'agrarian' reform instead of just 'land' reform. While it would be unfair to reduce the Brazilian state-led program to merely land expropriation measures, it was true that a comprehensive agrarian reform program was difficult to build given the political resistance to land reform measures being carried out by the state.

Any project that is going to have a sustainable solution to rural poverty alleviation needs to be multi-faceted and include both macro and micro-level policies that are designed to attack poverty from different fronts. The land reform measure, be it state-led or market-led, should only be a part of any real poverty alleviation process. The World Bank, as well as the MST and other supporters of agrarian reform have shown their dedication to helping find a sustainable solution to reducing rural poverty via land and agrarian reform measures. Their dedication to finding a solution to the land concentration problem in the country shows that both groups, the World Bank and the

MST, believe that poor land distribution in Brazil is a significant contributing factor to the high rate of rural poverty in Brazil. It was the objective of the World Bank, via the market-led reform process, to help reduce the inefficiencies in the land redistribution methods that have been used in Brazil in the past and help to develop a program that concentrates on a more comprehensive agrarian reform method which they feel will eventually lead to a more sustainable program of poverty alleviation in the future.

The objective of 'poverty alleviation' is broad and successful programs are multifaceted. Successful land reform programs are only one piece of the puzzle that is necessary towards developing an overall strategy towards poverty alleviation in a country. Market-led agrarian reform is a program which aims to help for a faster, more non-violent method of land reform, which in turn helps give rural poor not only land on which to live, but also a means of future income as well as property which can be used to secure future credit. All of these aims are geared at helping with the overall efforts of sustainable poverty reduction in the country. However, market-led agrarian reform is not, and was not at the time, the sole program aimed at rural poverty reduction at the time, let alone the sole method of land redistribution as the expropriation method was still being utilized.

As such, for the purposes of this thesis, the market-based land reform project will be judged on its ability to contribute to poverty alleviation measures in Brazil by the number of families that they have managed to settle. This is due to the fact that the way that the market-based approach is setup to help find a sustainable solution to rural poverty alleviation is by helping landless farmers obtain land and by giving them the means to obtain technical training that will allow them to create a sustainable standard of living.

While this method of tracking poverty alleviation is not perfect, it is one that provides us with actual numbers of families that are still on their land. Now that it has been ten years since the initial market-led pilot program began it is much easier to track the number of families which were settled under the market-based approach and compare that with the number of families which have managed keep up with their loan obligations stay on their land. This will give us a better understanding if the market-based approach actually succeeded in meeting its goals, such as sustainable poverty-alleviation in the country.

Contributing to a Sustainable Rural Development Program

During the 1970s an important area of focus in international development circles was establishing integrated rural development programs in countries with high instances of rural poverty. However, many of these integrated rural development programs were costly and proved to be both time intensive as well as politically complex. As a result this hindered their ability to be effectively implemented in many developing countries. As such, around the early 1990s the focus on integrated development programs led by international aid organizations became less important as the World Bank began pushing rural poverty alleviation as their major initiative for rural development. With the establishment of MLAR the hope was to create a more decentralized reform program which would be more efficient at redistributing land allowing for previous project funds originally allocated for state-led land reform projects to be utilized towards developing a more comprehensive and sustainable rural development program which could be more country-specific.

By utilizing MLAR, and thus reducing the central government's role in the land redistribution project, it allowed the federal government to work on initiatives that could

foster longer-term growth in the rural regions and have a more sustainable chance of alleviating rural poverty. Poor land distribution was only part of the problem when looking at rural poverty issues in Brazil, and therefore could only be part of the solution when looking for a sustainable and comprehensive way to reduce rural poverty. It was the objective of the World Bank, via MLAR, to reduce inefficiencies in the land redistribution methods allowing for the Brazilian government to focus on developing programs which could lead to a comprehensive rural development program.

Market-Based Land Reform: The Results

It is these objectives: reduced land market inefficiencies and increased transaction time, reduced rural violence over redistribution efforts, poverty alleviation, and contributing to a more sustainable rural development program which the Cardoso Administration focused on when it was trying to sell the market-led approach to the Brazilian people. These objectives, which were positioned to help Brazil deal with many of the problems that they had been encountering with the state-led model of land reform, were supposed to be met with the market-based land reform method. As such, the evaluation of the program will also be based on these objectives in order to see how it has been able to meet their goals. By focusing on these initial objectives, as well as looking at the claims of the supporters as well as the critics of the market-led approach, we can have a better understanding of the effect that market-based land reform has had in Brazil.

Reducing Inefficiencies and Transaction Time:

Transaction Time: One of the most common complaints about the state-led land reform process was the length of time that it took to produce any actual results. In many

cases, it could be years before the process of identifying land which was appropriate for expropriation and settling families onto that land was completed. This was due, in many regards, to the bureaucratic red tape that existed when it came to the expropriation process. Because lands had to be deemed ‘unproductive’ it was often a battle in the courts as to what that actually entailed. Not only were the numerous cases of land owners blocking the INCRA workers from surveying their land, but there were also many attempts by the land owners to justify that their land was being used in a productive manner. The court battles over the definition of ‘productive’ could last for years, making the expropriation process so timely that it could almost be rendered useless. This is why the MST was so successful in many ways, because by illegally settling on the land they were forcing the discussion to move forward in the courts.

The market-led program in Brazil took a far different approach. While the Minister of Agrarian Reform still kept the possibility of land expropriation a possibility via INCRA, he also started pushing increased land credits to families so that they could bargain with the landowners and pay for the land in cash so as to decrease the amount of time that the overall process took between being landless to being landowners. By taking the land redistribution method in a different direction, towards a more market based system with willing sellers and willing buyers, it dramatically cut down on the transaction time. By some estimates the time that the land transaction process was taking under the market-led reform process was around three to four months. (Roumani and Coirolo, 2005; Borras, 2003) “The community-led mechanism is an agile, effective complementary method for settling landless rural families, condensing the entire process

from identification to purchase into an average of 90 days” (‘Roumani and Coirolo, 2005).

One of the things that the market-based program made especially obvious is the number of people in Brazil who were looking for a faster way in which to acquire land in Brazil. While land expropriations provided a means to acquire land for the poor it was a process that was time-intensive, and often the process requires additional pressure from such groups like the MST who have more coercive means of land occupations in order to try and hurry the land expropriation process along.

“A central lesson learned and the central message being received from many organizations and the beneficiaries themselves is that the large target population for land reform wants access to land in a rapid, participatory and less conflictive manner, even if they know that it must be paid for. Proof of this was the huge demand for purchase for land which exceeded 40,000 families by the end of the first year of Project implementation. The market-based approach piloted under the project expedites the settlement of landless rural families, with land acquisition from identification to purchase typically taking less than 90 days” (World Bank Inspection Panel, 1999).

Federal Budget: Another major goal of reducing the inefficiencies of the state-led approach to land reform was reducing the amount of money that the federal government had to pay in the land redistribution process. The state-led approach was very heavily centralized in the federal government, which was reducing the states efficiency in carrying out more cost-effective methods in the states that needed it the most. As such, the decentralization of the market-led agrarian reform method was a way for Brazil to reduce some of the inefficiencies that were being caused from the centralized nature of the state-led method. “This is a strategic issue for the implementation of agrarian policies as a process of defederalization that delegates responsibilities heretofore reserved to the federal government. All programs, projects, and policy proposals for agrarian policy making are now made with reference to the drive to decentralize actions, therefore

interlink decentralization, democratization, and efficiency” (Sauer, 179). By reducing the federal government’s role to a monitoring position rather than a land reform implementation role it put the responsibility on the states and the markets to ensure that land redistribution via the market-based system were happening. “Government’s role is reduced to providing assurance that there are no problems with the land titles, and ensuring that the price negotiated between community groups and landlords is within acceptable boundaries. Projects are accepted at the state-level” (Deininger, 1999, pg. 23). By reducing the federal governments centralized role in land reform there was a dramatic drop in the price per resettled family, which was seen as a major success by the Cardoso Administration.

As mentioned before, many of the expropriation cases under the state-led approach would be long, drawn out affairs that could last years in the courts. By moving to the market-led approach the Brazilian government was able to reduce the price from around US\$11,000 to US\$3,000 leaving the additional funds for improved infrastructure projects that can lead to the long-term poverty alleviation sustainability goals for the rural areas (Deininger, 1999, pg. 22). The *Crédito Fundário* project has an overall financing limit per family equal to US \$7,500 (at 2007 exchange rates), which includes the Government-financed loan for land acquisition and the World Bank-financed matching grants for on-farm investments” (ARD, 2008, pg. 2). From a purely economic and budgetary standpoint, it appears as if the market-based approach did help reduce the overall cost of land reform transactions.

Reducing Rural Violence over Land-Reform:

One of the main reasons that the Cardoso Administration pushed so hard for agrarian reform in the country can be attributed to the increased violence that was occurring on the countryside as a direct result to the struggle over land. The media, in large part because of the MST and their land invasions, were starting to focus on these numbers which caused an increased awareness by the domestic and international scene into to rural struggle for land in Brazil.

“It is the social conflicts which are the most alarming expression of the injustice of the current agrarian model and of the necessity for fundamental reforms. Since the reestablishment of the democratic regime occurred in 1985 and between then and 1998 8,943 social conflicts occurred in the Brazilian countryside. In 5,612 of the cases the conflicts were over land. During the same period the Pastoral Land Commission (CPT) recorded 1,167 cases of murder perpetrated against agricultural workers, lawyers, agricultural experts, union leaders and church activists. These murders were all committed in the context of land conflicts. The media was paying increasing attention to the MST and their attempts at land invasions in order to draw attention to the plight of the landless farmers” (Global Campaign for Agrarian Reform, May 2000).

In opposition to the violence that was being levied against the land invasions the MST responded in protests and marches on the Brazilian capital in order to bring attention their cause. The first, and perhaps most famous of these marches, was conducted in 1997 in response to the massacre of the landless workers that occupied an encampment in the state of Pará. The massacre itself received international attention, but it was the MST response to the massacre that can be considered a major political victory. They were able to organize a national two-month long march, covering about 20 km a day, to the capital of Brazil in a “symbolic invasion of Brasília, with its feet literally “on the ground” exactly a year after the Eldorado dos Carajás massacre” (de Almeida, Sanchez, and Hallewell, 21). The march would be known as the *National March for Land Reform, Jobs, and Justice* and would be a major political success for the MST in

terms of their ability to keep their cause in the press for an extended period of time. While this gained the MST international sympathy, it also functioned as a way to gain domestic approval for their cause as well. As the marchers went through small towns and villages they were able to promote their cause at a grassroots level that would not have been possible otherwise.

The market-based land reform method, because it focused on the willing-seller, willing-buyer method was intended to mitigate the rural violence that was occurring over land. “Buying and selling would remove confrontation from the struggle for land and isolate rural movements and organizations that had struggled for decades for a broad-based agrarian reform. Instead of confrontation (land takeovers and demands for agrarian reform), families would peacefully and directly negotiate the purchase of land from the *latifundia* owners” (Sauer, 182). By and large, this method has been successful. Especially with the younger generation of landless farmers who may not want to go through the hardships that the MST settlements demand (which can include violent clashes with the landowners and years of living in make-shift tents while a decision is made in the courts as to the legality of the settlement) they opt instead for a faster route via access to credit to purchase the land outright. This also has helped reduce the violence on the end of the landowners, who now feel like they have an opportunity to receive compensation for their lands if they put them up for sale rather than running the risk of their property being expropriated or invaded in the middle of the night by an MST encampment.

Poverty Alleviation

Access to Land: Perhaps one of the greatest initial successes for the market-led agrarian reform project in Brazil is that it was able to settle a large number of families in a relatively short amount of time. Some estimates show that during Cardoso's terms in office more families were able to settle on land than in the past 30 years of state-led attempts (Deininger, 2003, pg. 148). The World Bank and Cardoso Administration set high goals for the initial MLAR pilot project, hoping to assist thousands of families not only buy land but also create farms that would help produce a sustainable wage. Specifically regarding the market-led pilot program, *Cedula da Terra*, two of the main goals were to increase the incomes and land access to around 15,000 families that lived in some of the poorest regions of the five northern states that were participating in the project as well as increase the agricultural output of the lands that were being settled on. (Roumani and Coirolo, 2005). The expansion of the pilot project to other states only increased the goal that the government had for market-led agrarian reform setting a goal to settle over 50,000 families in around 14 states across the country (Roumani and Coirolo, 2005). The goal of the pilot program to settle over 15,000 in three years had to be expanded to a four year period, but estimates report that this initial goal was met. World Bank records state that the market-based land reform methods "settled about 16,000 families on 425,000 hectares" of land during this time (Roumani and Coirolo, 2005).

As such, the government vowed to expand the program aiming to settle over 530,000 plans by 2006. "Governments longer-term National Agrarian Reform Plan, led by the Ministry of Agrarian Development, partnering with the states and their STUs, civil

society bodies including the 25 million strong National Confederation of Agricultural Workers (CONTAG), and the World Bank, aims to settle 530,000 families using various methods, including 130,000 using the *Creditio Fundário* (market-based) approach” (Roumani and Coirolo, 2005).

It is important to note that there are some critics who are skeptical of the number of families which are credited as being settled under the MLAR program. While the Cardoso government initially utilized these numbers as reason for the rapid expansion of the market-led approach to other areas of the country, there were some critics who claimed these numbers included families from older land distribution efforts that were completed without the utilization of the market-based approach. While there remains speculation about the exact number of families that the market-based land reform method was able to achieve on its own accord during the pilot program, or during the expansion of the program to the rest of Brazil, studies do show that the numbers of rural families that were able to obtain land during the Cardoso Administration did significantly increase (Deininger, 2003). This can be seen in large part due to the increased efforts by the Ministry of Agrarian Development who helped implement the market-based land reform measures as well as maintain a degree of state-led reform which focused on expropriation. This helps to show the importance of combining multiple redistribution measures when it comes to land reform.

“Although aware that the expansion and strengthening of family farming required innumerable integrated actions, the [Ministry of Agrarian Development] concentrated its efforts on three main issues: settling family through various agrarian actions (...); supplying cost and investment credits for family farmers; transferring federal resources to municipal governments that have a significant concentration of family farmers in order for investment in infrastructure” (Viega, 3).

It seems that the coordinated methods that were taken by Cardoso's Minister of Agrarian Reform helped to put a significant number of rural families back onto plots of land. The market-based approach, while only part of this orchestration of efforts, helped in both speeding up land sale transactions but also in the ability to increase the access to credit for rural farmers.

Access to Credit: Regarding access to credit for rural farmers, this was an initiative that was started early on in the Cardoso Administration, years before the formal adoption of the market-based approach for Brazil. In 1995 when Cardoso first came to power, the Brazilian state started to pass federal policy regarding the need for resettled farmers under the state-led approach to gain access to technical assistance if needed as well as credit so that they could make necessary improvements on the new settlements. "Until 1995, there was no federal policy to give family farmers access to credit, training skills, technical assistance, extension services, commercialization and essential infrastructure. Agrarian interventions were sketchy and insufficient to fight plantations that did not comply with their social function" (Veiga, 3). As a result, the access to credit eased during the early years of the Cardoso Administration and it appears that the market-based approach helped Cardoso with the expansion of these policies.

After the adoption of the market-based approach access to credit became easier for groups of landless farmers to acquire. The self-selected community groups that were required under the market-based approach could apply for a long-term loan with a nominal interest rate in order to purchase land from a willing seller. The community groups are able to "obtain long-term financing for the purchase of the land (from Federal counterpart funds), and matching grants for complementary investment subprojects and

technical assistance (from World Bank loan proceeds) to improve the productivity of the newly-acquired land and establish residence there” (ARD, 2008, pg. 2).

The importance is not only the initial credit access to acquire the land, but the access to credit that continues on after the land has been purchased that can go towards the development of the land to create a profitable farm environment and sustainable living conditions. In addition, a major shift has been away from the off-farm employment showing that more families are able to generate enough income from their farm alone. “Households with greatest income increases were those with the lowest income at entry. From 1998-2003, typical beneficiary family nominal income rose by an average of 180%, from R\$2,057 to R\$5,777, equivalent to R\$122 per capita per month, significantly above the R\$70 Federal Government poverty line” (ARD, 2008, pg. 2). Also, there was a definite jump in the overall levels of rural employment under this program. “In total, at least 60,000 year-round jobs were created by the end of 2002. Evaluations also showed improved dwelling quality and overall living conditions among beneficiaries” (ARD, 2008, pg. 2). These results help point to the fact that making credit more available to the farmers for the purchase of land in addition to the projects necessary after the land is purchased has helped in keeping more farmers on the land and improving the overall living conditions of the participants.

Loan Requirements and Repayment: Regarding loan requirements and loan repayment, which were both large components of the market-based project’s efforts at poverty alleviation, the program has come under some reasonable criticism. Initially, loans were able to be taken out to purchase land that would otherwise be considered for expropriation under the 1988 Constitutional terms. Land owners quickly figured this out

and therefore started to offer these large unused tracks of land for resale purposes in order to be paid full-market value for their land and be compensated in cash instead of government bonds. “At first there were no restrictions on the land to be purchased with the loans, even for areas that could be expropriated under the constitution. This allowed the *Cédula* (the market-based program) to be used to pay for unproductive *latidundias*, paying in cash for areas that could be expropriated by issuing bonds” (Sauer, 181). This met strong resistance from land reform activists, and the loophole was quickly abolished after the pilot program ended.

In addition, land reform groups also pushed for an extended grace period on land loans, which they argued was necessary in order for families to have the time needed to generate profits from their newly acquired land before they could start to repay loans. As a result, the loan repayment plan was extended during this time allowing for additional years for the newly settled families to maintain a more steady standard of living before they had to repay the loans back to the government. “In response to criticism from social movements, the deferral government changed the conditions (when it created the Land Bank, in 1999) to extend the payment term to twenty years still maintaining the three-year grace period. Servicing and interest on the loans would cost 4 percent per year, well below the [long-term interest rate] and closer to inflation rates” (Sauer, 181). By extending the period of time for loan repayment the hope was that families could use the additional money to reinvest in land and infrastructure projects that would prove to lead to long-term sustainable growth.

There is some disagreement over the actual loan repayment rate of the market-led reform program participants. It is agreed that loan repayment periods have been doubled

by the government since its initial adoption, from ten to twenty years due to belief that the loan repayment period was not going to be possible. However, independent inspection panels which have been looking at the loan repayment rate estimate that around 84% of participants are able to make their payments on time, while the loan defaults are often credited to weather or poor technical assistance (World Bank, 2004, pg. 233). They credit this to the fact that participants are required to form their own associations which is thought to bring forward more entrepreneurial participants to the program. However, results on loan default rates are scarce, and as such it is important that more research is done over the default rate for market-led loans in order to determine the overall sustainability of the program.

Contributing to a Sustainable Rural Development Program

As mentioned previously, in part due to the centralized nature of the state-led reform projects, the federal government was able to save a significant amount of money under that MLAR program. By reducing the federal government's role to a monitoring position rather than a land reform implementation role it put the responsibility on the states and the markets to ensure that land redistribution via the market-based system were happening. By reducing the federal governments role in land redistribution measures there was a dramatic drop in the cost per resettled family, from around \$11,000 under the state-led approach to around \$3,000 under MLAR (Deininger, 1999, pg. 22).

The market-based land reform project helped in additional ways as well. By removing much of the political involvement around land redistribution measures it allowed the federal government to focus on more poverty alleviating projects in the country such as hunger fighting initiatives which proved to be extremely beneficial in the

rural areas where poverty and hunger issues were the most concentrated. Although many associate the Lula Administration with many of these poverty and hunger related initiatives many of them were actually started under the Cardoso Administration, such as a key anti-hunger program which was a part of a more comprehensive set of social safety net measures that the Administration pushed for. Part of this overall social safety net that was started under the Cardoso Administration was the compensation for families that sent their children to school, a program that was carried over and expanded upon under the Lula Administration. In addition, programs geared at reducing adult illiteracy, rural health initiatives, and programs geared at improving rural water and sanitation issues were all implemented during this time. Many of these programs were adopted and expanded upon under the Lula Administration and have proved extremely beneficial when looking at the rise in living standards in the rural communities in Brazil.

A Critique of Market-Led Agrarian Reform

MLAR has been successful in meeting many of the objectives that were initially set out for it by the World Bank and the Brazilian government. However, this is not to indicate that the program has not had its share of critics. One of the most outspoken critics of the market-led reform process is the MST, who objects to the neoliberal basis of the project. Reports that have been released by the MST are skeptical of the results of the market-led reform process, disputing such things as the numbers of families that were claimed to have been settled under MLAR policies to the ability of families to repay the loans given out under the market-led program. Instead they insist that the numbers of landless families that have been resettled under the Cardoso administration are highly

inflated and include number of families that have been settled under land expropriation measures, many of which were implemented by the MST and their land occupations.

In addition, the MST and some land groups have been critical over the fast pace of land resettlements under the market-led agrarian program. Some of the criticism has come from land research groups, many of which question if the new landowners actually had time to understand the loan terms and determine the value and quality of their land. Especially given the fact that the market-based approach as it was utilized in Brazil under the *Cedula da Terra* and later the *Crédito Fundário* accepted the community groups of farmers who were applying for loans under the program, on a first-request basis, which may have made them more willing to take any piece of land with the mentality that owning the land was the most important thing and that they could worry about paying the loan back later. While this criticism of the quick transaction time has its merits, and we will see this become more of an issue when the new landowners need to start repaying their loans, the overall goal of the market-led agrarian reform project being able to reduce the transaction time of land purchases was definitely met.

One of the successes that the World Bank and the Cardoso Administration claimed for the MLAR process was its ability to cut down on government inefficiencies by decentralizing the nature of land reform in the country. However, many critics of the program point to the drawback to the decentralized nature of land reform in a country such as Brazil. By not having a coordinated, centralized authority over land reform and delegating much of the responsibility to the state and municipal governments critics argue that it allows market-based projects to be more prone to corruption. The market-led approach “is a delegation of power to state and municipal authorities, which are more

intimately related with and susceptible to the political influence of the local power structures made up of the landed oligarchy, which still carries political weight in broad sectors of a state” (Sauer, 179). In this regard, the decentralization process of land reform can actually be doing more harm than it is good.

While it is true that the MLAR process takes away many of the inefficiencies of the state-led model and helps to reduce the overall budget constraints that are associated with the centralized approach to land reform, some critics argue that it causes a more inefficient system across the board due to the possibility of political corruption at the state and municipal levels. However, being prone to government corruption is an argument which has been made in support of the market-led system as well. Supporters of MLAR argue that by keeping the federal government as the central figure in land redistribution efforts the chance of political corruption still exists. In addition, they point to historical proof that state-led land redistribution measures take much longer than what the MLAR program has taken. Certainly government corruption is an issue which deserves attention in the land redistribution debate, but it is unclear as to the best way to combat the issue. MLAR attempts to put the redistribution measures more in the hands of the market in hopes of avoiding some of the worst cases of government corruption.

In addition there were criticisms regarding the quality of the land that was being resettled by the participants under the market-led program. While the MLAR program helped reduce the transaction time between being landless to being a landowner, there were doubts about the ability of the new landowners to be able to generate a sustainable living off the land, a criticism that may have some clout given governments agreement to extend of the grace period of the loans and the low levels of families that have been able

to meet their repayment agreements. The inability of farmers to repay their loans can be attributed to many factors including poor land quality, poor infrastructure or a period of bad weather. However, it is also necessary to look what ‘program specific’ faults can be attributed to the MLAR program in Brazil. Here there has been some criticism at the fact that the program has limited technical assistance to new landowners and there have been cases where there were prolonged periods of time before credit was extended to families after the land purchase was needed to make necessary improvements to the land. (Sauer, 2006; Heredia et al, 2006).

While there are some cases of poor land being the issue, as well as weather-related issues such as drought (especially in the semi-arid regions of the north), there were also issues that arose when it came to technical assistance after the land had been purchased. This, rather than weather related issues, was a shortfall of the market-led program as it was carried out in Brazil. Many communities, after they acquired their land, were in dire need to technical assistance in regards to what crops would be best to grow on the land as well as what could be sold on the market in order to obtain a sustainable living wage. “Studies/observations during the first year of project implementation indicated that official technical assistance has fallen short of expectations in both quality and timeliness. The project calls for technical assistance funding for the preparation and implantation of community investment subprojects. However, communities need more effective and efficient technical assistance in planning family farming activities, i.e. the production of crops and their processing, storage and marketing” (World Bank Inspection Panel, 1999).

Studies have been conducted of the beneficiaries of land under the market-oriented *Cédula* project, which have given us an idea about the participant's feedback regarding their experience with the MLAR experience. Overwhelmingly there was agreement that the recipients were happy with their new status as landowners, however many were unaware of the terms that they had agreed to in order to obtain the land. "People reported that the most significant change was that were now "owners" of land and were thus working, as well as administering their own labor (the 'peasant project' of free labor). They also stated that now they had a place to live, although they were aware that they had to pay for it and that they could be expelled if they did not pay the loan they had signed for" (Sauer, 183). However, there were some real concerns by the program participants as well. These concerns centered on the fact that many of them struggled with the lack of infrastructure in their area such as roads and schools for their children to attend and the quality of the land in many instances was poor and not conducive to producing the cash crops necessary to support their families and repay their loan requirements.

Part of the reason that families were finding their land to be of lower quality can be attributed to the rules surrounding land sales under the market-based program. Only land that is put up for sale can be purchased, meaning that there is no line drawn about the quality of land that can be sold or purchased. While the market-based approach supposedly mitigates this issue by letting the buyers choose what land to buy there are severe limitations with the selections that the potential buyers can choose from. This, in addition to the limited funds that are at their disposal and their ability to negotiate a fair

price with the landowners, which is questionable, put the land buyer at a significant disadvantage when it comes to purchasing land.

The *Cédula da Terra* was conceived according to and is executed following market-based rules, especially regarding the purchase of land. This means, in the first place, that a project can only buy farms that are for sale. Land markets are still incipient in Brazil, and the lack of funds obliges people to buy cheaper, low-quality land. The market price of land doesn't fall in the negotiating process (considering the buyers' bargaining power.) Rather, the short supply and lack of funds force buyers to purchase cheaper farms that are far from markets and have poor soil. The limit on funds to buy land (US\$11,000 per family, including the price of land and the cost of infrastructure) is a further problem in the purchase process. This limit pushes projects into less dynamic regions on less valuable land with poorer soil and severe limitations on production, which makes it hard to pay for the land in the first place.

In addition, many of the families that are recently granted loans to purchase lands are in a position where they are desperate to get land, simply for the sake of being land owners with less thought as to the quality of land or their ability to produce enough from the land to repay the loans at the set rate. This problem was only heightened by the fact that there are a limited number of families that the loans are able to cover. Instead of there being a selection process for which families would be able to participate there was instead an open call for participants that would be addressed on a first-come basis.

To be fair, participants were required to meet the basic eligibility requirements, which included that family income had to be below R\$ 4,300 per year, could not have received any previous funds from other land reform programs, and had to be a part of a recognized association of families because the benefits were given to groups of 'communities' that would then settle near each other (Backgrounder Part I: Land Reform in Brazil, Feb. 03, 2003). However, the fact that it was done in a first-request manner only added a heightened sense of urgency by participants, who were already desperate to obtain land by any means. By designing the selection process in such a way, the market-

led program may have contributed to the participant's willingness to make a deal regardless of the land quality.

The lack of infrastructure, especially when it came to the quality of roads and access to markets for the new farmers, combined with the poor soil quality on many of the newly acquired farms led to the default on the majority of the loans. Surveys that have gone out to loan participants are stark when it comes to their ability to earn enough to feed their families let alone repay their loan. "The survey allowed us to conclude that very few families covered by the *Cédula da Terra* earn enough to eat and survive. Most don't harvest enough to feed their families, much less to save money or to make a reserve for their loan installments. While details have varied considerably from one project to another, there was near unanimity in stating that people have not been able to afford to cover the first installments on their loans" (Sauer, 189).

Although the market-based reform project has seemed to assist in helping landless farmers acquire land and obtain access to credit, there have been real problems with the ability of the farmers to repay their loans. The poor land quality and lack of infrastructure can be attributed in large part to the imperfect land markets that exist in the country. It is hard to expect a fair negotiation process to take place between willing buyers and willing sellers when the two parties are disproportionately mismatched. Beyond the problems of poor soil quality there has been limited assistance with improving the infrastructure in these areas. Many lack irrigation systems, roads, or schools for their children to attend. These are all necessary requirements for achieving poverty alleviation in the rural countryside.

Conclusion

In the end, the market-based land reform project helped to accomplish many of the goals and objectives in Brazil that the Cardoso Administration had initially intended for it. The MLAR program helped to cut down on the inefficiencies from the state-led land reform model, both in terms of reducing the transaction time between the land transfers as well as drastically cut down on the amount of money it was costing to resettle each family. Furthermore, there was a dramatic cut in the instances of rural violence due to land conflicts with the adoption of the market-led reform measures. This can be attributed to the decreased incentives by both the landless who are seeking to obtain land as well as the landowners who are seeking to protect their property from being expropriated from the government and compensated in government bonds. By putting the redistribution process in the hands of the market it reduced the political costs of the government needing to get as involved as well, which was a welcomed advantage of the market-led approach for many politicians.

When it came to poverty alleviation in the rural countryside there was a substantial increase in the number of families who were able to obtain land under the market-led reform process. In addition, the Cardoso Administration successfully shifted the focus away from discussions purely focused on land reform to looking at the larger picture of rural development issues and developing a more comprehensive social safety net that included anti-hunger, health, education, and sanitation initiatives which greatly benefited the rural areas. The Lula Administration would decide to carry on with the MLAR reform process for Brazilian land redistribution measures and also would expand

upon many of the social safety net initiatives that were originally put in place by the Cardoso Administration.

When the Lula Administration came to power in 2004 it expanded many of these anti-poverty measures and combined them with key infrastructure projects aimed at improving rural education. As a result of the measures taken by the Cardoso and Lula Administrations the poverty levels in the rural areas would start to take a dramatic drop. “During 2004, for example, the very poorest Brazilians saw their incomes leap by 14%, far exceeding the population-wide increase of 3.6%” (BBC, 2006). While some have questioned the sustainability of such social safety nets, it seems like they have been having a positive effect on many of the rural areas. The MLAR program has been an important program in the Brazilian countryside as it has allowed increased access to land ownership which gives new landowners easier access to much needed credit sources in addition to a way of generating future income. As such MLAR, in addition to the more comprehensive rural development programs put in place by the Cardoso and Lula Administrations have been having a positive effect on the countryside in Brazil.

A critical assessment of the market-led agrarian reform process in Brazil shows both its successes in the country, but also its shortcomings. There have been some important critiques that have been raised about the MLAR program in Brazil, mainly questioning the continued availability and overall quality of land in the country. Since land is redistributed on a willing-seller process there is little guarantee that the land sales will continue. Furthermore, there needs to be an improved vetting process of the land that is being put up for sale to being with. If the land is not considered ideal for farming then it would be a major failure of the program to approve loans for family resettlement.

This issue is supposedly addressed by the STUs vetting the land before it is bought, however there is evidence, especially in the more arid northern region, that this is not always the case.

In addition, there needs to be more transparency in the reporting of the loan repayment process. While MLAR seems to be meeting many of the initial goals which were set out for it, there is little reported about the actual repayment rate by the farmers that have entered into loans under the MLAR program. Without the government disclosing more of these records it is nearly impossible to see if MLAR can be considered a sustainable and successful program. If one of the major goals of MLAR is helping to redistribute land and help with poverty alleviation in rural communities it would be impossible to call it successful if families were unable to meet their loan obligations after the end of their grace periods.

CHAPTER FIVE

Agrarian Reform: Where is Brazil Today?

It has been over ten years since the implementation of *Projeto Cédula da Terra*, the market-led agrarian reform pilot program that was implemented in the northern states of Brazil, and almost seven years since the expansion of the market-oriented program to the rest of the country under the *New Rural World* program by the Cardoso administration. The MLAR program has shown resilience by surviving beyond Cardoso's presidency and being adopted by the Lula administration in 2003 when he took office. While there is ample research looking at how the market-led reform process would be beneficial from a theoretical standpoint there has been little research to date which tracks the progress of market-led agrarian reform and its success being used on the ground. As such, it is important to be able to critically evaluate the performance of the market-based agrarian reform program as it has been used in Brazil.

This thesis has taken a critical look past state-led attempts at land reform in Brazil, which has proved to be costly in terms of time as well as federal budget dollars. In addition, the issue of agrarian reform and land redistribution in Brazil has shown to be politically volatile in the past, which led to periods of stagnated reform efforts and limited success in agrarian reform measures. As a result of increasing rural poverty issues and political pressure coming from the vocal MST, the Cardoso administration decided to take an active stance when it came to land reform. However, instead of utilizing state-led expropriation measures he opted to adopt the World Bank's MLAR program to try and redistribute land. The MLAR program has seen some initial successes

especially when it comes to meeting its specific goals of reducing the inefficiencies associated with the state-led approach, reducing rural violence associated with land dispute settlements, and helping to contribute to a more comprehensive program towards poverty alleviation and development in the countryside.

Overall, the market-led approach has been able to help Brazil meet many of the goals that were originally set out for it. Perhaps one of its greatest accomplishments can be seen in its ability to efficiently redistribute land, helping to resettle more families in its first years of use than state-led programs were able to do in the last 30 years (Deininger, 2003, 148). Under the state-led approach the land expropriation process was proving to be costly, both in terms of federal funds as well as the amount of time that it took to actually see results. Much of this can be contributed to the political nature of land reform in Brazil, which is deeply rooted in its history.

Another success of the market-led agrarian program in Brazil was its ability to help reduce many of the rural conflicts over land disputes. By removing expropriation from the sole method of redistribution, the Brazilian government adopted a method in which land could be bought and sold by willing buyers and willing sellers, which helped to reduce the number of violent incidences over land disputes. In addition, by utilizing incentives such as land being paid for in cash instead of government bonds and levying heavier taxes on large tracks of land there was an increased interest by land owners to sell their land. Many landless have opted to use the market-led approach, especially the younger generations who saw their families struggle with the land expropriation process either through an INCRA settlement or by an MST encampment. MLAR offered a

process towards land ownership that not only reduced the transaction time in order to own land but also took away much of the struggle.

However, the market-led approach has been far from perfect in its implementation in Brazil. As mentioned in Chapter Four, a critical assessment of MLAR in Brazil shows shortcomings in its ability to be completely transparent about the loan default rate for farmers settled under the program. Being able to see how farmers have been able to meet their loan obligations is a key determinant to being able to critically evaluate the success of the program as well as its sustainability. In addition, the criticisms about the continued availability of land and quality of land which is being sold are concerns that need to be addressed when looking at the future of the program. Land quality is one of the key determinants of a family's success in making the farm sustainable. Without being able to obtain a livelihood from the land the farmers will not be able to make their loan repayments and the whole process would have been worthless.

Both the Cardoso and Lula administrations have made significant contributions to the enhancement of the social safety net in Brazil which has greatly improved the welfare in some of the poorest regions of the country. While these are not directly tied to the MLAR program, coupled together they help to form a more comprehensive rural development program. There have been significant efforts at improving rural poverty programs, and the MLAR program has provided an increased access to land ownership which gives rural farmers access to credit as well as a way to generate future income for their families. Even so, there are areas which will need to be improved upon in order to create a more sound rural economy, namely the enhancement of key infrastructure

projects in the areas of education and transportation in addition to expanding the non-farm sector which would offer increased employment opportunities.

The struggles for comprehensive agrarian reform continue in Brazil. The country continues to address the issues of unequal land distribution and a high concentration of poverty in the countryside. However these problems are embedded in years of history, and as such are not issues which lend themselves to easy solutions. However, they are starting to be tackled in a new way with the adoption of the market-led approach. While the process in Brazil has been successful in many regards, especially when considering the goals that were initially set out for it, finding a sustainable and comprehensive approach to the agrarian reform remains a key obstacle for the country to overcome.

Nevertheless, it is important to see how the Brazilian experience can be an important lesson to other developing countries that are either undergoing, or about to undergo, significant changes to their agrarian reform programs. While Brazil is not the only country to adopt market-led agrarian reform around this time, it is one that can lend some valuable lessons to other countries that are thinking about adopting MLAR or other forms of agrarian reform. Within the last twenty years there has been an international push for development projects that will help reduce inequality in developing countries throughout the world. Finding a comprehensive and sustainable agrarian reform method has the ability to greatly contribute to a comprehensive rural development program that can help to improve the lives of the rural poor. The topic of agrarian reform and rural development is one that deserves increased attention by academics and statesmen alike.

The Brazilian Experience: Lessons for Other Countries

Land policies and agrarian reform continue to be on the forefront of policy agendas for the developing world. Having an effective use of land not only leads to sustainable growth in the rural areas, but it is also seen as being the key to long-term poverty alleviation in some of the most poverty-stricken areas of these countries. As such, land policies and secure property rights are vital to providing the base of developing countries' economic systems due to the fact that land serves as both a means of production as well as a way to secure credit or collateral in a market economy. Studies of developing countries have shown that by making it possible for the rural poor to obtain a piece of farmland that they can work, and thus decreasing the inequality in property assets, helps to increase per acre productivity as well as brings about substantial and sustainable poverty-reducing results in rural areas.

Furthermore, individual land policies and rural economic development has been shown to have significant effects on shaping a country's socioeconomic and political makeup and can play a large role in shaping the overall political environment of a nation. A more equitable distribution of land can lead to a country's economic growth in various ways. Not only would secure and obtainable land rights provide a much needed access to credit for poor families in developing countries, but it would also increase the incentives of the families to invest in the land leading to greater productivity and a higher chance of sustainable rural growth.

In many ways Brazil and its land struggles provides a great example for other developing countries which are also undergoing their own attempts at agrarian reform. Their attempt at shifting away from the state-led reform to more of a market-oriented

agrarian reform program in Brazil, serves as a great case study to be reviewed when countries are considering making changes to their specific agrarian reform initiatives. While Brazil was not the only country that was starting to utilize the market-led agrarian approach in the late 1990s, it is a country which has a long history at land-reform struggles and they have seen both the side of the state-led approach methods and starting with Cardoso the market-led reform methods which makes it an interesting case study to look at when determining the success at each approach.

Brazil experienced criticism of their past state-led attempts at agrarian reform which focused mainly on land expropriation and redistribution, a process which was slow and costly. So under Cardoso the market-based approach to land reform was implemented, greatly reducing the federal government involvement in the land redistribution process. By doing so Cardoso was able to shift the public focus away from state-led redistribution efforts and instead focus government attention towards programs aimed at developing a more comprehensive social safety net and rural development program. By attempting to put land redistribution back into the hands of the people with a willing-buyer and willing-seller technique, with prices determined by the market the MLAR program was a major shift from past reform techniques. As such, the Cardoso Administration had vocal critics, but succeeded at generating public and government support for the program. The MLAR method was eventually carried over into the Lula Administration who also expanded upon Cardoso's social programs in addition to implementing new programs which helped many of the countries most destitute, many of which were in rural areas. In Brazil, the shift away from state-led land redistribution

techniques proved successful and so far has succeeded at resettling many families on their own plot of land.

Around the same time that market-led agrarian reform was instituted in Brazil, countries such as South Africa and Colombia were also implementing the program to assist with land reform in their countries as well. While all three have had varied success with market-oriented land reform it seems clear that countries that have taken steps to make the land reform process more transparent have had more success at the implementation of the program. A greater move towards transparency is important in Brazil where an analysis is needed of the numbers of farmers who have defaulted on their loans under the market-based program. Without a closer look at these numbers it is difficult to determine if the program is sustainable.

In addition, due to the fact that many countries have experienced implementation issues when attempting land reform measures in their country, the case study of Brazil can be helpful, showing how they were able to transition from a mainly state-driven expropriation process towards incorporating a more market-based program to their land redistribution measures. By implementing such a program Brazil was able to decrease many of the government inefficiencies by utilizing a more decentralized program which allowed for greater flexibility to states and municipalities in the land reform process. By doing so Brazil was able to greatly reduce the transaction time between being landless and landowners as well as help to reduce the level of violence due to land settlement disputes. This can be seen as one of the main successes of the market-based program in the country.

Brazil does have a Constitutional clause allowing for the expropriation of large land plots which are deemed unproductive; however it has been difficult for the expropriation cases to be carried out since there are many legal battles over what constitutes a 'productive' use of land. The cases that are brought to court can take years to complete, with the landless farmers often being caught in the middle of many of the battles. While Brazil still utilizes expropriation methods in accordance to the Constitution, the market-led approach has allowed a new venue to landownership which has proven to greatly decrease the transaction time between being landless and being a landowner by utilizing the willing-seller, willing-buyer method.

While Brazil should be studied for its recent successes at reemphasizing the importance of agrarian reform and its ability to reduce rural poverty, it also needs to be studied for its struggles encountered with agrarian reform as well. The Brazilian case gives some important lessons that other countries can take back when trying to implement agrarian reform. First, and perhaps the most important, is that while resettling families on land is an important aspect of agrarian reform it is not the only element that needs to be addressed when looking towards a sustainable poverty-reduction technique for the rural areas. In addition there have been valuable critiques of the program mainly questioning the market's ability to provide enough land for the number of landless farmers who are seeking to be resettled as well as the condition of the land that is being sold. Furthermore, a more comprehensive analysis of the number of farmers that have been able to repay their loans obtained under MLAR is necessary before determining if the program is sustainable in the long run.

The state-led method in Brazil focused heavily on the expropriation portion of land reform, which was often a lengthy process, and funds going to the building of infrastructure and technical assistance after the land was redistributed were often lacking. Even with the utilization of the market-based land reform the lack of technical assistance and infrastructure was often a complaint from the newly-settled families. As such, when maintaining a comprehensive agrarian reform project it is important to have an efficient way to direct funds to technical assistance for farmers and towards the building and improvement of rural infrastructure on many of these settlements in order to see a sustainable result.

There exists a variety of ways in which to redistribute land in countries such as Brazil, where land concentration continues to be an obstacle in agrarian reform measures. While state-led expropriation measures are important, they are not the only way to go about redistributing land. In the case of Brazil the state-led expropriation method was the most political and costly way- both in federal funds as well as in time- to go about land redistribution. The attempt to incorporate market-oriented land reform into the Brazilian experience shows that the country was willing to try and adopt an additional method of agricultural reform in order to help reduce the transaction time towards land ownership.

Another lesson that can be taken from the Brazilian experience was the delicate balance which needs to be struck between supporting land and property rights and supporting land expropriation measures. During the Cardoso administration there was a huge shift towards a more neoliberal policy framework. While Cardoso showed signs that he was a promoter of agrarian reform measures early on in his administration, supporting large expropriation measures would have been impossible with the neoliberal

agenda that he was pushing. There was a definite need for him to promote the neoliberal ideals of sound property rights in the country. However, by adopting a market-led approach to agrarian reform Cardoso showed that it was still possible to have aggressive land-reform measures without reducing agrarian reform to state expropriation. While some have criticized this move as an attempt by the federal government to push their responsibilities off to the market, it was a way which produced results in terms of the number of families resettled during the Cardoso years.

In the end, the attempt at market-led agrarian experience needs to be seen as a valuable contribution to the agrarian reform experience. While it is still an imperfect system, as the Brazilian case shows us, it still is a method which can be utilized as a useful addition to a country's agrarian-reform measures when it is trying to incorporate additional ways to redistribute land. Often land disputes have underlying political entanglements, so by utilizing a more decentralized measure of land reform and removing many of the political battles over land, it helps to expedite the process.

Further research, however, needs to be done on the actual default rates of lands from market-led agrarian reform. Up to now there have been disputed numbers over the amount of farmers that have actually been able to repay their loans under the market-led system. The fact that the loan agreements and grace periods have been extended is a sign that the default rate was expected to be high. Part of this can be attributed to the criticism that there needs to be more follow-up after the land has been resettled in terms of technical assistance and towards the improvement of infrastructure. Not only is improving the methods towards land ownership an important step in agrarian reform, but

ensuring the farmers have the best chance at making a living off the land is a necessary step when trying to create a sustainable rural development program for the countryside.

Furthermore it is important that countries continue to identify problems with their agricultural reform programs. In Brazil, the adoption of the market-led agrarian reform program was due in many ways to the fact that the state-led program had inefficiencies which were leading to delayed reform and rural violence. Now that the market-led program has been in utilization in the country for over ten years it is important to be able to review how the program has worked in Brazil and critically evaluate how it has met the objectives that were originally set out for it. There has been very little follow-up to see how this program has performed in Brazil, and this thesis has attempted to fill that research gap. Further research needs to be done on the loan repayment process as well as continued observance to whether the land redistribution process continues at the high rate that it has seen in recent years under MLAR. Only by being able to review agrarian reform policies and programs, such as MLAR, will countries be able to form and adapt policies which are going to be the most beneficial to the overall goal of rural poverty alleviation.

GLOSSARY

Banco do Brazil: The Brazilian National Bank.

Cédula da Terra: The World Bank pilot program in Brazil using market-led agrarian reform.

Coronéis: Local ‘bosses’ in Brazil which had immense power over a large area in Brazil. Often they were owners of large landed estates.

Crédito Fundiário: The continuation of the market-based agrarian program after the pilot (*Cédula da Terra*) was determined successful by the Cardoso Administration.

Estatuto do Trabalhador Rural (The Rural Worker Statute): The main legislation that President Goulart was able to pass through Congress extending social security benefits to the rural workers.

Latifundia: very large tracts of land which were distributed in Brazil.

Lei da Terra: The Land Law in Brazil established in 1850.

Minifundia: Tracts of land in Brazil which are so small or unproductive that it is nearly impossible to produce sufficient crop or make enough profit off the land to support those who work it.

Posses: Illegal plots of land taken by squatters under the Portuguese Crown in Brazil.

Sesmarias: plots of land given out under the land-grant system by the Portuguese Crown in Brazil.

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