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RURAL PROBLEM-SOLVING POLICIES IN VENEZUELA,  
WITH SPECIAL REFERENCE TO THE AGRARIAN ISSUE

by

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All views, interpretations, recommendations and conclusions are those of the author and not necessarily those of supporting or cooperating organizations.

TABLE OF CONTENTS

Page

PURPOSE	1
CHAPTER 1: HISTORICAL ROOTS OF THE RURAL PROBLEM IN VENEZUELA	2
Introduction	2
Political Stability and Its Effects	3
The Impact of Petroleum: 1920-1936	5
The "Golden Age" of Agricultural Exports	10
Early Attempts at Agricultural Policy Formation	15
CHAPTER 2: THE SEARCH FOR NEW AGRICULTURAL POLICIES, 1936-1940	18
Political Transition from Autarchy to Pluralism	18
Identification of Campesino and Commercial Sector Problems	20
1) Stop-Gap Measures	22
2) New Policies	24
3) Emergence of Pressure Groups	29
CHAPTER 3: SOWING PETROLEUM TO PROMOTE AGRICULTURE, 1940-1950	34
Transition to Modernity	34
Economic Expansion	34
Sowing Petroleum	37
1) Specific Crop and Yield-Increasing Programs	40
2) The Capital Shortage Concept as a Policy Determinent.	40
3) The Corporacion Venezolana de Fomento	45
Three Agrarian Reform Laws	47
CHAPTER 4: NEW PRIORITIES IN AGRICULTURAL POLICY, 1950-1957:	
THE CAPITAL INTENSIVE APPROACH	56
The Rise of Perez Jimenez	56
Agricultural Policy Under Jimenez	56
CHAPTER 5: POLITICIZATION, DEVELOPMENT CONSCIOUSNESS, AND	
AGRARIAN REFORM--A NEW POLICY CONTEXT	64
The Downfall of Jimenez	64
A New Framework for Economic Policy	65
Overall Development and Structural Change	67
Development and Performance of Agriculture	68
Continuation of the Two-Sector Approach Toward Agriculture	73
Commercial Agriculture and Pressure Groups	77
Economic Planning and Frustrated Administrative Reform	80
Coordination Between Agricultural Agencies	86
The Agrarian Reform Law of 1960	88
The Role of the Federacion Campesina de Venezuela in Agrarian Reform	89
Results of the 1960 Agrarian Reform	99
CONCLUSION	108

## PURPOSE

This study examines the evolution of problem-solving agricultural institutions in Venezuela, beginning with the first designation of agriculture as a problem area for public policy.

The realization by political decision-makers that a "problem" exists involves ideological and subjective elements. In Venezuela these elements have often prevented the problem from being framed in a context of optimality or even economic rationality.

Certain authors, such as Hirschman and Anderson, have suggested that in Latin America many present day major economic problems have persisted for a long time despite various ideologically motivated attempts at finding definite solutions. The strategies utilized by the different governments to solve agriculture's problems were not able to make substantial progress toward finding adequate solutions.

In Venezuela, policies for attacking problem areas have been strikingly similar through time even though the actors in charge of making decisions have changed rather rapidly. In other words, despite change and instability in the political (ideological) arena, stability, continuity and incrementability have prevailed for economic policy questions. The explanation for this can be found in the complexity of major economic problems which derive in part from the historical and institutional past, and in part from circumstances outside the national political economy.

Thus, if present-day economic policy is to be understood and analyzed within a problem-solving context, its institutional as well as political evolution through time has to be considered. This does not mean historical determinism is operatively influencing the present. It indicates that past experience by decision-makers, as well as established institutions and mechanisms, will exercise profound influence on the present. Change, quite often, can come about only gradually.

## CHAPTER I: HISTORICAL ROOTS OF THE RURAL PROBLEM IN VENEZUELA

### Introduction

During the first two decades of the present century, Venezuelan agriculture and its accompanying rural institutions acquired characteristics which were the end result of a slow evolutionary process. The situation that emerged during these years was rather similar to that experienced by many other countries in South America. It was largely shaped by the Spanish colonial inheritance, the political instability that followed the Wars of Independence, and the solid establishment of an export-oriented agriculture. During this period, the country was a typical underdeveloped economy of the "traditional type" and most of its population lived in a "vicious cycle of poverty." It was basically a rural society, since agriculture was the main economic activity and the only means of sustenance of the people. The only changes that disturbed the achieved equilibrium were induced by fluctuations in the world market demand for export crops, weather conditions that affected harvest size, the almost continuously recurring epidemics, and internal political turbulence. Since productivity in every sense, physical and economic, was very limited, a high proportion of available resources had to be dedicated to agricultural activities. Most resources had to be applied by the population to merely subsist; the remaining resources were directed to export crops, mainly coffee, and the few and scattered nonagricultural activities, such as commerce, cottage industries, and some light manufacturing.

From this low productive agricultural structure, a stratified society emerged which did not allow major vertical mobility. The extended family determined to a large extent the organization of the society, access to power, and distribution of economic rewards. Since property was highly concentrated in the hands of a few, the majority did not share in the fruits of what little progress occurred. A large rural mass existed at extremely low living standards, barely able to survive and without much hope to improve its lot. This rural, uneducated, and undernourished proletariat developed a fatalistic attitude towards life that did not permit it to break out of the vicious cycle of poverty in which it found itself.<sup>1</sup>

The traditional society precluded any type of political mass participation. As could be expected, political power was in the hands of those who controlled and owned productive resources. Since most of these resources were agricultural, it followed that ownership of productive land was synonymous with political power. Most productive land was dedicated to the growing of export commodities--coffee and to a lesser extent cacao--and this land

was limited to specific climatic regions. Consequently, regions in which these crops were grown exercised great influence on the political affairs of the country. This is why the three Andean states of Tachira, Merida, and Trujillo in the eastern part of the nation, became dominant in the central government in Caracas. At the beginning of the twentieth century, the Venezuelan economy depended heavily on coffee revenue, which was subject to pronounced fluctuations on the world market. Adverse price conditions translated themselves into major hardships for the population. In addition, the relatively high population concentration in coffee areas, accompanied by deficient tenure arrangements and low productivity, caused emergence of a rural institutional problem in terms of a minifundia-latifundia polarization. At the same time, large extensions of the national territory were completely unused, remaining virtually in their virgin state. The gradual and spontaneous colonization which probably was occurring during the beginning of the nineteenth century came to a standstill first during the Wars of Independence, and later after the rapid spread of malaria.

Thus a paradox emerged. In a relatively unpopulated country, with large extensions of unexplored land, a "rural problem" appeared. It manifested itself in the well known high concentration of rural property in the hands of a few landowners who were able to pursue an affluent life, while the rural masses lived in the most abject poverty. The masses lived in a "vicious circle of poverty," where undernourishment caused poor health, and this condition did not allow more intensive work, which determined low income, which in turn meant insufficient purchasing power to acquire more food, and so on. An economy based on low productivity, reduced disposable income for the population, and high affluence of the wealthy holders of a pre-capitalist mentality, naturally had to adversely affect the process of capital accumulation. Venezuela became the prototype of a stagnant and traditionally-oriented economy where income per capita hardly increased,<sup>2</sup> and population, because of the high death rate, remained virtually stable.<sup>3</sup>

#### Political Stability and Its Effects

Though economic conditions did not show major departures from the position of a "low-level equilibrium trap" path in the first two decades of the twentieth century, the political situation evolved differently. An almost century-long struggle of regional caudillos, all of them fighting for control over the nation, culminated during this period.

By the beginning of the century, General Cipriano Castro emerged out of this chaotic political situation. Castro was a self-made general from the Andes who became President of the Republic after waging an armed campaign that put him firmly into power, initiating what has been called the "Hegemony of the Andinos" which lasted for almost sixty years.<sup>4</sup>

By far the most notorious of these Andean presidents was General Juan Vicente Gomez, who became the undisputed ruler of the country in 1908, after ousting his predecessor and comrade-in-arms, Cipriano Castro. He maintained himself in power until he died in 1935.<sup>5</sup> Gomez' long and highly autocratic regime came to exercise a profound influence on the socio-political development of the country, contributing in a substantial and particular way to the crystallization of the "rural problem." The reign of this "Tyrant of the Andes" created internal peace and tranquility, which are indispensable for any type of investment activity. Also, there was social peace and the state's finances and administration began to recuperate from a century of chaos and disorder. But Gomez ruthlessly persecuted those who disagreed with his own economic interests. The net result was financial solidarity but also discouragement of national creativity and experimental social attitudes which are prerequisites for evolving a modern twentieth century society.

"Security of expectations" was created during the Gomez regime. Investors were either foreign companies interested mainly in exploitation of the country's natural resources, or they were favorites of the president interested in personal enrichment, without regard for the welfare of the great masses.

The oil companies which began exporting petroleum in 1920 increased revenues of the government substantially. This was a determining element in the consolidation and maintenance of Gomez' rule, and was directly responsible for the regime's fiscal prosperity. "But strangely enough, fiscal prosperity produced economic deformation and plunged the country into poverty. This is still the real situation: while the state has great wealth, the nation, the people, live in poverty."<sup>6</sup> This, probably more than anything else, is the really tragic ethos and inheritance of Gomez' rule. Because of its conservative and autocratic views that were nothing more than an extension of rural fundamentalist values of a small isolated agricultural society, basically paternalistic in its context, the potentialities of the newly discovered national wealth were simply not grasped.

A basic aspect of the Gomez regime that was to exercise strong influence upon the rural scene in years to come was the high land and rural property concentration that took place, especially in the central part of the country. Gomez, his immediate family, and other trusted persons of the regime accumulated huge properties. Since Gomez was not at ease among the Caracas sophisticated upper classes, he moved the seat of his government to nearby Maracay, in the Valencia Lake watershed. Gradually, all agricultural land in its vicinity was incorporated into his personal domain and was administered by exact methods that did not permit any deviation from the master's will.

Gomez utilized all types of coercive methods to obtain titles for these lands. Purchase at depressed prices, outright expropriation, usurpation of municipal lands (ejidos), title transfer of huge land tracts of the public domain (baldios), and other similar procedures were used to accumulate an extremely large landed property.<sup>7</sup>

Gomez was the government--he was free to use any type of forceful methods to obtain the required labor at the lowest price possible. The most common of these procedures employed were forceful recruitment during harvest time, use of army soldiers for agricultural work, establishment of hacienda stores, the enforcement of hereditary debts on the worker and his family, or the establishment of sharecropping systems that kept the farmworker eternally in debt to the landholder.

#### The Impact of Petroleum: 1920-1936

While the Venezuelan government granted the first oil concessions to foreign companies at the beginning of the century, these concessions did not lead to systematic exploration of the subsoil petroleum wealth. Four main reasons account for this slow response. First, antagonistic policies of General Castro's regime towards foreign companies became a hindrance to any type of systematic investment plans. Second, world demand for hydrocarbons was still relatively small. Third, other countries (especially Mexico, with the stable government of Porfirio Diaz) inspired greater confidence, so that oil investment was directed toward that country. Fourth, although existence of petroleum in Venezuela had been known for a long time, the commercial value of the fields was uncertain.

All these negative factors were reversed by 1915. Friendly and encouraging policies of General Gomez' government toward foreign investors, increased demand for oil during World War I, arrival of the "automobile age" in the United States, and internal strife, upheaval, and uncertainty that followed in Mexico after Diaz' downfall resulted in intensive oil prospecting activity which led after 1920 to the commercial and systematic exploitation of Venezuela's fabulous oil wealth.<sup>8</sup>

By 1920 the first petroleum was exported (69 thousand metric tons). In the ten years thereafter, Venezuela became the world's second largest producer, with total exports of over 20 million tons in 1930. During this short period the country passed from being mainly an agricultural exporter to an oil export economy. The impact of the petroleum sector was so profound on the economy that within a short period of ten years the whole structural foundation of the Venezuelan economy was radically modified.

Direct benefits obtained by the nation were initially rather small because of a very primitive, crude, and highly regressive taxation system that did not take into account the income received by the companies. The tax took the form of a simple, low rate imposition on exports and some additional resource use royalties.<sup>9</sup>

According to Venezuelan law, underground resources are not the property of the land owner but belong to the State. The government grants rights to exploit these resources under specified conditions. During the 1920's this peculiar circumstance led to a wholesale granting of oil concessions to foreign companies without any pre-determined plan considering conservation of the resource or fiscal needs of the government. In addition, corruption of high government officials and their friends, General Gomez included, enabled them to enrich themselves immensely. The most frequently used form of corruption was to grant concessions to Venezuelan friends who sold them to foreign companies at a much higher price than they had paid. This led to establishment of a new wealthy group closely associated with the personalistic government of Gomez. This group did not use its newly acquired wealth for productive investment in new economic enterprises, but employed it for speculative purposes, purchase of land holdings, and to pursue a life of affluent leisure. The concentration in rural land that took place during the regime of General Gomez was in great part associated with this new wealthy group and with the means that were used to obtain their fortunes from petroleum.

The fifteen years that followed the first petroleum exports, from 1920 until the death of Gomez in 1935, resulted in steady improvement of the government's fiscal position. Agriculture came to be replaced by the oil industry as the most important income-generating activity. The increase in government revenues was so large that finally it became possible for the official sector to intervene directly in the economy of the country in order to correct existing deficiencies. In other words, the government had the means to pursue direct economic policies. That the government was not able to respond properly to existing stimuli will be seen in the following sections. Policy response toward agriculture was so disarticulated and weak that after 1930 it not only worsened the position of the already-suffering export-oriented segments of agriculture, but also failed to visualize the long range implications for rural conditions of depressed incomes and poverty, lack of access to basic resources, and general low productivity.

Despite the failure of many of the country's agricultural policies, the very fact that such policies existed was somewhat unusual in Latin America at that time. The existence of such policies can be explained in large part by huge petroleum revenues.

"Viewed in relation to Latin America as a whole, the case of Venezuela is exceptional in almost all aspects of recent economic development. It may at least be said that no other country . . . in Latin America . . . departs in so many aspects from what constitutes the general tendency or line of development experiences common to the majority."<sup>10</sup> The reason for this exception is the peculiar role played by the petroleum sector within the economy, the impulses it generates, and their magnitude and longevity.

Four basic characteristics are indicative of the above-mentioned peculiarity of Venezuela's economic development.

The first is its continuous (since 1935) and intensive economic growth. Probably no other country has had a similar record. Annual growth rates of the economy since 1937 (the earliest date for which there are figures available) indicate that the Gross National Product has been expanding at rates far above population growth. The estimates of these annual growth rates indicate that the economy has persistently expanded at rates above six percent, showing a more intensive expansion for the period 1937-1957 than for the following years. From the following table these growth rates can be observed for different time periods.

TABLE 1-1

VENEZUELA: ECONOMIC GROWTH RATES FOR  
DIFFERENT TIME PERIODS

	1937-50	1945-56	1950-60	1958-65	1960-64
Annual cumulative rate in %	8.1	8.1	7.3	6.1	4.9

Source: For 1937-50, 1950-60, and 1960-64, G. PINTO COHEN, Agricultura y Desarrollo: El Caso Venezolano.  
For 1945-56, C. FURTADO, El Desarrollo Reciente de la Economía Venezolana.  
For 1958-65, author's own calculation, based on data published by the Banco Central de Venezuela, in its yearly reports.

As a result of this rapid growth, the old traditional and agricultural economic structure was replaced by a structure dominated by the petroleum sector and the rapid expansion of urban-based activities. Commensurately, there was a steady improvement of the average income per capita which reached averages similar to those prevailing in some industrial economies of Europe in the 1950's. By 1964 Venezuela had the highest income per capita in Latin America, amounting to around U.S.\$700. Nevertheless, the distribution of income is and has been highly uneven, not only in terms of total distribution, but also geographic distribution.

The second major characteristic of the Venezuelan economy is that it has become highly dependent on petroleum. This sector not only provides its main dynamic impetus on the economy as a whole, but also furnishes about 65 percent of government revenue. Petroleum exports have made intensive development possible without the balance of payment difficulties that have plagued many other Latin American countries.

Thirdly, a rapid transformation has taken place in the demographic structure of Venezuela. Not only has population growth been extremely high since 1940--above three percent per annum--but also extensive internal migration has occurred which transformed a largely rural society in 1936 into a highly urban one in 1960. In the mid-1930's around 80 percent of the population resided in towns with fewer than 5,000 inhabitants. By 1960 only 40 percent of the people could be classified as non-urban. Rural population experienced a relative decline and hardly increased in absolute terms.

The last major peculiarities of the Venezuelan economy are: the relative "backwardness" of its agriculture as manifested in generally primitive technology employed even by a great number of "commercial" farmers; a high number of subsistence farmers; slow responsiveness to a rapidly altering demand structure after 1936; inability (for many years) to provide basic staple foods even with generous governmental stimuli; and generally depressed personal income. This pattern results from structural inter-relations between the petroleum sector and the rest of the economy which merit closer examination. The petroleum sector is controlled by foreign companies which receive long term leases from the government for exploration and extraction. In turn, they "purchase" concessions to exploit oil from the government and are subject to a royalty payment, a prescribed percentage of production (approximately one-sixth of total production). The oil companies are also subject to a progressive surface and income tax. Imports, except for a few capital equipment items, are taxed. Further, the companies receive a special exchange rate, thus buying each dollar brought into the country for less than the official rate. Since the bulk of sales take place

outside the country, income taxes are paid in dollars. This taxation scheme has been subject to several modifications since 1945. Presently (1969), the oil industry pays around sixty percent of its total income in taxes to the government. In this manner the government receives about sixty-five percent of its total revenue.<sup>11</sup>

Other than through taxation, the oil industry has little linkage with the rest of the economy. It is a highly capital intensive activity requiring inputs not provided by Venezuelan industry. Since the 1950's, the industry has employed approximately 40 thousand Venezuelan workers, a mere two percent of the total national labor force. The industry has been classified as an "enclave activity."

The basic difference between the Venezuelan situation and other countries with large mining or agricultural export-based activities is found in the following characteristics:

1) World demand for the basic resource, in this case, petroleum, has been subject to a continuous and steady increase since the 1930's without major fluctuations (except during the 1930 depression and the Korean War adjustment periods). For the 30-year period--1931-1961--the annual rate of oil output increased 7.6 percent.<sup>12</sup> This contrasts with severe price fluctuations of such basic commodities as coffee, cacao, tin, copper, etc.

2) The experience of Venezuela "is totally different from other Latin American countries, which developed their mining export economies during previous eras. In these latter cases, the benefits of productivity increases reverted almost completely in capital benefits and in a general way, were withdrawn from the country."<sup>13</sup>

At this point it is possible to outline a general scheme of the major elements of the Venezuelan economic structure and to trace the sequence of the dynamic impulses that have promoted its growth:

a) A highly capital intensive export-oriented industry facing a growing world demand through an oligopolistic market structure, receives a relatively free access to the basic resource in the country;

b) A fiscal mechanism is established that obligates the industry to leave over half of its profits in the country in the form of taxes paid to the government;

c) The government transfers this capital to the rest of the economy through the budget, and thus the fiscal sector becomes the mechanism that transmits the economic impulses that originated with the petroleum industry to the remaining segments of the economy.

While these taxes were relatively low, the economic impulse of the petroleum industry to the rest of the economy was proportionally small. But as the fiscal system was modified in the early 1940's, and as world demand for petroleum became more pronounced after World War II, availability of revenues increased and the economic role of the official sector became more pronounced.

The role of agriculture in Venezuela's oil-dominated economy was different than in other Latin American countries. Recent economic models which deal with the overall development process of an economy through time point out the strategic role played by agriculture as provider of a "surplus," to be employed outside of the agricultural sector for capital formation purposes.

The Venezuelan development experience, however, because of the predominant role played by the petroleum sector, has not had to rely on a squeeze of its agriculture. On the contrary, agriculture has been the recipient, via the government sector, of benefits in terms of investment subsidies, generous capital assistance, nondeteriorating terms of trade and other perquisites. This peculiar growth experience made it unnecessary "to develop agriculture to the point where it would leave a surplus for the development of other activities. Even today a large percentage of the agricultural labor force does not know the use of the plow and of animal traction."<sup>14</sup>

#### The "Golden Age" of Agricultural Exports

Throughout the decade that followed World War I, no major changes occurred within the agricultural sector. The value of exports of coffee and cacao expanded and attained their highest plateau in history during these years. The exports of coffee reached an average of around 48 million kilograms per year although they showed pronounced yearly fluctuations. Cacao also attained its highest export peaks during the mid-twenties. Nevertheless, its oscillations were less pronounced than those of coffee. It was not until after 1930 that the volume of these two crops began a downward trend. (See Table 1-2)

While exported volume tended to stabilize in the 1920's, aggregate value almost continuously increased, because of the pronounced rise of coffee prices in the world market. The four-year average price for coffee for the periods 1900-1905 and 1906-1910 was 0.71 Bs./Kg. and 0.86 Bs./Kg., respectively. For the period 1921-1930, coffee prices did not fall below 1.50 Bs./Kg., and for five years of this time-span (1925-1929) the prices exceeded 2.00 Bs./Kg. Cacao prices were not as favorable. Cacao prices remained stable from 1900-1930 and took a marked plunge after 1930. The value of these two crops combined represents over ninety percent of the total value of agricultural exports.

TABLE 1-2

## VENEZUELA: VALUE OF AGRICULTURAL EXPORTS

	Two-year Averages--Million of Bolivares											
	Coffee		Cacao		Forest Products		Cattle & Hides		Other		Total	
	Bs.	%	Bs.	%	Bs.	%	Bs.	%	Bs.	%	Bs.	%
1921-22	61.9	69.4	21.2	23.8	1.8	2.0	2.6	2.9	1.7	1.9	89.2	100.0
1923-24	80.0	73.1	22.8	20.8	2.2	2.0	2.3	2.1	2.1	1.9	109.4	100.0
1925-26	116.4	78.3	24.7	16.8	1.9	1.3	3.3	2.2	1.4	0.9	147.7	100.0
1927-28	90.8	75.2	24.5	20.3	1.0	0.9	4.2	3.5	0.2	0.1	120.7	100.0
1929-30	105.0	79.8	22.4	17.0	0.6	0.6	3.4	2.6	0.1	*	131.5	100.0
1931-32	62.2	79.2	14.5	18.5	0.4	0.7	1.3	1.6	0.1	*	78.5	100.0
1933-34	37.7	78.1	9.2	19.1	0.3	0.6	1.0	2.1	0.1	*	48.3	100.0
1935-36	30.9	78.4	7.2	18.3	0.3	0.8	1.0	2.5	*	*	39.4	100.0

\*Insignificant

Source: R. FERNANDEZ Y FERNANDEZ, Reforma Agraria en Venezuela.

Traditional export crops experienced their "golden age" during the period following World War I. Not until the adverse effects of the Great Depression started to affect incomes in industrial countries, did Venezuelan agricultural export industry feel the price depressive influences of a rapidly contracting world demand.

This analysis is in direct contradiction to the generally accepted hypothesis that stagnation of traditional Venezuelan export crops originated in the loss of Venezuela's traditional German market after the First World War, from which coffee was never able to recover. Evidence indicates the German market was never a major outlet for the country's coffee exports, especially during the period before World War I.<sup>15</sup> By 1910, the United States had become the most important client for Venezuelan coffee, absorbing around 50 percent of its total exports.

Of greater relevance for the present analysis is the fact that during this period the country's agricultural exports did not expand substantially. The plateau of export volume during the 1920's indicates that the coffee and cacao industry had ceased to expand. Since obviously unfavorable prices could not have been the cause unless a pronounced deteriorating balance of trade took place, one has to search for other causes. It hardly seems plausible that internal production costs were increasing within the Venezuelan economy at this time. The inherent characteristics of existing tenure arrangements (sharecropping of the colono variety) precluded any wage rises, even if inflationary forces were operating within the economy. Coffee and cacao agriculture during the first part of the present century did not use any complex and capital-intensive production methods. Labor undoubtedly was the determining factor in its cost structure.

Since the expansion of coffee exports throughout the second half of the last century and during the first decade of the present century rested chiefly on the extension of the cultivated area and not on the introduction of yield-increasing technologies, it is most probable that during the 1920's no more suitable coffee-growing land was available in the mountainous part of the country. In other words, an ecological constraint made its appearance.

Other countries in the hemisphere producing coffee of a similar quality did not seem to be subject to these restrictions. During the 1920's, Colombia and some Central American republics (Guatemala, Salvador and Costa Rica) increased their production and exports steadily, thus replacing Venezuela as the second largest world producer.

There is also limited evidence that coffee producers had financing difficulties during this period. In publications during the early 1920's, the Chamber of Commerce of Caracas voiced the

need for the establishment of government-sponsored financial institutions, to make credit available to the coffee growers at more favorable terms than those of the free market. This seems to have been the first expression of an organized pressure group making demands for government intervention in the agricultural situation.

Although coffee and cacao prices did not begin to deteriorate before 1930, in 1928 the government had established a specialized agricultural credit agency, The Agricultural and Livestock Bank (Banco Agrícola y Pecuário, hereafter to be named by its Spanish initials BAP). Its installation became the first overt policy response of the government towards the agricultural sector. This policy cannot by any means be interpreted as a response to the disequilibrium caused by the depression within the Venezuelan coffee and cacao industries, since it preceded the first effects of the "Great Crash."

Most probably, the founding of BAP was a response to two basic factors:

- 1) Continuous pressure exercised by commercial agricultural sectors of the country that had direct access to the highly centralized government of General Gomez;
- 2) The availability of public funds due to rapidly expanding petroleum exports.

Until 1936 the credit policy of BAP was a reflection of the pressures that established it. It was, in other words, a policy instrument catering exclusively to large landholders.

The BAP received an initial capitalization of 30 million bolivares, and the following year another 50 million bolivares were added. During its first years the BAP limited its credit activities to the granting of loans, with a mortgage guarantee. Of course, coffee and cacao growers were the initial beneficiaries of this new lending agency. The campesino and other small-scale farmers were excluded. Only those with easy access to the official power clique were granted use of available funds.

Table 1-3 shows that during the first years of the BAP's existence, most of its basic capital was lent out. As the agricultural sector began to feel the adverse effects of a rapidly deteriorating price situation in the world market, lending activities of the bank became more restricted. Managed strictly along commercial lines, BAP's funds could not be used as long range developmental assistance to the depressed commercial farm sector.

TABLE 1-3  
**CREDIT ACTIVITY OF THE BANCO AGRICOLA Y PECUARIO**  
**1928-35**  
 (Thousands of bolivares)

Year	Paid-in capital	Paid-out loans
1928	30,000	22,034
1929	50,000	6,512
1930	--	19,287
1931	--	4,880
1932	--	600
1933	--	588
1934	--	59
1935	--	210

Source: T. E. CARRILLO BATALLA, Moneda, Banco y Credito en Venezuela, Vol. 2.

Recipients of initial mortgage loans from the BAP were simply unable to repay the accumulating debts. The BAP was forced to embargo the properties and eventually auction them to the highest bidder.<sup>16</sup>

As world demand for Venezuelan agricultural exports started to contract after 1930, prices began to plummet until they had reached almost incredible depths. The value of total agricultural exports decreased from a yearly average of Bs. 131.5 million for the 1929-30 period to Bs. 39.4 million in 1935-36--a seventy percent drop. Since coffee and cacao were the two main export crops, regions in which these two products were grown felt the economic depression hardest. Commercial farmers became insolvent by the hundreds since they were incapable of repaying their financial obligations. Dependent farm labor also experienced a contraction of their already meager incomes. Where hacienda stores existed it became common practice to suspend credit to the peons

altogether, and to impose new and increasing delivery quotas of basic crops to the hacienda owner. Forced recruitment of labor became common on the farms of favorites of the Gomez regime. In certain parts of the country, hacienda owners reacted to shrinking incomes by expanding the area under the plow, always employing the colono system on new acreages, but with even more unfavorable obligations and conditions than before. Large impoverished masses of peons and campesinos in coffee and cacao areas experienced a true deterioration of their already low living standards.

### Early Attempts at Agricultural Policy Formation

By 1932 the impact of the Great Depression had been fully felt throughout the Venezuelan economy. Not only had more and more farmers become insolvent as the prices of the basic agricultural commodities deteriorated rapidly, but petroleum exports began to diminish. From the export peak of 864 million bolivares reached in 1930, by 1933 the total value of oil exports amounted to only 284 million bolivares, indicating a significant reduction in government revenue. After a decade of continuous surpluses, the first budget deficits appeared.

Since agriculture was the sector most acutely affected, "something" had to be done. For a government completely inexperienced with economic policies, this was difficult. Not only did it lack the needed technicians and administrators, but the scope and content of rational economic policies were completely foreign to the paternalistic administration of General Gomez' regime. Public economic affairs were approached with the mentality of a small storekeeper: no more pennies could be spent than those that enter the till. The powers of fiscal or monetary policies in a Keynesian sense were completely unknown.

The immediate public policy response to agriculture's plight consisted of granting a direct subsidy with repayment obligations to coffee and cacao farmers. In June 1934, the government approved expenditure of 10 million bolivares to be distributed in a proportional manner for production among needed coffee and cacao farmers. A policy of this type, during a period of rapidly deteriorating world prices was nothing more than a simple ameliorative measure that ignored the real causes of the existing problem. It resulted from pressures exercised by groups seeking quick relief of adverse conditions. This subsidy antedated a long string of payments that were granted to agricultural export crops after 1935.

Another response to the deteriorating agricultural situation was the establishment of a bureaucratic service within public administration to deal specifically with agriculture. In July 1933, the Ministry of Sanitation and Agriculture was established.

According to the ordinance that established this new Ministry, it had the following mandate: "research, development, immigration, colonization and agricultural education."<sup>17</sup> The agency within the Ministry in charge of agriculture was called Direccion de Agricultura y Cria, and had a rather simple organizational structure. It was divided into six services or offices, each with specific functions: research, agricultural and cattle-raising development, which was in charge of demonstration plots; immigration; colonization and tourism; public lands administration; forest and water services; and agricultural vocational school. The administrative services of the Direccion de Agricultura (Agricultural Bureau) were jointly used by the Bureau of Public Sanitation.

Since the country did not have trained technicians in agronomy, animal husbandry, resource management, etc., the scope and content of the Ministry's programs was extremely limited. The newly-created vocational school presented a two-year curriculum for grade school graduates in which they were instructed on the most fundamental elements of scientific agriculture. The so-called development services identified plant diseases and indicated the best manner to combat them. The development service distributed some imported seeds gratis and had a small insemination station with imported animals. There was an attempt to carry out a cadastral survey in the central part of the country.

From the information which exists on the programs of this first agricultural agency, it can be concluded that it had little influence on the development of agriculture. Ignorance of the real roots and causes of the problem, the lack of even the most essential administrative resources needed for the functioning of a bureaucratic agency, and the existence of landed-oligarchical forces which dominated government were factors that precluded a priori the enforcement of any effective "problem-solving" approach by public-official policy.

While the government was groping towards the formulation of a policy that would bring about improvement in the depressed export area of agriculture, it undertook a major decision that neutralized these weak efforts. The government did not devalue the bolivar in 1934, when the gold content of the U.S. dollar was reduced, to which it was closely linked. This amounted to a revaluation of the official exchange rate which placed Venezuelan agricultural production costs on a much higher level than those of other competing countries in the world market. At the same time, it became one of the key factors in establishing the very high price level for which Venezuela is commonly known.

This appreciation of the bolivar, however, was not followed by a fall in the domestic price level relative to the levels prevailing in Venezuela's major trading partners. Rather, the internal price level continued to move upward more or less in line with

price changes in the United States during 1935-50. Obviously, the revaluation of the bolivar destroyed the previous competitive situation of Venezuelan export crops in the world market. The exchange rate was a strong determinant in the stagnation of traditional coffee and cacao agriculture during the next twenty years. Its negative impact was recognized at a later date.

By 1935, when the era of Gomez came to an end, the agricultural sector was in most serious difficulties. Initial attempts to formulate a policy to deal with the agricultural situation did not recognize the fundamental factors that determined its productive structure. Weak attempts to bring relief to the troubled export crops were rendered ineffective by the refusal of the government to devalue the bolivar at a time when all the other countries in the world were devaluating. That a reduction in income for the commercial coffee and cacao farmers spelled an equal reduction in living standards for the great mass of already impoverished rural laborers is rather obvious. But what is usually overlooked in the final outcome of this rapid impoverishment of the agricultural sector is that it was a determining factor in the disappearance of the once powerful landed oligarchy, especially the groups that found the source of their wealth in profitable coffee and cacao exports. The decision of the government to appreciate the exchange rate contained the seeds of destruction of the political power of these landed interest groups. Economic policy, then, quite unwittingly contained the elements that contributed to the removal of a traditionally-oriented class, paving the road for future economic policies that were directed towards improvement of the rural masses. The true and far-reaching effects of this decision of the Gomez government undoubtedly were not fully grasped at the time.

CHAPTER 2: THE SEARCH FOR NEW AGRICULTURAL POLICIES:  
1936-1940

Political Transition from Autarchy to Plurality

The death of General Juan Vicente Gomez in 1935 signified the passing away of highly centralized decision-making procedures. This does not mean Gomez' death was followed by a democratic regime based on universal election and installment of a parliamentary system, but it meant that a new government came into being which employed procedures permitting a certain amount of freedom. The new government took into account existing social pressures and acquired a positive attitude toward problem-solving. It also allowed the emergence of communication channels to policy makers through which discontent could be brought to the attention of the responsible authorities. This signified, then, that national problems in all of their dimensions were perceived within a framework of public discussion.

This does not mean the conception of problems was in every instance accompanied by adequate insights into the real circumstances that were causing the problem. This would have been a little too much to ask from a new administration completely inexperienced in the difficult and precarious art of policy formulation. National antecedents did not exist to give guidance in this respect. Experience feedback in policy formulation was precluded. Further, the lack of an adequately-trained and technically competent administrative apparatus made it even more difficult to reach meaningful policy formulations along "rational" lines. It is difficult to understand why the government which replaced the Gomez Regime attempted to redefine and deal with public problems unless one considers the social upheaval which occurred at the time General Eleazar Lopez Contreras came to power. Lopez Contreras, Minister of War under General Gomez, was nominated President of the Republic by the council of ministers, according to the existing constitution. A few months later he was ratified by the rubber-stamp parliament. A smooth transition in the executive area had taken place. A much-feared power struggle was avoided. Everyone expected unabated continuation of the old order. Then, in a sudden and spontaneous way, open violence broke out in the major cities of the country. Rapidly these gatherings degenerated into uncontrolled mob actions. The army had to be called out to restore order.

To the surprise of everyone, all the properties of Gomez and his relatives were confiscated, becoming "restituted properties to the nation" (Bienes Restituidos a la Nacion). As this measure did not have the tranquilizing effect expected, the direct heir of General Gomez took an unprecedented step: a full granting of civil liberties. The press was unmuzzled. Freedom of association and speech were permitted. Political prisoners were freed and exiles were allowed to return to the country, and with them came the famous "Generation of 28."

In 1928, during an annual frivolous university celebration, discontent with Gomez' government was voiced, which rapidly spread into organized meetings of the students. Freedom for the country was demanded and the excesses of the regime were openly criticized. The leaders of these student manifestations were immediately arrested by the ever-watchful police. Some were thrown in jail, while others were put to forced labor on roadbuilding with common criminals. Eventually, they were released and sent into exile. The significance of this incident was not only that it became the first and only public manifestation against Gomez, but out of these exiled students the future political leaders of the country emerged.

Among the more famous members of the "Generation of 28" the following present-day politicians can be counted: Romulo Betancourt and Raul Leoni, both to become presidents eventually, Jovito Villalba, head of the powerful URD party, and Gustavo Machado, chairman of the Communist Party.

This unexpected eruption of public discontent that occurred during the first months of 1936 served as a catalytic element for the formulation of a completely new government program that tried to tackle the many ills confronting Venezuela. It became known as the "February Program" (Programa de Febrero). Lopez Contreras, in order to demonstrate his willingness to bring about change, asked parliament to reduce his term of office from the stipulated seven years to a four-year term. Then he proceeded to announce a broad national program of investment and general development. Ills affecting the country were spelled out in detail, and measures to be undertaken to ameliorate these ill were delineated. The country received, in present-day jargon, an economic development plan.

The fundamental philosophy of the government's economic policies consisted of using the national budget for bettering overall living conditions. Public funds were to be applied in a "rational" way.

Among the many policies the government intended to pursue, according to the Programa de Febrero, agriculture and rural areas were accorded top priority.

More specifically, lands expropriated from the Gomez family were to be subdivided among the landless campesinos. Agricultural credit was to be made more accessible to "tillers of the soil." A modification of the existing labor code was mentioned, which would explicitly prohibit forced rural labor. Workers had to be paid in cash. The need for agricultural education was stressed. It favored "official intervention" in distribution of basic staple foods in order to counteract rising prices. The need for establishing policies to aid traditional export crops was also included. The promotion of an immigration policy was emphasized to populate the vast underutilized national territory.

Other equally important aspects of the "February Program" were the following: a national sanitation campaign with special focus on malaria, expansion of educational facilities, general infrastructural investments, reform of the electoral system, granting autonomy to the municipalities and local governments, a strict accountability of the public finances, the revision of the petroleum taxation arrangements, and the modernization of the armed forces. None of these items seem at present to be novel or even original. But, in view of the overall lack of any type of public policy that existed when Gomez was in power, they certainly can be regarded as a most significant advancement.

#### Identification of Campesino and Commercial Sector Problems

The general social commotion and open public discussion that were allowed in Venezuela during the years that followed the death of General Gomez brought the "rural problem" into the limelight of public attention. Right from the beginning, this problem was regarded as containing two large problem areas: on the one side, the poverty-stricken subsistence or campesino sector, and on the other, the inefficient and financially-castigated commercial sector.

This basic problem conception has shown a most remarkable persistence in agricultural policy formulation and in the specific programs undertaken since its formulation. These two problem areas have been conceived as interrelated. All the other governments since 1936, no matter what their ideologies, from the "evolutionary-conservative" Lopez Contreras government to the "experimental-revolutionary" Accion Democratica regime of 1945-48, sought to solve the "agricultural problem" by attacking it simultaneously on two fronts.

The campesino sector generally has been regarded as containing most of the people classified statistically as rural. They are the small farmers, employing backward technology on small parcels of land. Generally they are not the owners of their own plot but have to rely on some type of unsatisfactory tenure arrangements, such as aparceria (sharecropping), medianeria (equal sharing), or simple pisatarios (squatters) on public or private lands. Their type of agricultural enterprise is generally referred to as conuco, meaning in its broadest sense, subsistence agriculture relying on the slash-and-burn method of cultivation, with its adverse effects on soil fertility. However, in this group we also find small farmers specializing in certain commercial crops (coffee, cacao and cattle). There is a general consensus that the campesino sector is the rural segment of the population that is extremely poor, illiterate, inadequately fed and housed, and subject to a high disease rate. Its overall living standards are extremely low, especially when compared to those prevailing in urban areas.

While the overall composition and content of the campesino sector has probably not been subject to major modifications during the last three to four decades, the so-called commercial sector is more difficult to delineate and define. It has been subject to major modifications during the last thirty years. The main common denominator is that almost all of their production goes to the market and the income received from it allows the farm operators higher living standards than the ones observed with the campesinos. This, of course, is a vague and ambiguous differentiation, pointing at the already well-known fact that the classification commercial-subsistence agriculture is actually a continuum, making it difficult to distinguish where one starts and where the other one ends.

Another common characteristic of the commercial sector is easier access to credit sources--private and official--than their campesino counterparts have because their assets can be used as a guarantee. A third characteristic is that land, as a factor of production, is not as limiting a constraint on their production function as it is for the campesino farmer. In other words, keeping existing land resources and crop patterns fixed, and recombining the other factors of production, substantial increases in output can be obtained. This does not mean that in campesino farms production increases could not be obtained by applying modern technology, but it means the size of available land precludes taking advantage of certain basic economies of scale that are technologically determined, imposing in this sense a production and income ceiling that is reached soon after the new technologies have been applied.

Despite common characteristics, this commercial sector is most heterogeneous. At one extreme we find latifundia, employing most extensively their disposable resources and reacting little to market prices. At the other extreme are farms using the latest technology, which are quite sensitive to price fluctuations. The type and the size of their production is largely determined by input-output price relationships.

While dichotomous classification into commercial and campesino units hardly seems adequate for rigorous analytical purposes because of the many variations noted, it has been perceived in those terms by decision makers when formulating economic policies and specific action programs.<sup>18</sup>

At this point a basic question should be asked in regard to this problem perception--was it the outcome of certain insights obtained through analysis (formal, systematic or otherwise), or was it the outcome of discontented communications to policy makers by organized or unorganized actions? Without a doubt, both of these elements played a role. The latter element became gradually the determining one in problem perceptions and thus for agricultural policies, as authorities became more sensitive to protests and pressures.

The government of Lopez Contreras in 1936 tackled, on a broad front, the agricultural problem which it had inherited, but limitations existing in almost every sphere did not allow much progress to be made.

These limitations were of a most diverse nature. First, there was little that could be done in the short run to improve the economic conditions of the traditional exports for some very obvious reasons. Second, the country did not have the human technical resources necessary to develop and carry out consistent and rationally-planned agricultural programs. Third, the scope and depth of the problem were not fully perceived. Fourth, the budget of the government was so small it did not permit large scale investment and development programs. Fifth, the "coffee and cacao" oligarchy was still entrenched, and thus was able to obtain most of the attention from the government. Sixth, social unrest which followed the death of Gomez required the concentrated attention of policy makers for almost two years, leaving little time for broad development programs. Finally, the reaction of the administration toward problem-solving policies was greatly limited by its excessive preoccupation with legalistic procedures, which precluded experimentation that might have shown more immediate results.

Nevertheless, a number of policies were put into effect during this period, some of which became the foundation for later ambitious programs. The type of policies enacted during this time can be categorized into three broad areas: 1) immediate stop-gap measures, designed to bring relief to overt pressures that came to the surface after Gomez' death; 2) enactment of laws that served to establish needed administrative structure through which programs could be handled; and 3) continuation of already existing programs, but at a more accelerated pace than previously.

Let us then discuss and review each of these in turn.

#### 1) Stop-Gap Measures

During 1936 and 1937 several incidents of rural unrest received publicity in the newspapers, including invasions of private properties, squatting on lands of the former Gomez haciendas, spontaneous persecutions of hacienda overseers, refusal to recognize old established sharecropping arrangements, sending delegations to the capital city to protest undesirable situations, rapid unionization in the larger sugar cane plantations with accompanying work stoppages, etc. The government's reaction to expression of discontent by rural sector groups varied all the way from promises to meet demands to open repression through force. Farmer delegations with long-worded petitions were promptly received by the Minister of Agriculture and in some instances even by the President. Groups were usually sent home with a promise that the government would look into the matter of their concern.

Certain land invasions of former Gomez properties were tolerated, giving the campesinos de facto occupancy rights, such as in the case of the coffee Hacienda el Trompillo, where some 2,000 farmers received credits from the Agricultural Bank. But at the same time, there were reports indicating the government employed open force to remove squatters, or moved in the army to quell open violence and disturbances, such as those in the state of Lara.<sup>19</sup>

A second manifestation of discontent by the peasantry consisted of moving into the cities, where they hoped to find better living and employment opportunities. The rural environment was becoming increasingly less tolerable to the campesino because of two basic circumstances: worsening economic conditions and the operation of what has come to be known as the "demonstration effect." Policy responses to this new phenomenon of rural unrest were weak, uncoordinated, and ineffective. The government first decreed an "Emergency Plan," which had two major elements: the initiation of an urban public works plan to provide work for the unemployed; and the establishment of rural colonies into which new arrivals could be resettled. The Ministry of Public Works was responsible for the program. Since it was designed under pressure by inexperienced bureaucrats, productivity considerations were disregarded. In the later part of 1936, the recently established Ministry of Agriculture proceeded with establishment of two additional colonies, and assumed administrative control of the other three projects.

Available information on these five colonies is incomplete, indicating that they were exactly what they were intended to be--namely, emergency measures to relieve urban unemployment. The number of people settled in them was relatively small. At most a couple hundred families received land. Schools and health centers were built in them. The farmers received a family subsidy.

A year later (1937) in four of these colonies, the government suspended the subsidy payments and the farmers were given "independence" from the official administration.

Thus it becomes clear that the agricultural colonies were nothing more than policy responses based on lack of insight into the real causes that were promoting urban unemployment. Using Hirschman's terminology, "motivation raced ahead of understanding."<sup>20</sup> (It is interesting to notice in this respect, that when Venezuela faced a similar urban unemployment twenty years later after the downfall of Perez Jimenez' government, official problem-solving policies followed quite similar paths to the ones just described.) Also, it is quite clear that the creation of these agricultural settlement projects was completely irrelevant and inadequate in dealing with the serious rural exodus.

Another policy response that was a direct outcome of overt public pressures consisted of confiscating all the properties of General Gomez' heirs and of their closest collaborators. Although the initial intention was to expropriate outright these properties without compensation, at a later date, because of legal objections and other juridical entanglements, it became necessary to compensate the owners. The total area of these farms reached 12.36 million hectares, of which only 120.5 thousand hectares were classified as cropland. Although the Lopez Contreras government had promised in its Programa de Febrero that lands of the dictator would be subdivided among the landless peasantry, except in the few cases where the campesinos forcefully occupied the land, no such massive distribution ever took place.

The reasons for this are not hard to find. On the one hand, the insistence of the government on adhering strictly to legalistic procedures precluded any such action, especially when there were no precedents to wholesale subdivision of government land. In addition, the rather conservative outlook of decision makers toward public affairs in general, and absence of organized discontent in rural areas, were by themselves sufficiently strong reasons preventing such a radical and unprecedented step. Campesinos were still viewed as incapable of administering their own affairs.

## 2) New Policies

The second type of policy directed towards solution of the "rural problem," and enacted during these years, came to exercise more lasting influence.

It consisted basically of enactment of new laws, leading to establishment of new government agencies. Thus the foundations were established upon which continuity of official policies was assured. Since all new agencies came into being during 1936-38 and were a direct outcome of the new government's intention to deal in a more or less systematic manner with rural problems, they can be regarded as the starting point of the rural problem-solving process that has characterized Venezuela's concern with its agricultural backwardness.

The first of these laws was the new Labor Law (Ley del Trabajo) of February 29, 1936. Several of its clauses prohibited continuation of practices on haciendas that bound the peon directly to the existing owner. More specifically, the new law made it mandatory that wages should be paid in cash at least once a month. Thus, the widely accepted practice of paying agricultural workers with private currencies (fichas or vales) came to an end. Second, Article 21 of the new law stipulated that the debts incurred by the workers with the employers for the supply of food and merchandise on a credit basis . . . have to be amortized, weekly or monthly, in quantities that cannot exceed 50 percent of the equivalent of a week's or month's wages, according to the case.

With this clause, one of the major powers that the hacienda owner had in his hands to assure obedience of the workers--namely, the threat of wage payment refusal under the pretext of cancelling outstanding debts--was abolished. This contributed to the weakening of the direct exploitative system of rural labor, and at the same time the much-hated hacienda store lost its function within this semi-feudal system.

Third, the new law insisted wages could not be paid in "recreational places, inns, coffee houses, taverns, canteens or stores" (Article 57), putting an end to the widely-used practice in haciendas to inebriate the peons on payday in order to even further increase his indebtedness. Fourth, the employer was obligated to provide for his workers certain minimum health and safety conditions. And last, the law authorized the establishment of unions and syndicates, according to certain specific stipulations.

Although this new labor law was enacted principally for non-rural workers, it contained the needed provisions to stop many of the semi-feudal labor exploitation practices existing in rural areas. Erasmus indicates that abolishment of the hacienda labor coercion system was followed by an intensive form of sharecropping employed by large landowners to insure the needed labor supply during harvest periods.<sup>21</sup> This observation probably is accurate, since tenure arrangements of this type were still common for many years afterward in commercial farm areas where the requirement for labor inputs is not evenly distributed throughout the year.

The second of the new laws, which influenced rural problem-solving activities, was related to the abolition of the Ministry of Sanitation and Agriculture, to be replaced by two new agencies: Ministerio de Agricultura y Cria (Ministry of Agriculture and Livestock Breeding--to be called hereafter by its Spanish initials MAC), and the Ministerio de Sanidad y Asistencia Social (Ministry of Health and Social Assistance--Executive Decree of February 25, 1936, and Reglamento de la Ley de Ministerios of March 1 and August 1, 1936).

To the latter ministry, a new autonomous institute was attached--namely, the Instituto de Malarilogia--created specifically to eradicate malaria in the country. This institute was another policy instrument which contributed to national efforts to solve the rural problem. Its initial campaigns were rather simple, consisting basically of free distribution of medicines and drugs to people affected by the malady and the drainage of swamplands close to urban centers. But it also elaborated in a systematic way health statistics that showed the alarmingly high incidence of the disease. Mortality attributed to this disease in 1936 reached the amazingly high figure of 164 per 100,000 inhabitants. By 1955, due to an intense and well-planned campaign after 1945, the death rate of malaria was reduced to only 0.3 per 100,000.<sup>22</sup>

The impact and importance of the malaria environmental sanitation campaign for the future of Venezuela's agricultural development has been of the utmost magnitude. It opened vast areas of the country to human settlement and thus to agriculture and economic development. In later years, these new frontier areas served to expand a new agricultural activity free from institutional constraints that surrounded agriculture in the 'old' parts of the country.

The malaria eradication campaign has been one of the few policies that could be carried out without objection of vested interests, since almost everyone had something to gain from it. It became possible to formulate the program and to carry out its diverse activities free from vested interests and group influences. Strict technical criteria were the determinant factors of implementation and formulation. It is probably for this reason, more than anything else, that Malarilogia achieved such a distinguished record.

The creation of the Ministry of Agriculture (MAC) in February 1936, was another important step toward the general rural problem-solving activities initiated in 1936, although its effects, in the long run, have not been as visible and impressive as the ones achieved by the malaria eradication campaign. This might be due to the vagueness of the problem at which the activities of this newly-created agency were directed. The functions of the Ministry of Agriculture were of a most diverse nature, all of them supposedly coordinated in order to achieve a more harmonious and vigorous development of the country's agriculture, and at the same time insure an adequate supply of foods at equitable and just prices to the producer and to the consumer.

Thus, the goals of this new bureaucratic organization were formulated in the usual general nonoperative terms which are characteristic of governmental organizations, leaving it to the discretion of the decision maker to interpret these goals and to select the most appropriate operational means through which the overall objectives could be reached.

While there existed general consensus as to the abstract goals of the MAC, conflicts started to arise when the time came to specify them in concrete and operational terms. But a greater problem than the resolution of how to operationalize the abstract goals was the lack of sufficient trained personnel to carry out any projects which might be selected.

During the first years of its existence the effectiveness of MAC's policies was severely limited by the almost total absence of trained technicians in the diverse agricultural specialty fields. There were simply no agronomists, veterinarians and

other specialists available in the country that could have scientifically oriented some of the initial programs. To cope with this problem, the new administration reorganized the existing vocational school by revising the curriculum and increasing its budget substantially. It also created in 1938 the Schools of Agriculture and of Veterinary Sciences, which depended administratively on the Ministry's experimental station. By 1944 these two institutions were absorbed as regular faculties by the Central University of Venezuela.<sup>23</sup>

Right from the beginning, the internal organization of the MAC was conceived along well-defined specialization-functional lines--a conception which has basically subsisted until the 1960's. Besides having had the regular administrative and coordination offices like every other ministry within the public administration --office of the Minister, Direccion de Gabinete in charge of everyday coordination activities and policies, administrative direction, and the legal office, called Consultoria Juridica--the Ministry of Agriculture was organized along the following specialization areas: agriculture and crops, animal husbandry, conservation of resources, and economics.

Initially, this was a basic reflection of viewing the problems affecting agriculture within a necessary specialization framework of four large problem areas. Thus, animal husbandry was kept separated from economics, and so also was general resource conservation and crop agriculture. In later years, as university graduates of the several specialization areas organized themselves into interest groups--the so-called colegios de profesionales--the initial specialization concept received such a strong ally that several attempts to break this organization were doomed to failure.

This functional subdivision of tasks might have been justified during initial years of the Ministry, when there were obvious and severe technological problems affecting agriculture, but it has become a hindrance during the last decade as problem-solving, on account of a more sophisticated economic structure of agriculture in general, required a multi-dimensional approach. For example, agricultural extension or technical assistance has been the responsibility of the Direccion de Agricultura--renamed in 1964 Extension Direction--but farm management research and studies have been carried out by the Economics Planning Direction. Thus, many of the practices advocated by extension agents do not assure higher income to the farmer, because the adoption of new practices implies higher factor costs, but not necessarily a higher proportional product. This, of course, points toward the lack of proper coordination within the Ministry.

A third law enacted during this period which exercised considerable influence on the rural problem-solving process in later years was enactment of a new immigration and colonization law (Ley de Inmigracion y Colonizacion of July 22, 1936).

It was basically a revision of previous existing legislation. Nevertheless, it departed significantly from older legislation in that colonization was to be regarded as a public utility for the country, permitting the government to expropriate private properties for that purpose. Further, this new law became the legal base for the establishment of the Instituto Tecnico de Inmigracion y Colonizacion (ITIC--Technical Institute for Immigration and Colonization), created two years later.

This law put forth the "underpopulation thesis," which consisted of the following argument: Venezuela is a country abounding with plentiful natural resources, mainly fertile land. Nevertheless, it does not have sufficient population to fully take advantage of this most promising situation. To correct this deficiency, immigration of Europeans has to be promoted. Their industriousness and agricultural experience will then act as the needed transformation agent. At the same time, the backwardness of the native population will benefit from the new productive human elements through some type of "demonstration effect." In Venezuela this reasoning persisted for over a century, and became a determinant in the formulation of agrarian policies after 1936.

The ITIC came into existence by special presidential decree of September 15, 1938. The performance of the new autonomous institute during its first years of existence was far from impressive. Besides the administration of the two colonies it had inherited from the Ministry of Agriculture, it created five additional ones.

"By 1945, the accomplishments of the ITIC consisted of establishment and administration of seven colonies, with 2,730 hectares under cultivation and 310 colonists, most of them immigrants, and with a total cost of Bs. 11,524,838.37 invested as fixed capital in the colonies and in the Central Office. Non-recoverable investments amounted to Bs. 16,409,831.97 until June of that year."<sup>24</sup> The previous source comments further that the settled farmers had a debt to the ITIC of over 860,000 bolivares, while their properties amounted to only Bs. 546,000. Thus, an annual report of the Ministry of Agriculture concludes that "it represents a disaster . . . and . . . that it is not unjust to attribute a great part of such a pitiful state of affairs to the poor administration in the colonies."<sup>25</sup>

This experience with colonization schemes again points at the persistent reoccurrence of similar problem-solving patterns in Venezuela--namely, once the problem had been stated within an analytical framework and the policy tools to tackle the problem had been established, no inventory of the available resources was undertaken in a realistic manner, so that the policies pursued amounted basically to paying lip service to the tenets.

More specifically, in the case of the "underpopulation thesis" the financial and administrative resources needed to implement a broad colonization scheme that would actually bring about the expected results within a relatively short span of time were not taken into account. Hirschman attributes this style in problem-solving to societies that are becoming conscious of their backwardness, and look to the more "advanced" countries for inspiration and guidance in problem-solving methods. In these societies the problem-solving path "is marked by the tendency of motivation to pull ahead of understanding."<sup>29</sup> Since motivation outruns understanding of the true dimensions and scope of the problem to be solved, obviously the required resources are more often than not underestimated.

But even more often it is not simply a case of resource underestimation, but also a failure to comprehend the real causes of the problem toward which policies are directed. Thus, the problem area is conceived within a predetermined intellectual framework that found its justification in the experience of other nations and cultures. As a consequence, the national problem is not analyzed and perceived by the internal experience and the root causes that originated it. In the more specific case of the colonization policies, the experience of Argentina and the United States were the examples that induced the problem perception and the solution. That there were severe limitations of an ecological and institutional content that acted against the attraction of European immigrants towards the settlement of Venezuela was simply not taken into account nor properly understood.

Besides the establishment of new agencies, the Lopez Contreras government promulgated a series of new laws which created a new legal framework for policy actions. Among these new laws, the following can be cited as examples of the scope of the intended policy framework: Law on Vegetal and Animal Sanitation Defense (1936), Law on Fertilizers, Insecticides and Fungicides for Agricultural and Livestock Use (1936), Hunting Law (1936), Fisheries Law (1936), Law on Pearl Fishing (1936), two Laws on Regulating the Banco Agrícola y Pecuário (1937 and 1939), Law on Castration and Livestock Fencing (1940), and several other minor decrees dealing with specific problem areas. Although very few of these legal instruments were strictly enforced, mainly because of the lack of resources--monetary and personnel--they served as the base of the very complex legislation that came gradually into being after 1940.

### 3) Emergence of Pressure Groups

The third type of government policy pursued during this period was simply continuation of already existing policies, but this time in a more intensive manner. Most of these policies were directed toward relieving the burdens of adversely affected coffee and cacao farmers.

For example, credit activities of the Agricultural Bank (BAP) were considerably expanded. Not only did the BAP continue to loan funds with a mortgage guarantee, as during the previous eight years, but it also instituted a new credit line--namely, yearly production credits with harvested crop guarantee. Interest rates were lowered considerably from 8 1/2 percent to 5 percent. Nevertheless, these credits had a Bs. 10,000 limit.

During 1938 the credit system was even further expanded and liberalized, by introducing a completely new feature--the Cajas Rurales. These were basically credit cooperatives based on the German Raiffeisen system. Their purpose was to make credit available to the small campesino who could not offer the needed guarantees. As such, they were quite a novelty in the country, and very high hopes were placed on them by the sponsoring institution, the Banco Agricola y Pecuario.

Individual farmers associated themselves with the Caja Rural by paying what was considered a small subscription fee of Bs. 10.00. Each credit cooperative had its own administrative board elected by the associates. They received from the BAP a Bs. 5,000 loan, which was distributed according to individual needs among its members. The purpose of the credit was solely for covering the most essential production inputs. The minimum amount of Bs. 5,000 was gradually increased, until reaching the sum of Bs. 20,000 per Caja in 1944. The elected cooperative board assumed the loan liability.

While the government enthusiastically promoted the establishment of the Cajas, and viewed them as a sort of panacea for the ills affecting the underprivileged campesino, the co-op system as a whole expanded rather slowly and its performance was disappointing.

By September 1944, there were 294 Cajas in existence. Their financial situation was nevertheless very fragile since, of the Bs. 1.7 million received from the Agricultural Bank during that year, only Bs. 360,000 was repaid.

By 1941 there were almost one thousand Cajas in existence, but they kept experiencing financial difficulties to such an extent that the government quietly decided to eliminate them.

The reason for their failure was that this European system was not the appropriate credit vehicle for illiterate Venezuelan campesinos. Furthermore, the required administrative sophistication to manage the organizations was simply not available in the country. State governments, which were made responsible for the Cajas, neglected technical aspects of the co-ops, and used them for political purposes in appointing governing boards.

Another policy that was simply a continuation of already existing practices was the proclamation, in December 1935, of a coffee subsidy for the substantial amount of 30 million bolivares. After this, the number of products that received subsidies or bounties increased rapidly. Cacao followed, then sugar, cattle, hides, fruits, vegetables, alcohol, maize, sharkskins and some forest products. The basic scheme consisted of paying a fixed sum per unit exported. By 1937, it was modified, generally paying a percentage ad valorem bounty on the exported value. Even some articles that were not exported received a subsidy which consisted of granting a fixed sum per kilogram transported within the country from producing areas to the urban centers. "This wave of subsidies came to be considered excessive and very soon it was reversed. On December 16, 1937, bounties on plantains were abolished and all other fruits and vegetables which were exported to the Antilles."<sup>27</sup> Shortly thereafter, all other products subsidies, except for coffee and cacao, were also eliminated. By 1941 a definite differential exchange rate was established for these two products, the so-called "coffee and cacao dollar." Holders of dollar exchange arising out of the exports of coffee received Bs. 4.60 per U.S.\$1 and Bs. 4.30 per U.S.\$1 for cacao, while the official exchange rate at the same date was officially stabilized at Bs. 3.35/U.S.\$1. This type of arrangement has subsisted until the 1960's with several modifications. It should be noticed that benefits from the differential exchange rate do not necessarily accrue to the producer because of the existing marketing arrangements. Since the great majority of coffee and cacao producers are small holders who do not have direct access to the world market, they have to rely on specialized coffee and cacao merchants who do the exporting. It is not known if the full difference between official and differential exchange rates are obtained by the producer, or if some leakages occur in favor of the exporter. In any event, the subsidies did not exercise the expected beneficial effects on the country's coffee and cacao industries. Since 1936, the total volume of these two export crops has been on a constant decline.

The total spent by the government on export subsidies between 1935 and 1941 amounted to 122 million bolivares, a substantial amount in view of the relative smallness of government budgets of those years, and more specifically, in relation to the budget assigned to the Ministry of Agriculture. Table II-1 illustrates the case.

There were basically two reasons that account for the priority received by these two crops: the extremely large number of coffee and cacao producers that existed in the country; and the emergence of organized pressure groups concerned with these two products.

The Agricultural Census of 1937 indicated that Venezuela had 218,496 farm units. Of these, 62,673 farms were dedicated to growing coffee and 13,495 were cacao units. Thus, roughly one-third of the total farms obtained their income, or part of it, from these two crops.

TABLE 11-1  
**VENEZUELA: ASSIGNED BUDGETS TO THE NATIONAL GOVERNMENT  
 AND TO AGRICULTURE  
 1935-36 - 1940-41  
 (Millions of Bs.)**

Year	Total National Government	Ministry of Agriculture*	Export Subsidies
1935-36	233.2	--	30.0
1936-37	215.8	11.6	20.0
1937-38	254.6	14.6	22.0
1938-39	335.2	18.6	18.0
1939-40	361.2	25.5	16.0
1940-41	344.5	22.3	16.0

\*Includes after 1938-39 the budget of ITIC.

Source: For national government and Ministry of Agriculture: MINISTERIO DE AGRICULTURA Y CRIA, Los Presupuestos del MAC in 20 Anos, in El Agricultura Venezolano, op. cit., pp. 20-21. For export subsidies: R. VELOZ, Economía y Finanzas de Venezuela desde 1830 Hasta 1944 (Caracas: Impresores Unidas, 1945), pp. 412, 417, 421, 424 and 427.

Approximately one-third of the total value of the product was generated in 1937 by the two traditional export crops, and it contributed almost half to the value of the agricultural-vegetable product.

This economic importance of the two groups and the general welfare implications that follow from it were thus already sufficiently strong reasons to induce the new government to dedicate a large part of its available resources to the depressed coffee and cacao industries.

In addition, after 1936 producers in the coffee and cacao growing areas organized themselves into regional associations which merged into two large groups: the Asociacion de Productores de Cafe and the Asociacion Venezolana de Productores de Cacao. These pressure groups served as grievance transmission instruments between farmers and the government.

At the same time, the government used these associations as active partners in policy formulations and implementations of its programs. Thus, a new style in problem-solving was initiated, which also has persisted until the present.

Because of the greater importance of coffee and the greater strength of the coffee growers' association, it received priority from the government. The creation of a new autonomous institute, the Instituto Nacional del Cafe, took place by Executive Decree of December 6, 1936.

### CHAPTER 3: SOWING PETROLEUM TO PROMOTE AGRICULTURE, 1940-1950

#### Transition to Modernity

The decade that followed 1940 can be regarded as the period when the traditional society of Venezuela was definitely supplanted by a new societal fabric. The country was rushed into the mainstream of twentieth century modernism in a relatively short period of time. The rapidity of this phenomenon of change did not allow a balanced transition. Nevertheless, this lack of balance did not produce major social upheavals.

The autarchic regime of General Gomez was followed by the traditional government of Lopez Contreras, which was conscious of change and introduced needed modifications into the political structure. This regime was supplanted by a government led by the former war minister Medina Angarita, which broadened many of the existing reforms and at the same time included issues that were neglected or even suppressed by its predecessor. This government, in turn, was supplanted after a short and bloodless coup by a regime of populist and revolutionary tenets (Accion Democratica) which not only followed the programs previously established, but used new ambitious policy tools and systems of its own. It was precisely these new tools and systems that brought about its downfall in 1948. The Military Junta that followed the Accion Democratica regime did not eliminate all of the new programs put into effect during the previous four years. It absorbed quite a few of them. Thus, a certain continuity of policies can be observed, although the political actors in charge of the decision-making process were changed rather rapidly.

#### Economic Expansion

In previous chapters, reference has been made to the main characteristics of the Venezuelan economy, induced by the impact of the petroleum sector. Although there seems to have been a small impact by the petroleum sector on the economy in the 1930's, it was not pronounced enough to make the Venezuelan economy different from that prevailing in other Latin American countries with strong foreign economic enclaves. By the beginning of the 1940's, Venezuela was still largely a rural society.

With substantial modifications in the petroleum taxation laws in the mid-1940's and the pronounced world demand for oil thereafter, government revenues experienced strong increases, initiating unprecedented changes in the economic structure of the country. During the Second World War period, foreign exchange gradually accumulated, building up a deferred import capacity. The postwar period increased the influx of foreign exchange, and permitted a continuous rise in overall imports without any complications in the balance of payments, as occurred in other Latin American countries.

While petroleum output doubled between 1938 and 1947, during the same period revenue from the industry to the government increased by over five times because of new tax laws. The direct effect of this increased oil revenue on the rest of the economy was a rise in real income and the overall standard of living of the population. The scant statistics available for this period indicate that the per capita income between 1936 and 1949 increased by almost three times, from 446 bolivares to 1,500 bolivares.<sup>28</sup>

The beneficial impact of the petroleum sector upon the rest of the economy was reflected by a 20 percent increase in the proportion of national income added to capital in 1949 (see Table III-1).

Table III-1

VENEZUELA: GROSS CAPITAL FORMATION IN 1949  
(Excludes petroleum sector)

	Millions of Bolivares
1. New capital goods in the private sector (construction not included)	470
2. Private construction	295
3. Increase in international reserves	187
4. Public sector investments	541
5. Change in inventories	44
<b>Total</b>	<b>1,537</b>

Source: BANCO CENTRAL DE VENEZUELA, Annual Report for 1949.

Despite increasing national revenues, total agricultural output dropped because of stagnation experienced by the traditional export crops--coffee, cacao and cattle. Livestock and farming production for internal consumption increased slightly, but

not enough to cover the increased effective demand, induced by the improvement of income per capita. As a consequence, food imports increased from 1944 to 1948 by over 500 percent (see Table III-2).

TABLE III-2

VENEZUELA: QUANTUM OF AGRICULTURAL AND ANIMAL OUTPUT  
(Millions of bolivares at 1937 prices)

Year	Total Farm Output	Agricultural Output	Animal Output	Internal Consumption		Export Output
				Total Farm	Agricultural	
1937	324.4	251.6	72.8	235.6	162.9	88.7
1945	309.1	215.7	93.4	243.1	149.7	66.0
1946	297.5	203.1	94.4	239.2	144.8	58.3
1947	293.8	205.4	88.4	238.7	150.3	55.1
1948	335.0	244.8	90.2	265.8	175.6	69.1
1949	336.5	237.8	98.7	278.5	179.9	57.8

Source: CORPORACION VENEZOLANA DE FOMENTO, Cuadernos de Informacion Economica, No. 3 (Sept.-Oct., 1949) and No. 4 (May-June, 1950).

Note: Figures are based on sixteen agricultural and two livestock products. Export output includes only coffee and cacao.

It should be noted that because of the extremely low income levels prevailing in Venezuela, the income elasticity of demand for most agricultural products was probably positive, the opposite of that occurring in countries with high income levels. Thus, an increase in disposable income translated itself into a proportionately higher level of effective demand for foods. Since obviously there were rigidities within the supply sector of the economy, i.e., agriculture in general, the increased effective demand had to be covered by imports. But, at the same time,

food prices experienced a continuous rise because the government, in order to stimulate national production, had established import quotas for products that were locally produced. Despite these incentives, national production did not increase (see Table III-3).

TABLE III-3  
 VENEZUELA: PRICE INDICES OF AGRICULTURAL  
 AND ANIMAL OUTPUT  
 (1937 = 100)

Year	Total Agricultural Output	Total Animal Output	Internal Consumption		Export Output	General Wholesale Prices (1938=100)
			Total Farm	Agriculture		
1936	100	100	100	100	100	
1945	131.4	135.3	132.6	131.4	131.5	135.20
1946	165.4	132.6	155.0	162.4	173.0	137.10
1947	209.9	167.7	197.2	203.3	227.9	155.68
1948	216.2	257.6	227.4	203.9	247.6	164.61

Source: Same as Table III-2. For General Wholesale Price Index: BANCO CENTRAL DE VENEZUELA, Annual Report for 1949.

#### Sowing Petroleum

The fact that the Venezuelan economy was undergoing obvious changes during the early 1940's, with increasing wealth of the government and the failure of agriculture to supply a rapidly expanding internal market, brought about a development policy that had as its essential objective the use of the vast resources which were received from the extraction of petroleum to impel the rest of the economy. The policy became specifically known as "sowing petroleum" (sembrar el petroleo) and acquired an almost ideological meaning.

This policy, already initiated under the government of Lopez Contreras, centered its attention on both farming and industrial production. Nevertheless, major emphasis was placed on the traditional economic activities of agriculture and stock-breeding, because of the widespread belief that the petroleum industry had brought about their stagnation. These two activities received preferential treatment, and the restoration of the nation's agriculture undoubtedly became the principal topic and concern of all the governments during the 1940's.

The ideological formation and background of the 1940 governments was very different, but their basic concern with the agricultural problem and the policy continuity of approach toward this problem area of the economy undoubtedly lends support to one of the basic contentions of this research--the almost pervasive concern of Venezuelan policy makers with the stagnation and backwardness of its agriculture. Within this general agricultural stagnation framework, the agrarian issue and the interlocking question of widespread rural poverty, moved to the forefront of public discussion. What probably is of more significance than anything else during this period is that three agrarian reform bills were passed. The first one, under the auspices of the government of Medina (General Isaias Medina Angarita followed Lopez Contreras to power), was to be eliminated by the succeeding "revolutionary" regime of Accion Democratica. The second law was approved by Accion Democratica three years later. It is a curious coincidence that the two governments that sponsored these agrarian reform legislations were removed from power a few months after the bills were made into law. The third agrarian reform bill was enacted by a military dictatorship that was conservative in its outlook toward social problems at large. These bills will be examined in detail later.

Three basic features characterize this period in relation to agricultural policy questions. The first was reliance on already existing legislation and programs to promote economic growth. Second was implementation of new schemes that were in great part introduced under guidance of foreign advisors. And third was the large multitude of programs pursued, many of them with an air of experimentation. Most soon faded into oblivion.

It should be kept in mind that the concern with Venezuelan agriculture was primarily motivated by its inability to supply a rapidly widening internal market with food products. The fact that the increased market did not stimulate farm output gave rise to the belief that somehow there were factors of a structural nature that acted as bottlenecks impeding a normal reaction.

This undoubtedly permitted the agrarian issue, i.e., widespread rural poverty at subsistence levels, to receive the attention it did, and not be relegated to a secondary level. It was within this problem-conception framework that "reform-mongering activities,"

as Hirschmann calls them, were openly pursued in order to change the institutional structure underlying agricultural stagnation.

By 1940 supply capacity of the country's agriculture was rapidly deteriorating. Increasing demand for almost all kinds of agricultural products, induced by the constant rise in real income and the expanding cities had created a major disequilibrium never before experienced. A transitory balance of payments difficulty in 1941-42 worsened the situation, when pending imports of some staple foods by the government fell behind schedule. The rising shortages drew public attention to inefficiencies of the agricultural production process.

The government, which until then had adopted a rather passive attitude toward market mechanisms for food products, became slowly involved in all kinds of commercialization schemes. By 1946 it was the chief distributor of agricultural commodities.

Also, concern over increasing imports convinced policy makers of the necessity of developing programs aimed at import substitution. The first specific programs came into existence during these years with the objective of increasing the supply of products by raising average yields.

The gradual technification of the government's personnel made it possible to conceive these programs along modern lines, borrowing extensively from the experience of other countries. The operative sequence of these specific yield-increasing programs was more or less the following: pilot areas were established where experiments took place, testing different seed varieties, fertilizers, cultivation methods, etc. The results were then made known to commercial farmers through the small extension service. For certain crops, credit was even made available, on condition of close supervision by the technical personnel of the program. Nevertheless, these schemes were rather limited in scope, since technicians were scarce and so were other resources assigned to them.

It was also during this period that the first foreign technical assistance became available to the country. For several of the above-mentioned programs, foreign technicians were directly contracted by the government, while others were provided directly by the United States government upon special request, such as the Soil Conservation Mission sent by the USDA. Although the work performed by these experts was of great value, their influence was not very lasting. In 1948, the International Basic Economic Corporation, a Rockefeller-sponsored philanthropic venture, established the Consejo de Bienestar Rural (Rural Welfare Council) in Venezuela with the specific aim to promote, as its name indicates, the general welfare of rural inhabitants. The work undertaken by this institution came to have a profound and lasting influence on the country's agriculture. Effects ranged all the way from establishing new services within government agencies to undertaking basic economic

research and initiating specific programs, such as a tractor drivers school or a feeder road program.

Pressure groups at this time had a rather limited influence upon the government's policies toward promotion of more intensive investment in agriculture, or competing among themselves for the state's resources. The special interest groups existing at this time were small in number, their policies were not very cohesive and well-defined, and most of the time they suffered from financial difficulties. Had it not been for direct government subsidies, they might not have existed. Their basic demands upon the government revolved around obtaining credit for their associates, and little concern existed for other types of services from the official sector.

#### 1) Specific crop and yield-increasing programs

Two early programs centered around cotton and sugar cane. The first was initiated in 1939 and the second in 1943.<sup>29</sup> At later dates, stockbreeding, rice, and sesame followed. Despite these programs, imports of these products increased throughout the 1940's and even into the 1950's. Thus, in terms of import substitution policy, these campaigns did not bring about the expected results.

It is of significance that specific problem-solving activities during this period began to acquire a scientific approach, modeled after the experience of "more advanced" countries. In this sense, Venezuela took the first timid steps to improve the technological backwardness of its agriculture through models that obviously had been successful in other nations. Initially, all of these programs were sponsored by the Ministry of Agriculture. After 1945, the Corporacion Venezolana de Fomento became involved in agricultural development, and as will be seen, it also relied heavily on "specific crops" programs.

#### 2) The capital shortage concept as a policy determinant

Probably the strongest concern during the 1940's with the agricultural problem revolved around capital shortage. Insufficient output was largely attributed to lack of funds required to increase total production. As government revenues increased, so did the granting of government credits for agriculture. As a matter of fact, the capital made available to farming during this 10-year period reached unprecedented amounts. This gives the impression that technological backwardness was largely equated with lack of financial resources.

The generous credit assistance given to farmers during this period was usually conceived in terms of technological functions of the "advanced" countries where capital intensive inputs, i.e., machinery were predominant. It was assumed that credit recipients

were capable of employing the capital put at their disposal in an efficient way. The result of this attitude has been a large indebtedness of farmers to government lending agencies.

Paradoxically, during this period when the agrarian reform issue was openly debated, the "evils" of the latifundio system were also singled out as contributors to backwardness. But since the adverse effects of the latifundio were not spelled out in specific terms, it was possible for large, inefficiently managed estates to receive generous credit grants. This points to a certain overall ambiguity in agricultural policy formulation which can be attributed largely to insufficient insight into the root causes of the problem.

The emphasis on the need for agricultural credit was reflected in the lending policies of the Banco Agricola y Pecuario and in the substantial increase of loans that were granted throughout the 1940's. When the performance of this institution was seen as insufficient, the newly-created (in 1945) Corporacion Venezolana de Fomento (CVF), an autonomous development agency, also granted agricultural credit.

Until 1936 the Agricultural Bank (BAP) was almost exclusively concerned with coffee and cacao farms. With the overall political changes that took place in that year, its lending policies were liberalized, making available production credits in constantly increasing amounts. While availability of credit up to 1940 was still scarce, thereafter ever-larger amounts became available. Between 1940 and 1945, the total amount of credits granted by the Agricultural Bank trebled, reaching a total of almost 34 million bolivares. For the following six years the bank lent out a total of Bs. 476 million, or roughly three times the total of the previous five years. With the appearance of the CVF in 1946, the supply of agricultural credit was even further increased. The emphasis, nevertheless, of the Corporacion's credit program was on large commercial farms (see Table III-4).

With establishment of the Corporacion Venezolana de Fomento, a clear-cut specialization of lending activities took place. An agreement was reached with the Agricultural Bank that the new agency would specialize in promotion of large "production units" and would handle only individual credits above Bs. 25,000. The BAP, in turn, would concentrate on smaller farms, requiring short-term credits (up to one year) to cover production costs. No money was lent out to these farmers for investments in fixed capital or for the purchase of machinery.

TABLE III-4

VENEZUELA: AGRICULTURAL CREDITS GRANTED FROM 1940 TO 1950  
(Thousands of bolivares)

Year	Agricultural Bank (BAP)			Sub-total	C V F <sup>3</sup>	Total	Index
	Mortgage	Production <sup>1</sup>	"Campesinos" <sup>2</sup>				
1940	697	9,627	---	10,594	---	10,594	100
1941	1,900	15,787	---	17,687	---	17,687	167
1942	1,156	16,524	---	17,630	---	17,630	166
1943	1,937	20,154	---	22,091	---	22,091	208
1944	4,500	29,595	---	34,095	---	34,095	322
1945	2,804	31,093	---	33,897	---	33,897	320
1946	3,313	53,716	---	57,029	5,847	62,876	594
1947	1,448	74,291	6,169	81,908	25,390	107,298	1013
1948	2,127	101,894	12,020	116,041	19,919	135,966	1283
1949	2,246	107,334	---	109,630	59,813	169,443	1599
1950	2,004	109,434	---	111,437	71,439	182,876	1726

<sup>1</sup>Refers to short term (one year) production credits.

<sup>2</sup>"Campesino Credits" were jointly administered by BAP and the Instituto Tecnico de Inmigracion y Colonizacion.

<sup>3</sup>Refers only to credits given for farming activities.

Source: For BAP: Yearly Reports (Informes Anuales del Banco Agricola y Pecuario).  
For CVF: Files of Oficina de Estudios Especiales, Corporacion Venezolana de Fomento.

Between 1940 and 1945 the Agricultural Bank handled yearly between 6 and 12 thousand individual loans. Thereafter, up to 1948, the yearly number of credits increased substantially reaching a top figure of 81,903. With the overthrow of the reformist Accion Democratica government at the end of 1948, lending policies of BAP became more cautious, and the number of credits given out yearly was reduced to almost half of the 1948 figure.

The stagnation of the agricultural sector, as a matter of fact, came to be regarded as a major national calamity. Even the sedate Ministry of Agriculture called for "a radical transformation of its system," in order to give agriculture its "former dynamics."<sup>30</sup> Availability of capital, in the form of credits, became regarded as the most expeditious alternative to get agriculture moving again.

The main reason why this alternative was chosen was that government revenues increased substantially after the reforms of the petroleum tax laws of 1945 and 1946. In the five years between 1945 and 1950 the government's income doubled. Expenditures in agriculture consequently registered pronounced increases. This can be observed in Table III-5.

But, overcoming stagnation was not only a question of making capital available for agricultural lending activities. Since agriculture was technically backward in terms of obsolete and traditional methods employed which resulted in low physical yields, these methods had to be improved. The easiest means to do this, it was thought, would be to introduce more capital intensive production methods. These inputs were regarded at that time as mainly machinery. BAP and CVF imported large quantities of farm machinery, to be sold at almost cost prices. Mechanization of agriculture became regarded almost as a dogma.

Within this conceptual framework of stagnation and the need for more capital, other alternatives such as research and extension received lower priority. The agency in charge of these two programs was the Ministry of Agriculture. From Table III-5 it can be observed that of the Bs. 847.5 million made available to agriculture through the national budget from 1945 to 1950, only 270.5 million bolivares were received by the Ministry, which is equivalent to 32 percent. There are presently no figures available as to the exact amount budgeted for research and extension activities during those five years. One source indicates that between 35 percent and 45 percent of its budgetary assignments were spent on "programs" and "personnel."<sup>31</sup> While these two items do not necessarily indicate that they were exclusively dedicated to extension and research programs, they do indicate the smallness of funds assigned to these two programs. Without doubt, extension, research and vocational training activities increased in number and in scope, but their increase was mainly due to additional funds, and not due to a new policy approach toward the problem. In relation to extension activities,

TABLE III-5

VENEZUELA: NATIONAL GOVERNMENT BUDGET\* AND ITS ASSIGNMENTS TO AGRICULTURE  
1945-46 to 1950-51  
(Millions of bolivares)

Budget Year <sup>1</sup>	National Budget	ITIC	BAP	MAC	Irrigation MOP <sup>2</sup>	CVF <sup>3</sup>	Coffee Subsidy	Total Agric.	% of Ntl. Budget
1945-46	889.3	10.1	18.0	29.8	2.4	28.3	--	88.6	9.96
1946-47	1044.4	12.2	30.9	47.7	9.6	38.4	--	138.8	13.29
1947-48	1476.2	18.4	39.0	58.0	20.4	49.5	0.1	185.5	12.57
1948-49	2052.8	26.0	55.4	69.0	30.4	72.6	2.2	255.6	12.45
1949-50	1914.2	25.2 <sup>4</sup>	8.4	66.0	21.5	53.3	4.6	179.0	9.35

\*Refers to decreed budget and its modifications, which include additional assignments (creditos adicionales).

<sup>1</sup>Budget year began July 1 and ended June 30.

<sup>2</sup>Irrigation investments were undertaken by the Ministerio de Obras Publicas.

<sup>3</sup>Includes all funds budgeted for agricultural development which includes farm credits, agricultural machinery, and processing plants--mainly sugar mills.

<sup>4</sup>Assignment to the Instituto Agrario Nacional. ITIC was eliminated in that year.

Source: MINISTERIO DE HACIENDA, Direccion General de Presupuesto; Yearly Budgets and Internal Files.

it is interesting to note that by 1944 only thirty agencies were operating in the country. By 1946 their number had increased to 95.<sup>32</sup>

Research programs were small, lacked direction and received little attention. Their basic aim was to reduce cost and increase yields of a few staple food crops.

The education of technicians for agriculture was also handled by the Ministry of Agriculture. This included university training and vocational schools for extension and home demonstration agents. The number of registered students in the Ministry's sponsored schools showed an increase during these years, especially from 1945 to 1947. For instance, in 1946 there were 2,742 students enrolled in the four educational institutions of the Ministry. By 1947 their number almost doubled, reaching 5,733.<sup>33</sup> While some of these figures might seem impressive, the fact remains that programs directed at improving the quality of human capital in agriculture received low priority. As stated by the first Minister of Agriculture in 1936, the required basic stimulants to combat the stagnation of agriculture were: "technology, credit, and population, the saving trilogy of our impoverished economy."<sup>34</sup>

### 3) The Corporacion Venezolana de Fomento

The "thesis of capital impoverishment" of the country's agriculture and the imperative need for its correction became most clearly defined in the programs of the Corporacion Venezolana de Fomento. The Corporacion Venezolana de Fomento came into being in May of 1946. Its overall purpose was to increase national production in all of its aspects by promoting and developing economic activities which were needed to accelerate overall development of the country--"taking advantage of the great natural potential wealth of the country not yet efficiently used."<sup>35</sup>

Its juridical status was one of an autonomous institution of the government, freeing it from the many bureaucratic procedures to which regular governmental agencies were tied. In this way, a more expeditious and flexible policy could be pursued.

It received Bs. 60 million initially as a budgetary allowance, Bs. 30 million that had been lent out by the Junta Nacional para el Fomento de la Produccion (a preceding agency) and the former Gomez properties administered by the Administracion de Bienes Restituidos. (No value is given for them.) Further, it was established that it should receive yearly additional funds from the national budget.<sup>36</sup>

It engaged in the management of companies which it had received from the Administracion de Bienes Restituidos, such as a sugar mill, a slaughterhouse and a dairy. It promoted new industries jointly with private capital and managed them initially as a

holding company. It granted credits for agricultural and industrial production. It occupied itself with regional and urban development schemes, promoted large-scale farm production cooperatives (Comunidades Agrarias), invested in existing banks, developed a rural electrification scheme, and produced a substantial amount of basic economic research.

While it pursued a truly staggering amount of different schemes and activities during its initial five years, agriculture received top priority, while in later years, after 1953 or 1954, it concentrated more and more on industrial development.

The agricultural policies of the CVF were enunciated as follows:<sup>37</sup>

1) To stimulate settlement of the countryside by promoting the return to rural areas of experienced farmers.

2) To promote "large economic production units" which would insure an adequate supply of farm commodities that were in obvious deficit. These units could be of two types: commercial farm units managed by individuals (empresarios), and production cooperatives--later called Comunidades Agrarias--in which small farmers (campesinos) would be settled.

3) To cooperate with the ITIC and BAP in matters related to agricultural credit so that available funds would also reach the campesino.

The lasting influence of the CVF on future policy formulation can be found in its initiation of development schemes centered around a specific "problem area" in which capital investment received almost all the attention, disregarding management questions and realistic appraisals of implementation procedures and problems. The policy procedure and approach was based on the firm belief that any problem could be overcome by "injecting" capital into it on a large scale. It was assumed, a priori, that managers of resources were going to optimize. Programs framed within this context have not been at all the most efficient way to reach the proposed objective. Although, with existing information, it is not possible to evaluate the economic returns that flowed from the projects pursued by the CVF in the 1940's, the fact remains that many of them were discontinued shortly after their initiation because it was openly recognized that they had insurmountable difficulties, or that many of them did not reach the goals for which they were put into operation. Probably only a government as wealthy as the Venezuelan one, with its almost inexhaustible inflow of cash, could absorb such costly experiments in stride.

Despite inefficiencies in CVF programs, they permitted for the first time in Venezuela the access to long-term credit capital by commercial farmers. In this sense, the CVF's agricultural programs contributed to establishment of a new class of farmers who were not tradition-bound. Their main motive in pursuing agriculture was to obtain profits. In pursuit of this motive they were willing to absorb new and scientific technology. It has been said that this highly profit-oriented farming was exploitative in its orientation because little regard was given to the conservation of the land. The fact, nevertheless, remains that through the farm programs of the CVF a vast new agricultural frontier was opened which--especially in the state of Portuguesa--became in the late 1950's probably the most progressive farm area of the country. These new regions acquired a new economic structure, free from the vices inherent in the old latifundia agriculture.

"There can be no doubt, however, that the development programs of CVF have exerted a profound influence upon the agricultural economy of the nation and it is evident that the present volume of rice and sugar production would have been impossible, except for the projects promoted by CVF."<sup>38</sup>

The Venezuelan experience with agricultural development in the 1950's demonstrates that availability of capital alone does not lead to economic revitalization. The root cause of poor economic performance is the absence of institutions and entrepreneurs that would have put capital made available by the public sector to a more productive and intensive use. The lack of realization by policy formulators and the polity in general of the necessity of stimulating formation of new institutions which would optimize resources put at their disposal is probably the main reason for failure of Venezuelan agricultural policy. Yet, it would be difficult to create such institutions in a short five or ten-year period.

### Three Agrarian Reform Laws

The widespread concern with the land issue in Venezuela during the 1940's left deep impressions on subsequent policy formulation. To the governments of these years, the solution of the agrarian problem was of utmost importance, and stood at the forefront of their programs.

The approach to solve it was centered around enactment of comprehensive agrarian reform bills, but none of these was implemented. In a period of five years, three different reform laws were passed, and several other minor legislative acts concerned with the agrarian issue were approved. It is worthwhile to point out the main features of these legislative laws and acts and to indicate their similarities and differences since, in general terms,

they show how the agrarian issue was conceived and handled. It should be kept in mind that the three agrarian reform laws were passed by three governments whose basic ideological tenets were quite different.

The first of these laws was enacted by the progressive Medina regime in 1945; the second agrarian reform law of 1948 was decreed by the reformist government of Accion Democratica, which also passed the Legislative Decree on Rentals and Eviction from Rural Properties in 1947; and the third law, the Agrarian Statute of 1949, was implanted by a conservative military dictatorship.<sup>39</sup>

Nevertheless, only one of these laws was subject to considerable public controversy--the first one passed by the Medina regime in 1945. A very special effort was required by the pro-reform government to maneuver the agrarian reform bill through a conservative-dominated Congress. In the process Medina lost the support of his own party, alienating large landholders and military officers of the Tachira clique. There are some who believe approval of the Agrarian Reform Law of 1945 was one of the basic factors that led to the downfall of President Medina during the same year. The other two laws, the ones of 1948 and 1949, were approved without major controversy. The first of these was practically rubberstamped by the AD-controlled legislative chambers, and the second one came into being by decree of the Military Junta.

All these laws are characterized by lack of preconceived dogma and are basically very pragmatic. Their concern is not so much with expropriation of inefficient latifundia, but with creating in Venezuela a viable family-type farm structure, distributing unused land more equitably and promoting more intensive output of foodstuffs. In two of the three laws (1945 and 1949), the granting of production credit was viewed as an essential element of the reform program.

The law of 1948 stated that one of its main objectives was "to promote progressively the social and economic emancipation of the peasantry" who should be endowed with land as recognized by the constitution. This is a clear reflection of the rapidly increasing politicization of the rural population through the Confederacion Campesina de Venezuela. Only the law of 1949 makes specific among its objectives the solution of tenure conflicts between renters and owners.

The three laws view the reform as a centrally administered program through an autonomous institute (Instituto Agrario Nacional) with broad powers. In a typical Latin legalistic manner, considerable space is devoted to the structure of the executive management of the institute, specifying in detail attributes of members of the directorate and executive committee. The 1948 law

specified that among members of the directorate due representation should be given to FEDECAMARAS and the National Workers Union that controls the majority of the peasant associations. FEDECAMARAS is the nationwide association combining all commercial, industrial and agricultural chambers or special economic interest groups in the country.

In regard to the land selected for agrarian reform purposes, the three laws stated that expropriation could only take place if no public lands were available in the immediate vicinity of the residence of petitioning peasants. If it was not available and "expropriation priority" was indicated, only productive land could be used for the reform. To be considered in the first term for expropriation were large uncultivated farms. In the second term, farms that were managed by absentee landlords, and in the third term, farms managed by obsolete techniques or cattle enterprises on productive agricultural land. Nevertheless, owners of expropriated farms could keep a portion of their holdings, the size of which varied according to soil type, from 150 hectares for "first class agricultural soils" up to 20,000 hectares for "third-grade grazing lands." In all of these laws, land was classified in two broad categories: farm land and grazing land. Within each, three land classes were defined according to availability of water and rainfall. All of the laws stressed that before expropriation takes place, a friendly agreement should be reached with the owner as to the price of the property. If this was not possible, expropriation was to take place through procedures established in the Law of Public Utility.

The 1948 legislation varied considerably from the other laws in regard to payment procedure for expropriated farms. An "agrarian debt" was authorized, allowing the Agrarian Institute to issue bonds. Three types were specified in terms of yearly interest rates of 3, 4 and 5 percent. The amount and type of bonds given to expropriated owners varied according to the total value of the farm. Thus, farms valued at less than Bs. 100,000 were to be paid in cash. Properties worth more than a million bolivares were to be compensated with Bs. 400,000 in cash, and the remainder in "A type" bonds that yielded only 3 percent yearly. The amount in cash and type of bonds paid for farms varied according to its total value. This aspect of the 1948 law implied a considerable operative flexibility not found in the other legislations, since the Law of Public Utility states that expropriations for the common good have to be paid in cash.

All three laws reflected the concern that existed in Venezuela during those years with the sluggish output of agricultural production. Thus, they all included a section of guarantees against expropriation of efficiently-run large-scale farm enterprises recently established. To these, certificates against expropriation could be granted that would protect the owner up to thirty years,

with the possibility of renewal (Concesiones de ineffectabilidad temporal).

The three reform laws were deeply concerned with the organization of farms to be created through the reform. All of them stressed that before proceeding with establishment of an agrarian reform project a detailed feasibility study should be undertaken and a general development plan should be carried out.

Farmers that were to receive land had to petition for it either individually or in groups. The 1948 law stated that the petition had to be carried out through peasant associations. Once the farmers had been settled, they were to choose an administrative committee from among themselves that could represent the interest of the group before the Agrarian Institute. The Institute was to appoint a technical director in each project who would see that production was carried out efficiently.

While the 1945 and 1949 laws stressed establishment of individual property in "centers, units or colonies," they did not explicitly exclude communal property. The 1948 law made specific reference to it, indicating that comunidades must have a size of at least 500 hectares, and that all the means of production had to be collective property. Profits were to be distributed proportionately according to each member's effort and work during the year.

All of the laws made a specific provision for established squatters, either in public or private lands. On these, fraccionamientos comunes were to be created to legalize the squatters' property.

Only the 1948 law established a maximum size for the newly-created farm, varying from twenty-five hectares on "first class" agricultural soils up to 2,500 hectares on poor grazing lands. The other laws indicated that the optimum farm size had to vary according to local conditions, such that all of the labor would be provided by the family of the beneficiary. The 1945 and 1949 legislations stressed that land was to be granted only to "capable" persons.

Parcels created through the reform were to be sold. Payment could take up to thirty years. Nevertheless, all the laws did not exclude the possibility of granting land free of charge. The 1945 and 1949 legislations stipulated that while land was being paid for, it could neither be mortgaged, nor sold. Transfer could take place only with authorization of the Agrarian Institute. The 1948 land law did not include clauses dealing with this question. It stated only that crops, machinery and livestock could be mortgaged by the beneficiary of the reform.

All of the laws included a long list of qualifications for persons petitioning for land, such as having no landed property or owning insufficient amounts of it, age limit, possession of no more than Bs. 10,000 in capital, etc. The 1945 and 1949 laws explicitly stated that foreigners had the same rights and prerogatives as Venezuelans under these laws.

Finally, only the 1949 law dealt extensively with the solution of conflicts between tenants and landowners. In general, it put severe limitations on sharecropping arrangements, allowed the IAN to regulate land rentals, permitted evictions only under very specific circumstances, and it specified the procedure to be followed to settle disagreements arising out of land rentals.

Without doubt, the three agrarian reform laws are obviously quite similar in spirit, and in drafting each of them the previous law was taken into account. Nevertheless, the 1948 legislation contained elements that would have made it more flexible in questions dealing with expropriation. None of the laws were designed to effect a quick and radical transformation of the tenure structure of the country, since many safeguard clauses were built in to protect efficiently-managed property.

Regarding the Legislative Decree, or "Rentals and Evictions from Rural Properties of 1947," its real significance is not easy to interpret. The decree was published at a time when the rural syndicate movement was rapidly becoming a major political force, and obviously the decree came into existence as an instrument to placate peasant leaders while the 1948 agrarian reform law was being drafted. The legislation had two basic aims: to prohibit eviction of renters, sharecroppers, and squatters from private land, to "freeze" land rents paid in cash at the time of the publication of the decree, and to obligate landholders to hand over idle lands to petitioning peasants. Rural syndicates were to play a major role in its implementation. In this sense, then, the decree departed substantially from any other previous legislation dealing with matters related to the land question. It was recognized for the first time, at least tacitly, that in the solution of these problems the organized peasantry should have a certain amount of responsibility.

The decree was to be implemented through agrarian commissions. In each state and territory where local land problems existed, commissions were nominated which had sweeping powers such as: requiring that idle lands (private, municipal or state-owned) be leased to petitioning farmers' associations or individual campesinos; allowing evictions from private lands only under most unusual circumstances; not allowing modifications of present rental fees; permitting rental changes if they were considered excessive by the peasant.

The decree was to be administered by local commissions composed of five members nominated by the following entities: Ministry of Agriculture, State government, municipal authorities, local landholders, and peasant associations. Politically, the decree was an attempt to break the power of the local landholders when dealing with squatters, renters and sharecroppers. The majority vote in the commission would be binding and it could function with only three members.

Decisions from the commissions could be appealed to a five-member state board, each one of whom represented the Ministry of Agriculture, State government, the highest court of the State, the landholders' association, and the peasant unions.

In June and October of 1947, the government dictated the resolutions by which the individuals of the agrarian commissions and the board of appeals in each state were nominated,<sup>40</sup> but actually very few of these commissions ever convened. There is no evidence available that major land distribution took place or that any other steps were undertaken to control land rents, prevent any kind of evictions, etc. The main effect the decree actually had was that squatters were treated very carefully by private landholders and in farms owned by the Banco Agrícola y Pecuário, and that in the states of Aragua and Carabobo, squatters on lands of former Gomez properties received larger tracts.

Four main reasons can be cited for the lack of enforcement of the decree:

- a) The Federacion Campesina at that time lacked a cohesive organization and was unable to pursue a well-defined action program to persuade authorities to implement the decree.<sup>41</sup>
- b) The decree was designed by the government as a palliative to the more radical elements within Accion Democratica and the peasant syndicate movement while the 1948 reform law was being drafted.
- c) Certain technocratic-oriented high level policy makers realized that implementation of the decree probably would have brought serious disturbances to the countryside with adverse effects on overall agricultural output.
- d) Pressures were brought upon the government by the Camara Agricola and the Federation of Commercial and Industrial Chambers (FEDECAMARAS) which, as conservative business-type oriented interest groups, opposed the decree.

To summarize, the drafting of three comprehensive agrarian reform laws and one specific decree on tenure conflicts during a short period of four years is a clear manifestation of the overall consensus existing during the period that the institutional

structure of rural areas was quite faulty and inefficient. It was also recognized that the modification of said structure should not seriously endanger the fragile productive capacity of agriculture. The approach to the solution of the problem was one of pre-meditated gradualism to be carried out through a technical program. That none of these laws was implemented is not a manifestation of the existence of a strong opposition by the large landholders or other conservatively-oriented power elites, but is the outcome of national political discontinuity and instability. For while it was recognized that large segments of agriculture should be transformed to ameliorate rural poverty, and the legal instrument was created through which the transformation could take place, abrupt changes in the structure of the power contenders did not permit its implementation.

An organized peasant movement might have made a great difference in the degree to which reform laws were actually put into effect. However, organized peasants were mainly associated with Betancourt's Accion Democratica, which was forced underground several times during the late 1930's and 1940's.

Right from its outset in 1936, the AD party (at that time called ORVE) was strongly union-oriented. It chose the labor movement to consolidate its power, build up a strong political leverage, and extend its influence to the rest of the unorganized masses.

The initial concern of the party was with the organization of the urban labor movement which it did quite successfully despite persecution of the 1937-40 period. The experience gained and the methods employed in shaping, controlling and managing the urban syndicates were applied to organization of the peasantry. Local leaders were recruited, who in turn would again recruit other persons to establish 40-man groups, the minimum number required by the 1936 Labor Law for recognition as a syndicate. The rural labor movement revolved around identification of local leaders who were guided by experienced "outside" leaders, many of them from cities. The binding element between these two levels was, on the one side, the general populist ideology of the AD party, and on the other, the fact that local syndicate action was directed against specific grievances of the locality, such as unjust rentals, unfair sharecropping arrangements, no public health assistance, etc. Thus, the common campesino found out that there was someone who cared for his problems and someone that was openly opposing the wanton action of the local cacique or powerful landholder. To a rural populace which had never had any kind of political or social representation, the appearance of the local syndicate was regarded as a kind of Messiah.

The organized campesino movement operated at two levels: as a local pressure group to redress grievances, but also closely linked to a national movement which had access to influential decision-makers. At the same time, the party was able to build up a broad and well-organized electoral movement, which in times of suffrage would deliver a well-disciplined vote. "Thus was consummated a near-perfect marriage of functional needs: political influence and representation for the peasant masses; and the building of a stable electoral base for the developing political party."<sup>42</sup>

Organization of the peasantry into a cohesive national movement during the nine years after 1936 was rather slow. From 1937 to 1940, leaders of Accion Democratica were persecuted by the government of Lopez Contreras, and at the same time the functioning of existing labor unions was severely curtailed through all kinds of legal contrivances. Thus, the scant union and party leadership that was left free to operate concentrated most of its energies on preserving what existed.

By 1940 there were a scant twenty-five peasant syndicates operating in the country, with a total membership of 2,858.

With the return of a more liberal attitude toward the labor movement under President Medina, the active organization of the peasantry started again. Five years later, in 1945, there were seventy-seven of these unions operating with 6,279 members.<sup>43</sup> Quite obviously, the legal organization of the peasantry proceeded at a slow pace. But at the same time the general political organization of Accion Democratica was being rapidly diffused throughout the country, gaining a considerable popular support in rural areas. When power was usurped in 1945 by Romulo Betancourt and his military backers, the political base for a campesino movement already existed. Legal requirements for forming syndicates were waived, allowing a rapid expansion of peasant organizations. At the same time, the government was providing the labor movement with all kinds of direct and indirect supports, from outright monetary subsidies to government-owned communication facilities.

By the end of 1946 there were 312 peasant syndicates, with over 19,000 members. A year later 433 of these unions were functioning with over 36,000 affiliates, and by November 1948, a total of 515 peasant syndicates were legalized with over 43,000 members. It is estimated that in 1948 the rural syndicates accounted for nearly half of all the local unions in the country and one-third of all union members.

While these figures might seem impressive, it should be kept in mind that in terms of the overall adult rural population of 2.3 million rural inhabitants, of which 1.3 million were older than 15 years, membership was relatively small.

Scattered statewide peasant movements were fused into a nationwide federation, the Federacion Campesina Nacional, in 1947, which was incorporated immediately into the Confederacion de Trabajadores de Venezuela (CTV), the dominant organization of all the Venezuelan union movements. Thus, the rural union movement did not achieve nationwide prominence until one year before the downfall of the AD government. During these formative and organizing years, the movement served essentially to establish a base for rural electoral support for the Accion Democratica party. It was not able to act as an effective grievance trans-mission instrument of the peasantry, nor was it able to force land reform. Since it lacked these two essential characteristics needed for implementation of a broad reform program, it is no wonder that in Venezuela, during the 1945-1948 period, the land reform issue was only an idea in the minds of intellectuals, lawmakers and politicians.

CHAPTER 4: NEW PRIORITIES IN AGRICULTURAL POLICY:  
THE CAPITAL INTENSIVE APPROACH,  
1950-1957

The Rise of Perez Jimenez

The reformist regime of Accion Democratica was overthrown in 1948 by a military coup which was replaced by a military triumvirate. These new power holders did not propose any major new economic policies, at least initially, but continued with the ones initiated by the previous two governments. In the political sphere, their main attention was directed toward dismantling the political apparatus of Accion Democratica. The usual police-state methods were employed to do this. AD leaders were persecuted, sent into jail and eventually into exile. However, differences soon appeared among two members of the Junta. Delgado Chaland, its nominal head, proposed a rather fast return to democratic rule, while Perez Jimenez, a conservative career officer of the Andean Tachira State, wanted to perpetuate military rule.

This conflict solved itself when Delgado Chaland was murdered under most mysterious circumstances, and the new president of the Junta became a civilian chosen by Perez Jimenez. Thus, the road for his presidency was opened without major opposition.

A new party, the Frente Electoral Independiente (FEI) came into life, promoting Perez Jimenez' candidacy for the 1952 election. Other parties were also allowed to campaign, but not Accion Democratica. After a relatively free and unhindered campaign, in which the main opposition to FEI came from a relatively small party (URD), (which nevertheless had the secret backing of AD) elections were held. Initial returns showed an avalanche of votes in favor of URD. Shortly thereafter, a tight censorship on returns was imposed and three days later the Supreme Election Council proclaimed Perez Jimenez' undisputed victory by a substantial majority. Leaders of opposition parties were "asked" to leave the country, their parties were dissolved, and Venezuela came into the grips of a military dictatorship with all the trappings of representative democracy (Senate, House of Representatives, Supreme Court, etc.), but with total suppression of the most elemental and conventional liberties.

Perez Jimenez and his civilian and military cohorts reigned unopposed during an era of unprecedented economic prosperity induced by the still continuing petroleum boom.

Agricultural Policy under Jimenez

The military regime of Perez Jimenez came into power without a clearly defined development policy or socio-political ideology through which it could justify its existence. Under the military

dictatorship, agricultural programs initiated in the 1940's were continued and received even larger monetary assignments. For instance, the Corporacion Venezolana de Fomento (CVF) received substantial budget increases. The Ministry of Public Works programs, which started the planning and study of several large-scale projects in the late 1940's, such as the Caracas-LaGuaira tollway, the expansion of the national highway network, or slum clearance schemes also received more funds.

While no major shifts can be detected in overall developmental conceptions during the military dictatorship with regard to economic policy, a substantial modification occurred with regard to public investments directed toward fields of social improvement. The Medina Angarita regime and the subsequent AD government paid considerable attention to bettering the impoverished lot of the campesino masses and the urban proletariat. These two governments had channeled substantial resources to the rural areas of the country, such as large projects in public health (medical services, water systems, antimalaria sprayings), education programs (school construction, literacy campaigns, teacher education), agricultural credit through the vastly expanded programs of the BAP, and the promulgation of a far-reaching agrarian reform.

The regime of Perez Jimenez not only brought most of these social improvement projects to a standstill, but in many instances denied even the necessary funds for survival of the programs. The sight of abandoned rural schools and medical centers became quite common.

Under Perez Jimenez, rural areas of the country received more official funds through investment schemes that indirectly affected agricultural productivity than through "orthodox" extension--research at the farm level. Expansion of the country's highway network, continuation of the malaria program, improvement of the general living and service conditions of small provincial towns and uncontrolled expansion of the agricultural frontier were factors that led to expansion of commercial agricultural output at low levels of physical efficiency, while expenditures in research, mass communication, and cheap agricultural credit were almost eliminated. At the same time, the urban pattern of investing in showy capital intensive projects that would enhance the prestige of the regime was repeated in agriculture with projects such as the 25,000 hectare colonization scheme of Turen and the 110,000 hectare irrigation project on the Guarico River. The economic feasibility of these investments was never officially doubted during its conception, though deficiencies later became apparent.

One meaningful way to observe the change that took place in public policy during the Perez Jimenez regime toward development of the agricultural sector is to analyze government budgetary expenditures in that sector. The figures indicate that the

farm sector continued to receive the same percentage of the national budget during the seven years of Perez Jimenez' rule as it had during the 1945-1950 period (except for 1947 and 1948).

Thus, throughout the years of the regime, from six to seven percent of the national budget was channeled to agriculture through five major agencies or programs. Official funds invested in the sector increased by 16 percent between 1950 and 1957, while the total national budget grew by 20 percent (see Table IV-1). This is an almost parallel growth, and not a relative reduction in agricultural investment as is sometimes claimed.

However, the composition of this investment was quite different. Throughout the period, approximately half of the budgetary allotments were received by the Ministry of Agriculture (MAC). The percentage obtained by the Agrarian Institute diminished slightly from 16 percent to 11 percent of the total, while expenditures in irrigation works carried out by the Ministry of Public Works (MOP) increased from around one-fifth of the total to more or less one-third. Assignments to the Agricultural Banks (BAP) were stopped after 1953-54 and the previous ones were very small.

The Ministry of Agriculture and the Agrarian Institute employed almost half of their funds for investment purposes in irrigation schemes, most of it destined for the Guarico Project, the Turen colonization scheme, and amplification and improvement of already existing irrigation projects.

A substantial amount of total agricultural expenditures went into construction of settlement, clearance, and engineering investments in land. Total official expenditures in agriculture for the period amounted to Bs. 1431.6 million, of which a conservative estimate of Bs. 652.8 million was invested in the above-mentioned infrastructure works. In other words, around 45.6 percent of public funds benefited directly only a very small area of agriculture, and the number of farmers affected was even smaller.<sup>44</sup>

While total expenditures in agriculture obviously expanded considerably during the period, investment in extension, research, education, credit and other similar less spectacular programs not only remained at 1950 levels, but in some instances even declined. For example, in 1950 there were seventy extension agencies operating throughout the country. Seven years later when Perez Jimenez was ousted, only twenty-three were still functioning.<sup>45</sup>

The fate of the agricultural credit program of the BAP was even more dramatic. In 1950 a total of 39,987 credits were granted by that financial institution, amounting to Bs. 89.7 million. By 1957 only 5,585 individual loans were given for an equivalent of Bs. 24 million. Agricultural financing dropped by 74 percent in a seven-year period.

TABLE IV-1

VENEZUELA: BUDGETARY EXPENDITURES IN THE AGRICULTURAL SECTOR BY AGENCY  
1950-51 - 1956-57  
(Millions of bolivares)

Year	Total National Budget	Total Agricul.	Ministry of Agric. (MAC)	Agrarian Institute (IAN)	Agric. Bank (BAP)	Irrig. (MOP)	Coffee & Cacao Subsidies*	Milk Subsidy
1950-51	2221.4	153.7	81.9	25.0	1.0	30.7	9.3	5.8
1951-52	2423.8	178.8	98.8	30.0	12.5	32.9	7.2	7.4
1952-53	2373.5	171.0	84.4	33.0	8.5	27.1	8.7	9.3
1953-54	2461.1	178.1	85.3	33.0	8.5	30.8	9.2	11.3
1954-55	2874.9	218.6	107.2	33.0	--	64.4	0.9	13.1
1955-56	3049.1	247.1	105.0	33.0	--	91.2	2.7	15.2
1956-57	3921.0	284.3	141.0	33.0	--	84.5	8.2	17.6

\*Refers to calendar year.

Source: MINISTERIO DE HACIENDA, Direccion General de Presupuesto, Yearly National Budget Publications and Files of said agency.

The agricultural credit program of the Corporación Venezolana de Fomento (CVF) fared in a similar manner. In 1950 a total of Bs. 71.4 million was granted mostly for specialized large-scale commercial ventures (sugar cane, rice, cattle, cotton), but by 1957 agricultural credit had almost disappeared in the agency's financial program. Only thirty loans amounting to Bs. 2.148 million were granted.

The implementation of BAP's credit program also reflected a change in attitude toward the "campesino problem." Not only was the overall agricultural loan fund substantially reduced, but at the same time more money was channeled toward large commercial enterprises than in the preceding period. This can be seen not only from the fact that the size of the average individual BAP loan increased throughout this period, but also that in 1957 almost two-thirds of the total credits granted by the Agricultural Banks were received by the coffee and the livestock sectors.

In summary, official agricultural financing during these seven years was basically a reflection of the economic-political attitude towards agricultural development and rural improvement. The existence of widespread poverty in the countryside with its concomitant factors of low productivity, low educational standards, malnutrition, etc., was simply ignored in developing national economic developmental policy. The benefits of the continuously increasing oil revenues were mostly reaped by those rural sectors that had direct access and contact with national decision-making circles or had the good fortune to profit directly from specific social overhead capital investment programs. The land development colonization project of Turén, with its 24,556 hectares not only directly benefited the 735 commercial farmers that received land within the scheme, but also generated such an economic influence in terms of factor-service demands, that commercial activity in the nearby city of Acarigua noticeably increased. At the same time, it served as an impulse and example for agricultural development in the whole northern part of Portuguesa State. Before 1955, this region was only sparsely settled and its main economic activity was extensive forestry.

As in the previous decade, agricultural policy in general was still seriously concerned with import substitution of staple goods. Although food imports started to decrease in the late 1940's, their total volume was still quite large in 1950. Because of this, preferential treatment was given to those sectors and/or production areas where internal supply was considered inadequate. The "Rice Plan" of the CVF exemplified the crash program approach to reducing imports. Although the goal of this program was achieved by 1955, in economic terms it can be considered a fiasco. Not only were half of the Bs. 135 million loans granted never repaid, but the increasing rice surplus, purchased under a guaranteed price program, had to be sold in the internal market

at substantial losses. When in 1956 the program was abandoned, a wholesale wave of rice farm bankruptcies took place, which, combined with the appearance of a devastating fungus disease--Hoja Blanca--and the elimination of price supports, largely counteracted the gains obtained by the program. By 1958 Venezuela imported 38,000 tons of the grain, while internal production reached only 19,000 tons, an insignificant amount considering the 1954 bumper harvest of 102,000 tons, when the "Rice Plan" was in full swing.

Similar results were also obtained with another of CVF's specialized programs: the "Sugar Plan" (Plan Azucarero). Its main purpose, like the Rice Plan, was to obtain self-sufficiency in the shortest possible period of time. The involvement of the CVF in this industry was even more intensive and direct than in other schemes. Not only were substantial credits granted for the production of sugar cane, but also for modernization of the refining capacity of existing plants and for construction of new factories. In 1952, CVF entered directly into the sugar industry, becoming the largest Venezuelan sugar producer by operating six factories producing 60 percent of the total national sugar output.<sup>46</sup> Such a capital-intensive sugar policy, which concentrated on the expansion of refining capacity at the expense of the improvement and efficiency of cane growing, seriously distorted the structure of the industry as a whole.

By 1954 sugar imports had almost disappeared, and two years later Venezuela had accumulated such a large surplus that it started to export. Since internal production costs were higher than the prevailing world market prices, the government had to subsidize exports. But at the same time, cane production loans were severely curtailed. Production areas were abandoned and converted to other uses. By 1958, surpluses had disappeared, and a balance was reached between internal supply and demand in the sugar market, but by 1959 around one-third of the internal consumption of sugar had to be imported (66,026 metric tons).

The experience with the sugar policy is similar to the results obtained in the "Rice Plan." The main purpose of the program--import substitution--was rapidly met. But the after-effects of the capital intensive approach left much to be desired. The approach lacked a realistically designed development program for these particular industries in which long range implications of increased production could be taken into account. Further, the agricultural production process was not fully understood. It was believed that obtaining larger production was basically a function of the availability of capital. A direct consequence of this latter attitude was that production was carried out very inefficiently. It attracted many inexperienced people who considered it a "get-rich-quick" scheme. Furthermore, ecologically unsuitable areas were put under the plow for sugar cane and rice growing which were not able to sustain economic production when market prices began to deteriorate.

Other commercial products that received preferential attention were coffee and cacao through a differential exchange rate; milk production via a direct subsidy at farm level; and some minor regional cattle development schemes, consisting mainly of granting long term credits to commercial ranches. None of these programs reached the public expenditure proportions of the Rice and Sugar Plans.

A more inclusive agricultural policy approach would have been difficult to conceive, given the political, social and institutional operational matrix of the military dictatorship. Its conservative-conventional context precluded more direct concern with the social conditions of a politically potentially "dangerous" campesino population, and thus it relied on the "friendlier" commercial and traditional large-scale farmers for indirect support of its policy.

Undoubtedly, commercial farm groups had direct access to the highest policy decision-making circles of government. This access took place through pressure groups and through direct personal contact by government with this relatively small segment of the rural population. To what extent these pressure groups were able to influence the direction of agricultural policy is difficult to ascertain.<sup>47</sup> But it is obvious that the design of the overall agricultural policy of import substitution was conceived not merely in terms of eliminating said imports (this as an end in itself would have been ludicrous), but also to protect the national farmer from cheap foreign competing products. This protected farmer was not the small campesino who did not conduct his enterprise according to the laws of supply and demand of the marketplace, but those producers, regardless of how inefficiently they managed their enterprise, who had undertaken a certain amount of investment in their land, and thus were able to increase production in a short period of time.

It should also be kept in mind that agricultural policy did not utilize complicated internal market intervention mechanisms, such as guaranteed prices, marketing schemes, direct input-factor subsidies, and price stabilization policies. Although government inherited from the 1940 decade a rather complex, but at the same time inefficient set of these policy tools (minimum price program and legislation, silo and storage networks, direct intervention of BAP in the product and input markets, etc.), these were abandoned or hardly utilized. Only protective high import tariffs, exonerations and prohibitions were used to any large extent.<sup>48</sup>

Lastly, it should be pointed out that almost all of the policies pursued during the Perez Jimenez regime had been initiated or conceived during the reformist government of Accion Democratica or the liberal one of Medina Angarita. Thus, a policy continuity can again be clearly discerned, that had as its main objective

and purpose to invigorate agricultural performance through giving direct assistance, mainly financial, to the commercial sectors. No real innovations can be found during this period, either in terms of conceiving new imaginative programs or in relation to new organizational administrative structures. The basic difference with the previous regimes' approach toward the "agricultural problem" can be found in the almost total neglect of the woes affecting the by-far-greatest majority of the rural population--namely, the small campesino.

How can such a phenomenon of policy continuity be explained? Was it a case of bureaucratic inertia? Most definitely not. More or less constant socio-economic circumstances and a tradition of explaining prevailing rural backwardness in terms of a low man/land ratio and the inherent low quality of the native human element over a 30-year period seem to be the two major reasons for policy continuity. In other words, low agricultural productivity kept on being recognized as being a direct function of underpopulation of a potentially fertile land and of lack of capital investment. To increase production--as much in the 1930's as in the mid-1950's--heavy capital investments and an immigration-colonization (Turen) approach became the most appropriate answers to this problem.

The fact that the same policy was followed in the 1930's and in the mid-1950's is not surprising. It is obvious that the economic and social conditions of the rural sector were not very different in those two periods. The low man/land ratio and the inherent low quality of the native human element were still the two major reasons for policy continuity. In other words, low agricultural productivity kept on being recognized as being a direct function of underpopulation of a potentially fertile land and of lack of capital investment. To increase production--as much in the 1930's as in the mid-1950's--heavy capital investments and an immigration-colonization (Turen) approach became the most appropriate answers to this problem.

It is also clear in mind that the agricultural policy followed in the 1930's and in the mid-1950's was not very different. It is obvious that the economic and social conditions of the rural sector were not very different in those two periods. The low man/land ratio and the inherent low quality of the native human element were still the two major reasons for policy continuity. In other words, low agricultural productivity kept on being recognized as being a direct function of underpopulation of a potentially fertile land and of lack of capital investment. To increase production--as much in the 1930's as in the mid-1950's--heavy capital investments and an immigration-colonization (Turen) approach became the most appropriate answers to this problem.

It should be pointed out that almost all of the policies pursued during the 1930's and 1950's were not very different. It is obvious that the economic and social conditions of the rural sector were not very different in those two periods. The low man/land ratio and the inherent low quality of the native human element were still the two major reasons for policy continuity. In other words, low agricultural productivity kept on being recognized as being a direct function of underpopulation of a potentially fertile land and of lack of capital investment. To increase production--as much in the 1930's as in the mid-1950's--heavy capital investments and an immigration-colonization (Turen) approach became the most appropriate answers to this problem.

CHAPTER 5: POLITICIZATION, DEVELOPMENT CONSCIOUSNESS  
AND AGRARIAN REFORM--  
A NEW POLICY CONTEXT

The Downfall of Perez Jimenez

The list of grievances against the Perez Jimenez regime was large. It included squandering of public funds, unprecedented official corruption, suppression of freedom and civil rights, complete disregard for social needs of the poor, nepotism within the government, etc. It was precisely this long list of common grievances that led to formation of a united front against the Perez Jimenez regime, and which not only led to his downfall in January 1958, but served as a coalescing element in the policies and government action of the Junta that succeeded him. The mood of the body politic during 1958 was one of a never-before-seen unity in regard to certain common political principles, such as opposition to military rule, the need to introduce social reforms under a democratic system and recognition of the inherent dangers of excessive political bickering. This fraternal democratic spirit led the main political leaders in exile, Romulo Betancourt (AD), Jóvito Villalba (URD), and Rafael Caldera (COPEI) to sign in New York in January 1958 an interparty agreement to be known later as the Pacto de Punto Fijo in which signers agreed to form an interparty government regardless of the results of the anticipated electoral campaign. Further, it was agreed that the new interparty government would be deeply committed to social change.

The military civilian seven-man Junta, under the presidency of Admiral Larrazabal, which was formed after the dictator's dismissal, immediately granted complete political freedoms. It declared itself only a "provisional" caretaker government until free elections could be held in the later part of the year.

The exiled leaders of the dissolved parties, Accion Democratica, COPEI, URD, etc., flocked back to Venezuela and had to start to rebuild their dismantled political machineries while working energetically for the forthcoming election. Even the president of the ruling Junta, Admiral Larrazabal, resigned his high post by midyear, formed his own political movement, and campaigned vigorously for the presidency in an alliance with URD. Undoubtedly, the party which could organize itself and reconstruct its apparatus the fastest had an obvious advantage in the forthcoming election.

It was within this climate that a new look was taken at the many social and economic ills that had been plaguing the country. Social issues were given special emphasis in the formulation of an overall national development policy. Education at all levels, rural housing, medical assistance for low income groups, agrarian reform, new labor legislation, and broadening of the social security system were some of the topics that drew the attention of new power holders within government and were publicly debated.

Although this national consensus and lack of political antagonism was relatively short-lived--by the end of 1959 political bickering of parties became already commonplace--it served to help formulate a whole set of new policies which influenced government actions during the rest of the 1960's. Probably the most outstanding and pronounced departure from the overall policies pursued by the Perez Jimenez regime was the definite push of industrialization programs via an import substitution approach, and the revival of the agrarian reform issue. Although neither of these two programs was new to Venezuela, and both of them had figured in the development policies of the previous government, after 1960 they came into full force as specific and articulated factors in an overall development strategy.

#### A. New Framework for Economic Policy

Economic policy in Venezuela, up to the emergence of the democratic governments of the 1960's, had largely been determined and shaped by a relatively small group of decision-makers within the highest spheres of government, and also by a number of specific interest groups that had direct access to governmental decision-makers. This scheme operated even during the short-lived democracy of the AD-controlled government of the 1945-48 era, although there was a certain diffusion of political power.

The reasons for this centralization can be found largely in the existence of autocratic governments and in the relatively few economic interest groups that were competing for the state's resources. This last circumstance, of course, was a direct reflection of the small diversified base of the economy. But as the wealth of petroleum started to spread into broad areas of the country in the late 1940's, a more complex and urban-centered socio-economic structure started to emerge, and new power contenders appeared which claimed influence in the decision-making processes. This influence was never very articulated as long as government actions remained concentrated in a few hands.

With the advent of governments that depended on a broader national consensus, interest groups had to exercise their demands within the framework of open public discussion and overt pressures. This by itself caused the adoption of a new style by government decision-makers in the formulation of economic policies.

These interest groups were, in the first place, the political parties and the social segments they claimed to represent. In the second place, they were the economic pressure groups of specific interests. And, in the third, they were a multitude of other social groups, often not very cohesive and well-organized, such as students, bureaucrats, or the urban middle class. Within this new socio-political framework, economic policy was formulated.

Often new formulations borrowed heavily from past experiences, but at the same time other approaches to solving old problems started to make their appearance.

Within this new framework three areas received top priority. First, diversification of the economy through industrialization acquired a new sense of urgency. Second, the agricultural development issue received considerable attention again; and last, social improvement programs, especially education at all levels, became an area of great concern. The latter two issues had been largely neglected by the government of the 1950's. None of these three policy areas were of an original conception, since antecedents for them existed in the "Plan de Febrero" of 1937 during the Lopez Contreras government, and in the establishment of the Corporacion Venezolana de Fomento in 1945 under the motto of Sembrar el Petroleo (To Sow Petroleum).

Thus, the three-pronged approach at curing the major ailments of the country should be regarded not as a new and original conception, but as a renewal of policy efforts that originated in the immediate post-Gomez era. The difference of the 1960's policy formulation, in relation to previous ones, is more one of emphasis, degree and style.

Throughout the 1950's, and in part of the preceding decade when government revenues were rapidly increasing, a large proportion of the state's resources was directed at creating a social overhead capital base to promote rapid economic expansion. Investment priority was assigned to public works programs, such as the expansion of the road network, the substantial enlargement of public utilities on a national scale, the improvement of the urban physical environment, the building of communication facilities, and other related and similar physical infrastructure works. These areas probably received excessive attention. In the beginning of the 1960's, further expenditures in infrastructure received a relatively low priority because it was felt that a certain degree of saturation had been achieved and attention should be turned toward other economic areas and neglected social improvement policies.<sup>49</sup> Thus economic policy in Venezuela after 1960 still contained the basic ingredients of a problem conception that originated at least two decades earlier. This conception recognized not only the economic backwardness of the country but was also concerned with social maladjustments. In other words, it was recognized that despite economic bottlenecks, social change was essential in order to incorporate large numbers of underprivileged citizens into the mainstream of twentieth century modernity.

Although this problem conception is by no means startling and was expounded in broad nonoperative terms, the policy implementation and the tools used to carry it out during the 1960's became much more sophisticated, complex and "rational" than during previous years.

This was not only the result of the new broad power structure and democratization of the decision-making process, but also a reflection of the gradual technification of the central bureaucracy that permitted the introduction of professionalism into the process. Probably the most outstanding devices that were adopted in this sense were the establishment of a national planning system, the introduction of modern budgetary procedures by the central government, and the first earnest attempt to establish an unpolitical civil service to be carried out through a reform of the national public administrative apparatus.<sup>50</sup>

#### Overall Development and Structural Change

After 1958 the national economy of Venezuela lost the high growth momentum that had characterized it since 1945, although it kept registering growth rates that permitted improvements in the average per capita income and the generation of sufficient capital for reinvestment and diversification of the structural production base. Two circumstances can be singled out in this new situation. First, after the Suez crisis had been overcome in 1958, substantial changes took place in the world petroleum market which adversely affected the competitive position of the country's petroleum industry. And, second, rapid demographic growth with urbanization and increased consumption expenditures reduced funds available for capital formation.

This new situation again brought to the surface the extreme vulnerability of Venezuela's economy caused by the excessive dependency on one single export commodity, but at the same time served as an incentive to promote and seriously pursue economic policies that would diversify its productive base.

By 1958 the Venezuelan economy started to feel the effects of the normalization of the world petroleum market with its fall in prices. By the end of 1958 the country's economy found itself in a crisis or depression that lasted until 1961.

The 1958-61 economic crisis pointed out some fundamental weaknesses of the Venezuelan economy which had been largely ignored during almost fifteen years of uninterrupted growth. The crisis also demonstrated that the government decision-making apparatus was not prepared to enact effective anti-cyclical economic measures needed to restore stability to Venezuela's economy. In addition, the crisis showed how necessary it was for the government to maintain and encourage large-scale construction industry activities because of the employment such activities provided for the rapidly increasing unskilled labor force.

After 1960, Venezuela initiated a clearly defined industrialization policy via import substitution. The government became directly engaged in the management of two basic industries--the state-owned steel and petro-chemical complexes--which actually were begun under the Perez Jimenez regime, and initiated a large number of specific measures to encourage industrialization, such as customs protections, quota systems for imports, tax deductions, long-term/low-interest loans, technical assistance, and special legislation. The Corporacion Venezolana de Fomento (CVF), which since its inception in 1945 had been intimately involved with agricultural and rural development schemes, was completely retired from these fields and became the main vehicle through which financial aspects of the industrialization program were carried out. The Industries Direction of the Ministry of Development (Ministerio de Fomento) noticeably expanded in its activities and became the government agency that collaborated with the new Central Planning Office (CORDIPLAN) in the industrialization effort.

The rapid expansion of industrial activities can be observed in Table V-1, which shows the evolution of Venezuela's gross domestic product between 1959 and 1967. Thus government efforts at broadening the industrial base of the country were showing success.

#### Development and Performance of Agriculture

During the 1960 decade, the agricultural sector of the Venezuelan economy continued overall general development along the lines of the previous ten years, although global growth rates were slightly higher. This was the result of the appearance of new modern and dynamic factors within the sector that permitted a "take-off" free from constraints imposed by traditional elements. Nevertheless, development continued most unevenly, bringing to the surface in a pronounced manner the basic structural dichotomy of the country's agriculture. On the one hand, a relatively small number of commercially-oriented farmers managed their enterprises with modern technology and responded to market prices. On the other hand, traditional farmers, who were mainly semi-subsistence campesinos, were isolated from the mainstream of modernity.

While the commercial farmers responded readily to changing patterns of aggregate demands, the traditional sectors were unwilling or unable to adjust their outputs to the new dynamic demand elements of the market. Their economic behavior was similar to that of the previous two decades.

Although overall growth of the sector was quite impressive (over six percent yearly), agriculture still remained the most backward and inefficient of all the major sectors within the economy. Although it contributed only seven percent to the gross domestic product, it employed one-third of the labor force.<sup>51</sup>

TABLE V-1

VENEZUELA: GROSS DOMESTIC PRODUCT, 1959 - 1967  
(Millions of bolivares at 1957 prices)

Sectors	1959	1960	1961	1962	1963	1964	1965	1966	1967	Annual Growth %
PRIMARY	9216	9661	9742	10,574	10,759	11,434	11,781	11,602	12,200	3.6
Agriculture	1642	1807	1845	1,979	2,084	2,264	2,395	2,522	2,696	6.4
Petrol. & mines	7574	7854	7897	8,595	8,675	9,170	9,386	9,080	9,504	2.9
SECONDARY	5461	5122	4968	5,384	5,855	6,644	7,151	7,538	7,898	4.7
Manufacturing <sup>1</sup>	3418	3311	3454	3,741	4,002	4,527	4,921	5,100	5,338	5.7
Construction	1707	1444	1097	1,156	1,280	1,473	1,527	1,630	1,665	-0.3
Power & water	336	367	417	487	573	644	703	808	895	13.0
TERTIARY	11,389	11,653	12,171	12,628	13,150	14,058	14,834	15,617	16,424	4.7
Commerce	4003	3839	3927	4,160	4,160	4,535	4,730	5,635	5,898	4.9
Other services	7386	7814	8244	7,468	8,990	9,523	10,104	9,982	10,526	4.5
TOTAL	26,066	26,436	26,881	28,586	29,764	32,135	33,766	34,757	36,522	4.3

Source: Annual reports of the Banco Central de Venezuela.

<sup>1</sup>Includes petroleum refinery.

This, of course, resulted in an extremely low productivity per employed person. For 1965, the annual product per economically active person in agriculture was 2.6 thousand bolivares, while for the economy as a whole, it amounted to Bs. 12.4 thousand. For petroleum and mines it was Bs. 241,000 and for manufacturing and services it came to Bs. 12.7 thousand and Bs. 12.4 thousand, respectively. Although farm output per employed person expanded rapidly during this period at 5.7 percent annually (the economy as a whole grew at 2.8 percent per annum) the productivity disparities were of such a large magnitude that the gap existing between agriculture and other economic activities was hardly affected.

A further reflection of this low agricultural productivity was the small contribution of agriculture toward national income (between 7.5 percent and 8 percent for the 1960 decade) and the reduced existing capital per person in agriculture.<sup>52</sup> As a consequence, the relation between fixed capital and product was also considerably lower for agriculture in comparison to the other sectors of the economy (0.247 for agriculture in 1966 against 0.61 for the other sectors).<sup>53</sup> Only around 15 percent of the total fixed investment was in agriculture.

The output of the agricultural sector during the 1960's accentuated trends that already became discernible during the previous decade. General crops kept on diminishing in importance, contributing one-half of total output. In 1950 they amounted to almost three-fourths of the total (see Table V-2). At the same time, the participation of the livestock sector kept increasing, from 23.3 percent in 1950 to 37.9 percent in 1967. Fisheries and forest products still were not of major significance within the sector.

Within the crops group, materials for industry (oilseeds, tobacco, cotton, sugar cane, etc.) registered the fastest expansion (78.4 percent) during these seven years. This was a direct outcome of the industrialization that was taking place under the umbrella of protectionism. In several of these "agro-industrial" crops, which were imported during the previous two decades, the country became almost self-sufficient (sesame and tobacco), while in others (cotton and copra) a reduction in imports took place. In sugar and rice, with help of a subsidy after 1962, the country became a regular exporter.

These were the crops that most commercial farms grew (with the exception of sisal and copra) which were reacting to expanding industrial demand. Contract agriculture became commonplace for many of these crops.

TABLE V-2

VENEZUELA: AGRICULTURAL OUTPUT--1960, 1963, 1965 and 1967  
(Millions of bolivares at 1957 prices)

	1960	1963	1965	1967
<b>I. Crops</b>				
a) Materials for industry				
Tobacco	49.8	47.4	47.1	62.5
Cotton and sisal	35.1	53.3	72.3	77.4
Sugar cane	115.3	148.8	191.6	173.8
Oil seeds	37.1	54.5	72.3	110.6
Total	237.8	304.0	383.8	424.3
b) Export crops				
Coffee	169.1	200.6	227.7	231.2
Cacao	24.5	52.9	59.3	51.7
Total	193.6	253.5	287.0	282.9
c) Food crops				
Rice	43.1	88.8	126.5	172.4
Maize	102.3	104.5	143.3	178.9
Legumes	64.8	35.4	40.2	51.0
Tubers	186.9	214.5	218.6	248.7
Others	207.1	242.6	288.2	316.3
Total	604.7	685.8	816.8	967.3
Total crops	1036.1	1243.3	1487.6	1674.5
<b>II. Livestock products and cattle</b>				
a) Cattle	426.8	443.6	533.7	620.7
b) Milk	214.6	279.0	361.0	434.1
c) Eggs	37.9	70.2	89.4	90.4
Total livestock	679.3	792.8	984.1	1145.2
<b>III. Fisheries</b>	50.2	56.4	69.0	78.4
<b>IV. Forestry products</b>	67.1	76.9	107.7	123.4
<b>GRAND TOTAL</b>	<b>1832.7</b>	<b>2169.4</b>	<b>2648.4</b>	<b>3021.5</b>

Source: Banco Central de Venezuela, yearly reports, and Anuario Estadístico Agropecuario of the Ministry of Agriculture.

The traditional export crops, coffee and cacao, dropped proportionally in total output from 14.9 percent in 1951 to 9.4 percent in 1967, although their joint output in monetary terms increased by 46 percent during these years. Coffee production remained virtually stagnant during this period, while cacao output expanded. Stagnation of the coffee industry, despite a direct subsidy through a differential exchange rate and a special credit program, was evidence that serious structural imbalances still existed. Coffee production was maintained only because of heavy governmental assistance.

Food crops in general registered an increase of 60 percent during this seven-year period, with increases pronounced in rice and other crops, mainly vegetables and fruits. All of these were basically grown by commercial farmers. Rice received a very high guaranteed minimum price, which was such an incentive that by 1965 surpluses appeared, and the Banco Agricola y Pecuario, the official purchasing agency, had to export its rapidly accumulating surpluses at considerable losses.

One of the most noticeable effects of the expansion of agricultural production was a decrease in food imports and a change in import composition. Yearly agricultural import averages for 1960-65 were 35 percent lower than those for the 1950 decade.<sup>54</sup> In 1967, total imports of agricultural products showed a considerable drop from the Bs. 793.4 million yearly average for the 1959-1961 period, to Bs. 570.3 million. This includes not only foodstuffs but also animal breeding stock, improved seeds, fisheries and forestry products.

The rapid expansion of agricultural output in overall terms, although quite impressive when considering the difficulties that were being experienced in many other Latin American countries, by no means indicates that production had reached high efficiency levels or that modern technology was being employed extensively throughout the sector.

Physical yields in almost all crops were rather low when compared to those prevailing in most developed countries, and indications were that modern yield-increasing inputs were still not employed very extensively.<sup>55</sup>

Nevertheless, the use of modern technology was increasing at a rapid but most uneven pace. The adoption was most readily undertaken in the so-called agri-industrial crops (tobacco, sesame, cotton, sugar cane, rice, vegetables and fruits), while in the traditional products (corn, manioc, beans, coffee and cacao) a very slow absorption occurred. A similar situation emerged in the livestock sector. While cattle raising and dairy production were still using primitive husbandry methods based mostly on grazing of unimproved pastures, capital intensive methods were employed

in the broiler and egg industries and extremely high output rates were achieved during these years.<sup>56</sup> In all of these four areas, production increased at rates above population growth, indicating that average nutritional standards were improving.

As during the 1950's, increases in overall agricultural output were due in large measure to expansion of cultivated areas. It has been estimated that between 1960 and 1965 cropped land increased at a yearly average of 4.8 percent (from 1.3 million hectares to 1.6 million hectares), while physical yields for the same period showed a yearly improvement of 4.3 percent and total agricultural crop output expanded at an annual rate of 7.4 percent.<sup>57</sup> It can be concluded, then, that 55 percent of output increase was attributable to the expansion of the area under cultivation, and the remaining 45 percent to yield-increasing technology.

#### Continuation of the Two-Sector Approach

Public economic policies directed at the agricultural sector after 1960 did not show significant departures from those previously implemented. Policy relied heavily on programs and experiences of the past, largely because the problem framework of the agricultural sector had not been substantially modified from that of the previous two decades. Nevertheless, the style employed and the emphasis and priority given to bring about changes among the different problem areas departed in many instances from previous experiences. This can be attributed largely to two basic circumstances: the diffusion of the decision-making process as a result of the democratic regime and the appearance of technocratic elements within the government apparatus that approached problems through application of rational scientific methods. Probably the first of these two circumstances was more influential and pronounced. The increasing availability of state resources was an additional factor that not only permitted a more intensive pursuance of already-existing schemes, but at the same time allowed initiation of some new programs.

One of the main departures from policies of the previous regime was the considerable stress given to programs of social improvement and other fields almost completely neglected by the military government. But this by no means implies that the commercial sectors, or empresarios (entrepreneurs) as they came to be known, were neglected by public policy. As a matter of fact, strong emphasis was given in differentiating, for policy purposes, two types of producers: the empresarios and the campesinos. Thus it became openly recognized that two basically different production structures existed in the country's agriculture. The first one included large commercial farmers who had an acceptable level of management on their farms, and an adequate resource base at their disposal and were capable of combining them at a rather "efficient" level. Consequently, the assistance they required from the state was limited basically to financial capital to increase production and protection from foreign competition of lower-priced products.

The campesino sector, it was perceived, needed a completely different public approach to solve its problems. It was admitted that backwardness existed and that this was caused by social injustices. Further, the campesino's poverty excluded him from a massive consumer market. A mixture of altruism, economic urgency and political expediency shaped the raison d'être of the policy approach toward the campesinos. Because the root causes of the peasantry's problems were different than those affecting the commercial farmer, policy tools employed for solving them were also different. These differences were expressed in the Agrarian Reform Law passed in 1960 and in specific programs based on that legislation.

As can be seen, this approach toward solving the rural problem was quite similar to the one presented in the 1940 decade. During that period a clear distinction was also made between the two distinct sectors of Venezuela's agriculture. These two sectors were not seen as contradictory for policy purposes, although latifundiaism was excluded from both of these categories. The backwardness of agriculture contained in the 1960's, as in the 1940's, two elements: first, the inefficient low-yielding commercial farming sectors which in the 1940 decade made massive imports of foodstuffs necessary and, second, the rural poverty problem with all of its social, institutional and economic implications. It was believed that while improvements in economic efficiency of the commercial sectors could be brought about, mainly by making more capital available to them, the solution of the campesino's problem centered around the implementation of the agrarian reform, which not only implied giving him land, but also technical assistance and credit. The agrarian reform can be viewed not merely as a policy scheme to provide some 200,000 peasants with their own land, but as an effort to integrate economically, socially and politically this large segment of the country's population into the mainstream of modern life.

While agricultural development apparently was being perceived as an issue of great national urgency during the first two or three years of the new democratic system, resource assignments by the central government to the sector did not show a pronounced overall change from previous patterns. During the 1950's, total budgetary assignments to agriculture had fluctuated around 7 percent of the national budget. For the 1958 to 1967 period, this percentage increased slightly to around 10.5 percent (see Table V-3). As the national budget expanded from Bs. 6097 million in 1957-58 to Bs. 8186 million in 1967 (a 34.2 percent increase), overall expenditures in agriculture rose by 43 percent (from Bs. 579 million to Bs. 831 million).

TABLE V-3

VENEZUELA: BUDGETARY EXPENDITURES IN THE AGRICULTURAL SECTOR, BY AGENCY,  
1957-58, 1967  
(Millions of bolivares)

Budget Year	Total National Budget	Total Agriculture	Ministry of Agriculture (MAC)	Agrarian Institute (IAN)	Agricultural Bank (BAP)	Irrigation (MOP)	Coffee and Cacao Subsidies <sup>b</sup>	Milk Subsidy	Rural Housing <sup>c</sup>	Percent of Total Agriculture to National Budget
1957-58	6,097.9	579.2	323.3	69.4	86.2	71.8	6.8	21.2	--	9.5
1958-59	6,619.1	467.3	259.5	100.3	0.3	69.3	1.6	27.3	9.0	7.0
1959-60	6,716.1	580.0	254.2	121.8	68.3	65.9	10.0	32.4	27.4	8.6
1960-61	7,114.8	813.7	326.1	199.5	100.0	112.4	13.9	36.8	25.0	11.4
1961 (sem)	3,187.8	338.3	135.3	78.0	39.9	51.4	--	19.8	13.9	10.6
1962	6,553.4	689.1	264.8	139.3	63.0	136.6	3.8	43.6	33.0	10.5
1963	6,633.3	623.6	224.2	107.8	50.0	148.3	5.3	42.0	46.0	9.4
1964	7,202.5	798.5	232.3	150.8	130.0	169.0	8.5	40.0	67.9	11.1
1965	7,587.3	867.3	279.6	150.8	150.0	158.2	11.2	40.0	77.5	11.4
1966	8,019.5	893.1	274.6	168.7	100.0	217.5	13.0	40.0	79.3	11.1
1967 <sup>a</sup>	8,186.0	831.2	290.9	168.7	100.0	231.6	N.I. <sup>d</sup>	40.0	N.I.	10.1

<sup>a</sup>Decreed budget, January 1967.

<sup>b</sup>Refers to calendar year.

<sup>c</sup>Rural Housing Program.

<sup>d</sup>No information.

NOTE: Up to July 1961 the Venezuelan budget year was from July 1 to June 30. Semester 1961 was transitory (July to December). After 1962, the budget year equaled calendar year.

Source: Ministerio de Hacienda, Direccion General de Presupuesto: Yearly National Budget Law and files of said agency.

The internal composition of agricultural expenditures, however, showed a considerable modification from that of the previous decade. In the first place, the Agricultural Bank (BAP) again started receiving regular appropriations, although these fluctuated considerably throughout the period. They amounted to around 15 percent for the last six years. As expected, the Agrarian Institute's (IAN) budget also increased considerably, but for the last four years of the period under consideration their appropriations stabilized after having been curtailed by Congress in 1962 and 1963 from the all-time high of Bs. 199.5 million in 1960-61 (see Table V-3). Throughout the whole period, approximately one-fifth of the total agricultural budget was assigned to this agency which was in charge of executing the agrarian reform. The most noticeable change occurred in the funds of the Ministry of Agriculture (MAC), which failed to increase proportionately. Its share of the agricultural pie decreased from over half in 1957-1959 to one-third in the last years of the period. Expenditures in irrigation, a program being carried out by the Ministry of Public Works (MOP)--and not jointly with the MAC, as in former years--expanded impressively. In ten years it trebled, amounting in 1967 to a little over one-fourth of the total agricultural budget.

The rural housing program, executed by a specialized agency (Malaria) of the Ministry of Health, dramatically increased its expenditures from a mere Bs. 9 million in 1958-59 to almost Bs. 80 million in 1966. The milk subsidy, after showing a continued rise up to 1963 when it reached Bs. 42 million, became stabilized thereafter at a Bs. 40 million per year. Coffee and cacao, the only major export crops, continued to receive an indirect subsidy by the Central Bank (BCV) through a differential exchange rate which fluctuated considerably according to the volume of exports.

The previous discussion gave only an overall view of the quantitative changes that occurred in the distribution of the state's monetary resources in the agricultural sector, without making reference to how much of them were channeled toward the campesino sector. Although operatively it becomes difficult to determine an exact amount in this sense because of the lack of detailed figures, and also because of the dual purpose of some of the specific programs (such as extension, research and irrigation), a tentative figure would be that during the 1963 to 1967 period between 50 and 60 percent of the total government budget in agriculture was specifically directed toward programs dealing with the improvement of the socio-economic condition of the small peasant. So, for example, the extension service of the Ministry of Agriculture after 1962 dealt almost exclusively with beneficiaries of the agrarian reform. The ambitious irrigation program of the Ministry of Public Works rapidly changed its emphasis to establishing

small peasant holdings in accordance with provisions of the Agrarian Reform Law. The Banco Agrícola y Pecuário (BAP) after 1959 instituted a specific credit line, the credito campesino, for financing short-term cash crops. Over fifty percent of its yearly lendings went into this field. Even the special long-term credit programs jointly administered by the BAP and Ministry of Agriculture for improving performance of the cattle, coffee and cacao subsectors (originally conceived in 1958 for only large commercial farmers because they required a mortgage guarantee) became increasingly accessible to small farmers by changing the mortgage provisions.

By 1966, most of the specific programs carried out directly by the Venezuelan government through its diverse specialized agencies in the rural areas had become involved with the campesino sector in one way or another. The number of these schemes is quite large, as well as the number of agencies involved in them.

The basis for this problem-solving approach was not only the 1960 agrarian reform bill, but was also an outgrowth of the democratization and politicization process that was taking place in the general sphere of policy decision formulation and implementation. The Federación Campesina de Venezuela (FCV) and the two major political parties (AD and COPEI) played a decisive role in the problem-solving process of the peasant sector, as will be demonstrated in a later section. It may be posited, nevertheless, that the lack of proper coordination of this effort left much to be desired, because the politicization of the allocation process had spillover effects for implementation of technical aspects of the various programs. Consequently, investment maximization considerations often played only a peripheral role in the implementation procedures, leaving the possibility open that the State's resources were either being squandered or were being invested in such a manner that their benefits or effectiveness were quite low. Additionally, the government lacked the administrative capability to match the rapidly expanding demands imposed upon it. Various attempts to improve the state's administrative capability ran into political difficulties and were not effective.<sup>53</sup>

#### Commercial Agriculture and Pressure Groups

While the state was significantly augmenting the amount of resources made available to the campesino sector it was also undertaking policies to directly benefit and increase the productive efficiency of commercial agriculture. Commercial farmers demanded increases in profits and a climate of security of expectations that would precisely make possible said profit augmentation.

The demand for security of expectations arose out of the uncertainty that accompanied implementation of agrarian reform and was initially centered around land invasions and later around legal provisions to control the advancement of the agricultural frontier.

Since the main concern of the commercial farmer was with improving his economic position, his demands from the government were directed at those spheres of policy which would insure him a more favorable competitive position in the market.

In the first place, a more effective protection was demanded from lower-priced imports. Second, the increasing availability of "cheap and expedient credit" was regarded as essential. Third, the state was asked to provide a secure outlet for his production. And, fourth, the availability of "reasonably" priced inputs was to be secured by government intervention. In order to obtain these benefits, pressure was applied via producers' associations.

As has been already mentioned in previous chapters, several of these pressure groups were established in the late 1930's and generally led a very insecure and innocuous existence throughout the 1940's and 1950's. Because of the highly autocratic decision-making process that prevailed during those decades, and because of the smallness of the associations, demands put forward during those years were not very articulate and quite often had little effect on governmental decision-makers. Producers' associations either formulated their demands individually or through the Camara Agricola or Federacion Venezolana de Camaras y Asociaciones de Comercio y Produccion (FEDECAMARAS).

But as commercial agriculture increased in importance and specialized production regions appeared in the 1950's, the producers' associations gained in strength, consolidated themselves, and became very vociferous in their demands. By the middle of the 1960's, even conflicts among these groups became frequent and the state had to intervene as a mediator.

The almost-dormant Camara Agricola, which never showed a clear leadership, disappeared in 1961 and was replaced by FEDEAGRO (Federacion Nacional de Asociaciones de Productores Agropecuarios). At the same time, as FEDECAMARAS became more actively involved in national policy questions, so did the "agricultural group" within the Federation, gaining prominence and prestige.

A new agricultural policy decision-making matrix thus became established through which pressure was exercised upon the state quite effectively on matters of direct concern to commercial farmers. The matrix also functioned as a grievance and problem-transmitter. But, at the same time, it allowed the government to act as an arbitrator when conflicts arose between pressure groups. The most predominant agricultural producers' associations were the following: Asociacion Nacional de Ganaderos (cattlemen), Sociedad Rural del Zulia (representing mainly commercial milk producers of that state), Asociacion de Cultivadores de Algodon (cotton growers), Asociacion de Productores Rurales de Portuguesa (uniting the highly commercial, successful rice, sesame and corn-growing farmers in that state),

Union de Cultivadores de Tabaco (tobacco growers), Asociacion de Canicultores (sugar cane farmers), Asociacion Venezolana de Caficultores (coffee growers), Asociacion Nacional de Criadores de Ganado Porcino (hog farmers), and two regional potato farmers associations. Because many of the producers' associations led a very ephemeral existence or came into action only when a specific problem arose that affected the interests of their associates, it becomes rather difficult to ascertain either the exact number of them or the number of member farmers.

By 1965, at least seventeen national associations existed, representing specific commodity producers such as tobacco, coffee, cacao, cattle, etc., and around twenty-one statewide or regional groups, of which no more than six were actively engaged in representing the interests of their associations.

As pressure groups kept increasing their demands for state action, an institutional apparatus emerged within government that tried to formalize their demands through clear agreements. This system consisted of "routinizing the resolution of recurrent types of interest demands and conflicts"<sup>59</sup> through the institution of the Juntas Nacionales de la Produccion (National Production Juntas) in 1960. These were special boards, constituted under the auspices of the Ministry of Agriculture, in which the different and conflicting interests for a specific problem area were brought together and formal agreement was sought to which all involved parties had to adhere.<sup>60</sup>

Before the establishment of the "Junta de Produccion Conflict Resolving System" for commercial agriculture, direct and personal contact between association representatives and high government officials was the most frequently used mechanism.

Two government agencies dealt almost exclusively with conflicts concerning agriculture: the economics department of the Ministry of Agriculture and the Industries and commerce departments (direcciones) of the Ministry of Production (Fomento). Both of these offices became more important within the Junta's procedures as the import substitution policy of the government exercised influence on development and growth of manufacturing industry, with its repercussions on a more pronounced demand for agricultural products. It was precisely the Ministerio de Fomento that became the agency for regulating and directing the import substitution effort.

A considerable amount of the growth that occurred in the agricultural sector, as has been indicated previously, originated from the increased demand for agro-industrial commodities by industries. But this had as a consequence the emergence of agricultural pressure groups opposing the oligopsonistic position of several of the industries. This brought out conflict, and the manner in which these conflicts were resolved as they became more frequent was the Junta de Produccion system. Another origin of

the rising friction between industry and commercial agriculture was the desire of the latter to obtain guaranteed prices through specific contracts, while the former often complained about the low and varying quality of the nationally produced commodities, besides the higher prices in relation to foreign produced goods. Thus, clearly defined conflict areas emerged, which often were made more acute by the government's "import substitution at all costs" approach to stimulating national agricultural and industrial output.

While undoubtedly many of the agreements reached in the Juntas' bargaining procedure served only to keep promoting inefficiency in agriculture and contributed to the high cost of industrial output, they undoubtedly also served to avoid impasses and provided the required stimulus for higher agricultural output. An additional beneficial aspect was that the industrial demands requirement obligated farmers to adopt modern technology, which in some cases actually reduced production costs, as in Tobacco, eggs, sesame and cotton. In the first two of these, periodic surpluses appeared and efforts were made to dispose of them on the world market. Nevertheless, not all of the conflicts were with the industrial sector. For some products that did not require an intermediate manufacturing process, conflicts arose between government, producers and commerce, when pronounced price increases developed and the official sector insisted on regulating the price, such as in potatoes (before 1962) and beef meat, or when temporary surpluses appeared with their downward pressure on the price, such as in eggs and poultry meat.

In summary, during the 1960's, with emergence of a more complex demand-supply structure in the commercial agricultural sector, more possibilities of conflict appeared between that sector and industry. The mechanisms that evolved to solve these conflicts and shape policy were special arbitrating boards, the Juntas Nacionales de Produccion. While they might seem to be an innovation in solving conflicts, they were basically an outgrowth of the personal contact system that existed when conflicts were less severe and frequent because of the rather simple demand-supply relationship for agricultural products. This personal contact system between the highest government officials and the representatives of the producers kept on operating in exceptional cases when a complete impasse was reached within the Juntas, and the direct intervention of the Minister was required. But generally, solution of conflicts was sought through "give-and-take" procedures. That the results obtained through this were not always the most satisfying, either to the groups involved or to the nation as a whole, can be readily understood.

#### Economic Planning and Frustrated Administrative Reform

Commercial agricultural policy, although greatly influenced by the subtle interplay of pressure group interests, was also strongly motivated by other goals that emerged from within the

government through the political parties and through the newly established national planning system.

The 1958 national consensus on the need to improve overall socio-economic conditions in the country directed its attention to the very obvious archaic public administration and a lively discussion emerged on how to increase its efficiency. As a result of these discussions, two very important commissions were appointed by the provisional government of Admiral Larrazabal to study the means to reorganize the national bureaucratic structure and to inquire into the feasibility of establishing a national economic planning system.

The outcome of the work of these two study groups was, on the one hand, the establishment of the National Commission of Public Administration (Presidential Decree 287 of June 27, 1958), and on the other hand, the promulgation of Decree No. 492, the Law of Coordination and Planning. Both of these innovative features in the public administration were met with difficulties inherent in any attempt to reduce discretionary and centralized power within the established national bureaucracy. Furthermore, both of these reforms were implemented during a period of intense politicization of public life, when the political spoils system and patronage was spreading rather fast throughout the country's bureaucracy as an outgrowth of the long-established and ingrained tradition of personal favoritism and nepotism within the country's public administration.

Rational reform through establishment of modern administrative procedures and the spoils system are incompatible. Thus, the initial impetus to carry out these two reform attempts within the government were lost at an early stage, and the implementation procedures and tactics had to be extensively modified in order to achieve some limited success. Without doubt, the work of the Administration Commission, because of the wide scope of its undertaking, encountered particularly strong opposition, and its program was substantially modified as its reform attempt became more and more frustrated.

In the three agricultural agencies (MAC, IAN and BAP), the Commission undertook serious attempts to reform existing organization and administrative procedures. After the required studies were finished and presented to the agencies' executives for implementation, they were completely rejected by the Ministry of Agriculture. In the Agrarian Institute only those proposals for streamlining the central office services in Caracas were adopted, while the field services went untouched. In the Agricultural Bank, which underwent a most severe financial crisis due to mismanagement in 1959-60, most of the proposals were put into effect under the able direction of Dr. Alejandro Osorio. As a matter of fact, several of the closest collaborators of Osorio in changing the

administrative structure of the bank were former officials of the Commission. Nevertheless, the idea of the imperative need to increase efficiency of the archaic national bureaucracy was never fully given up, and the Commission kept functioning even after 1962, when much of its power and resources were severely curtailed. It played an important role in the implementation of program budgets in all of the national agencies and did substantial work in the reorganization of some autonomous institutes and ministries. Also, it prompted the creation of a National School of Public Administration. Its initial goal, nevertheless, to completely revamp the nation's administrative apparatus and proceedings, to establish an independent civil service, and to decentralize and coordinate decision-making processes did not meet with success.

The achievements of the central economic planning system, under the guidance of the Central Office for Planning and Coordination (CORDIPLAN) were more encouraging. And this occurred largely because the nature and extent of the adopted planning system did not antagonize the political leadership. On the contrary, it had the full backing of the president. The implementation of the operative procedures was gradual and carefully geared so that support of the different parties that were directly affected by it (government bureaucracy, autonomous institutes and private business sectors) could be obtained. Furthermore, the economic, social or political doctrine or ideology, was flexible in its approach to problem-solving procedures.

The basic function of the Central Planning Office was to formulate a national development plan with the cooperation and consultation of existing government agencies and the private sectors of the economy. The setting of policy goals and the selection from among alternative means for achieving those goals was ultimately the responsibility of the President and his Council of Ministers. CORDIPLAN was to be the top level advisor to these decisions . . . .<sup>161</sup> CORDIPLAN was established as a staff agency directly attached to the presidency, and as such it was able to wield considerable influence on the overall national policy formulation and implementation. This role was even further strengthened by its specific functions of coordination of the different government agencies' economic programs. Economic planning in Venezuela in its first six years of existence emerged as a "National System of Coordination and Planning in which the interrelated functions of data collection and analysis, program formulation and implementation are carried out through the ministries and autonomous institutes, and all the way down through regional, state and municipal planning agencies. It was to be the responsibility of the central planning office to promote, guide and coordinate these scattered planning efforts."<sup>162</sup>

Thus, the work undertaken by CORDIPLAN can be divided into two large areas: the formulation of a national economic plan in which specific goals to be achieved were spelled out in terms of available resources (these were presented in four-year plans, known as the Plan de la Nacion), and the coordination of the government agencies' programs for achieving the established goals.

The formulation of the economic plans was severely limited by the lack of adequate and reliable statistical data, so that in many sectors the established growth targets were nothing more than extrapolations of past trends. Furthermore, partially because of the lack of data on investment and savings in the private sectors of the economy, no clear-cut implementation policies and proceedings were indicated. Special emphasis was given to the direct allocation of resources only in those economic activities that depended heavily upon the budget of the national government. As a consequence, CORDIPLAN became most concerned with the management of the national budget and instrumental in the firm establishment of the program-budget technique throughout the government. This, of course, is not surprising, given the tremendous influence that the state monetary resources have on the country's economic development.

Some other characteristics of the four-year plans are the following: a sectoral approach, from which the overall plan is built upward; no major financial constraints, precisely because the plans based themselves heavily on expected government revenues and expenditures; no domestic saving generation; and no attention to input-output interrelationships between sectors. In other words, little concern is placed on "planning consistency," because of the peculiar position of the country in regard to the continuous and massive foreign exchange inflow and the derived benefits from it (capital formation, imports of capital goods, foreign exchange, etc.). Lastly, it should be pointed out that the Planes Cuatrienales do not discuss the "mechanisms by which their implementation might be checked or evaluated, although the adoption of the program-budget may be a first step in that direction."<sup>63</sup>

From the foregoing, it can be seen that CORDIPLAN's efforts to formulate well-conceived development plans were not successful. Undoubtedly, when measuring the growth targets expressed in the plans with the actual achievements of the economy for the 1962-66 period, they missed their marks. In this way, then, they were not very effective. So, for instance, the Plan de la Nacion 1960-64 indicated an achievable growth rate of 7 percent per year, while the obtained rate came to only 4 percent. Similar discrepancies can be pointed out for most sectors of the economy. (The growth target for agriculture was set at 8 percent per annum for 1963-66, while the achieved rate was 6.8 percent.)

But the idea behind the Venezuelan planning system went a little further than elaborating mechanical plans that should achieve some proposed targets. This, of course, would be an

extremely technocratic and naive criteria for conceiving planning as an instrument of rationalizing decision-making criteria and/or accelerating economic growth.

Given the basically free-market-oriented Venezuelan economy and the relatively strong position of the private sector in the policy decision-making process--through the pressure group system--Venezuelan planning necessarily had to persuade those sectors to adopt some of the implementation procedures and policies outlined in the plans. Concerning the government sector in this sense, its task was much easier because of the close attachment of CORDIPLAN to the president's office.

Within this framework, then, the planning process becomes relevant for operative purposes in the sense that its success and/or failure can be appreciated according to the following criteria: (a) to what extent has the planning office influenced the establishment of tangible and economically rational policy goals for the different sectors of the economy? (b) Has the planning process influenced the allocation and/or distribution of resources within the outlined economic policy?

In relation to the first, the policy goals and their content had been established outside the planning technocracy. They were basically the outcome of the evolution of the social, economic and political institutions of the country, often finding their roots in the historical matrix that determined the present-day stage of development. Thus, perception of Venezuelan economic development was in terms of the past (Gomez era, agrarian reform, and the rural poverty issue, import substitution and the need for economic diversification through industrialization, broadening of the whole educational system, expansion of employment opportunities, etc.). These planning goals of the 1960's were already part of the ideological baggage of most political parties and firmly entrenched within the middle class Weltanschauung of the national elites. CORDIPLAN expounded them only as a type of neo-orthodoxy in modern-day development jargon.

Concerning the second criteria--rational allocation of scarce resources--the influence of the planning agency became quite pronounced and in certain quarters, even effective. Two factors probably accounted for this: the prestige of the agency because of its close attachment to the president's office, and the image of seriousness and objectivity that it was able to create for itself through scholarly pronouncements and presentation of its arguments by its technical and executive staff.

In the government sphere, the firm implementation of the program-budget system is an example of the successful actions of CORDIPLAN. The installation of many intergovernmental boards or

committees for handling specific problem areas is another example of the agency's work, such as the National Water Resources Committee, the Agrarian Reform Coordination Committee, the Majaguas Irrigation Project Joint Administrative Board, the Committee for Metallurgical Industries and the various regional development agencies.

The established government investment targets, the composition thereof, and the avoidance of costly duplication of expenditures was another area in which CORDIPLAN was rather successful. In other words, its impact on the work done by operational agencies was strongly felt, forcing executives to formulate special programs and policies within the general policy framework established in the development plan.

"Taking a still larger view of CORDIPLAN's role, it has been a major promoter and salesman of the development 'mystique.'"<sup>64</sup> The agency was able to stimulate debate and commentaries on a large variety of economic and social issues, making especially strong emphasis on the dwindling petroleum reserves and the need to promote rationally conceived policies that would replace that resource as the prime development promoter. The plan became the center point for meaningful and frank discussions between even the most antagonistic entities. With ever-increasing frequency it was cited by political parties, labor unions, economic pressure groups, and other segments of society, thus creating a consciousness of the urgency of employing rational means for accelerating development in view of dwindling petroleum reserves.

The presence of CORDIPLAN officials became more frequent in meetings between pending economic interest groups, such as the Juntas de Produccion, and often the intervention of the agency was asked to settle conflicting interests.

Thus, the role of CORDIPLAN was that of a teacher, politician, diplomat and promoter of a new planning mystique and consciousness rather than the promoter of a specific plan. Its success cannot be attributed as much to its work in economic analysis as to its role as a promoter of the imperative necessity to make economic decisions within a framework of developmental rationale.

At first, the effects of the central planning system on the decision-making process and implementation procedures in the agricultural sector were partially neutralized by the main agencies concerned with agricultural policy. The political coalitions that were necessary for the AD party to govern had a strong influence on this. In addition, the long tradition of centralized authority within each agency where the chief executive considered himself a supreme master hindered central planning.

### Coordination Between Agricultural Agencies

The government of Betancourt initially established a coalition with the COPEI and URD parties, from which the latter retired in 1960. The ministries and autonomous institutes were divided among the coalition parties, a practice that was followed by the succeeding Leoni government which established a coalition with the URD and FND parties.

Throughout these two governments, the AD party laid claim to the Agrarian Institute (IAN) although members of the other coalition parties were represented in the directorate. The Agricultural Bank was either directed by an AD member or a politically independent person, but highly sympathetic to the government party. The Ministry of Agriculture had as its chief executive throughout the Betancourt administration a COPEI member, and during the following Leoni government, either an FND minister or an AD-inclined independent. The Department of Hydraulic Works of the Ministry of Public Works that was responsible for the ambitious irrigation program was headed throughout the two presidential periods by an AD member. It should be pointed out, nevertheless, that lower echelon executives in all of these agencies were appointed, subject to presidential approval, according to proportionate party coalition membership.

An administration based on such precarious arrangements made a most difficult affair out of the decision-making process, not to mention the complex operative procedure required to coordinate the implementation of some specific programs. There were several instances when a complete communication breakdown occurred among agency heads because of personal and/or political differences.

Although formally the Minister of Agriculture was the supreme executive in all matters concerning the agricultural sector, and the IAN and BAP were autonomous institutes constitutionally attached to the ministry, in practice they proceeded quite independently, often disregarding the desired policies of the Minister. Even the highly competent, effective and forceful Minister Osorio of the Leoni government was unable to achieve a workable arrangement with the other agencies. Although the lack of proper coordination was openly recognized, relatively little was done to improve it for the first few years. It was because of involvement of CORDIPLAN in agrarian and agricultural programs that coordination at a technical level became quite frequent after 1963. As a matter of fact, the proliferation of coordinating committees or specialized boards became so pronounced that it is difficult to assess their effectiveness. Many of them were only short-lived, and their main function was simply the interchange of ideas. Nevertheless, some of them actually became decision-making bodies at a program level and required a permanent staff. Some even obtained financial aid from private sectors. Among the most important and permanent ones are:

the Office for Farm Development in the Irrigation Systems (ODASIR), the Agro-Industrial Commission, the Fondo Nacional de Cafe y Cacao, the National Marketing Commission, the National Fund for Agricultural Research, the Fund for Cotton Development, the Fund for Fruit Development, and the Agrarian Reform Coordination Committee. Although it is difficult to ascertain the number of these specialized bodies in existence, because of the provisional nature of some of them, by 1965 there were approximately fifteen of them that carried out a regular working program, and at least thirteen additional ones that convened rather irregularly.

The three basic agricultural sector government agencies and their structures were all direct descendants of agencies of the late 1930's. While the internal administrative structure of the Agrarian Institute had been substantially changed to meet the requirements of the new agrarian reform program, the internal organization of the Ministry of Agriculture and Agricultural Bank remained amazingly similar to the ones of some twenty years earlier.

Thus, the Ministry's main problem-solving approach was through specialized offices, called directions, dealing with specific fields of competence (extension, research, animal husbandry, engineering, natural renewable resources and agricultural economics). If the need for a new service arose, it was grafted onto one of the existing directions. So, for example, the establishment of a national cadaster system became the responsibility of the Direction of Natural Renewable Resources, as well as a widely expanded ocean fishing and national parks program. Similarly, the special cattle development credit program (Plan Ganadero) was administered by the animal husbandry direction (Direccion de Ganaderia), and the simultaneously conceived coffee and cacao program became attached to the extension direction. The disbursement of funds and recuperation of the individual loans was undertaken by the Agricultural Bank.

Knowledgeable insiders at the Ministry of Agriculture insist that the organization of that agency has been largely determined by the professional associations (colegios profesionales) that consider the different directions as their domain. So, for example, foresters lay claim to the Direction of Renewable Resources and opposed its reorganization or the nomination of a nonforester as its director. The Direccion de Ganaderia has been the traditional fiefdom of veterinarians, who not only have openly rejected the transference of some of its divisions to other directions within the Ministry--extension, for example--but have opposed the incorporation in its staff of animal husbandry technicians, a profession not taught in the Venezuelan universities. The conflicts between these associations within the Ministry has been a constant source of friction that has made needed restructuring extremely difficult. As a direct consequence of all this, all modification attempts since the 1960's have been haphazard, amounting only to name changes in many cases. The opposition encountered in the Ministry of Agriculture to the reforms proposed by the Public Administration Commission can largely be attributed to these professional associations.

Nevertheless, the level of professionalization throughout the Ministry of Agriculture has continued to increase since the middle of the 1950's, largely as a result of the increasing number of technicians that became available as the output of universities and vocational schools expanded.

In the 1960's a distinction became clear in the Ministry of Agriculture as to which of the two basic sectors should receive resources. The commercial agriculture sector continued to receive some of the state's resources in order to increase its low productive efficiency. But, at the same time, the poverty-ridden campesino sector obtained increasing attention and resource assignments within the framework of the agrarian reform program. Here the representatives of the campesinos, through the Federación Campesina de Venezuela, came to exercise a direct influence on problem-solving procedures.

#### The Agrarian Reform Law of 1960

The agrarian reform law of 1960, hereafter referred to as the Law, was preceded not only by an intense public discussion and the nomination of broad commissions to prepare the legislation, but also by an intensified land settlement program carried out by the Instituto Agrario Nacional, based on the agrarian statute of 1949.

In 1958, the government, through the Ministry of Agriculture, nominated a large and ideologically varied commission to undertake an inquiry into existing agrarian problems, with the purpose of presenting a proposed agrarian reform law to the executive.<sup>66</sup> The Agrarian Reform Commission divided itself into four subcommissions for working purposes: legal, economic, social and agro-technical. Within the group were representatives of all major parties and of almost all social and economic interests. There was the Archbishop of Caracas, the commander of the Guardia Nacional of the Army, respected university professors, the head of the Federación Campesina de Venezuela, representatives of FEDECAMARAS, the owner of the largest sugar enterprise in the country, public officials, politically independent lawyers, and prominent businessmen and financiers. Even two foreign economic advisors of the Ministry of Agriculture became actively engaged in it. The work of the four subcommissions was coordinated by an outspoken economist--a member of the Communist party.

The outcome of the research and deliberation of such a heterogeneous group was necessarily a compromise. However, the three previous agrarian reform legislations were contained in many features of the 1960 Law. Thus, a certain legal continuity was maintained, although new elements appeared to be influenced by the recent developmental consciousness that was quite strong among the members of the economic subcommission.

One of the most distinctive features of the 1960 Venezuelan agrarian reform legislation is the procedure prescribed for distribution of land among the peasantry. Unlike other Latin American agrarian laws, where the initiative for distribution emanates from the authorities who decide which land should be subdivided and among which persons, the Law explicitly places the initiative on the farmers (Chapter II-Articles 93-101). They, either individually or in association, petition for a specific property or piece of land, making a specific indication if it is not fulfilling its "social function." The petition procedures are rather simple, indicating the name, age, number of dependents of the petitioner, etc. The petition has to be verified by the IAI's field office within ninety days and has to be sent to the head office in Caracas where a decision is made according to the legal situation of the land and the financial possibilities for acquisition. Once the petition has been granted, the campesinos elect an administrative committee among themselves which serves as liaison on administrative matters between the newly established settlement (asentamiento) and the Agrarian Institute. In practice, the administrative committee's functions have been taken over by the sindicatos.

This procedure has been responsible for the peculiar dynamics of the Venezuelan land distribution process. Through it, peasants have become directly involved in the agrarian question and it has greatly facilitated the politization of the campesino by the Federación Campesina de Venezuela. The organization of the landless peasants in agrarian syndicates almost always preceded the petition for land, thus making syndicalization quite palatable to the individualistic campesino. At the early stages of the reform, when the Agrarian Institute simply could not handle the avalanche of petitions, the syndicates of the campesinos took matters into their own hands and took the land over (invasions), disregarding procedures outlined in the Law.

#### The Role of the Federación Campesina de Venezuela in Agrarian Reform

In 1958 the FCV had organized 130 syndicates with 4,586 members, which accounted for 16 percent of all labor unions operating in the country. The following year, 782 syndicates were operating with 39,000 members, and in 1960, when the agrarian reform was promulgated, there were 1,813 rural unions with 91,000 affiliates, that comprised 68 percent of all the syndicates of Venezuela. By 1965, the Federación Campesina controlled almost 3,500 syndicates, with over 171,000 members, which comprised almost three-fourths of all national unions.

The Federación Campesina, at the national level, is governed by the National Executive Committee (CEN), which is elected by the delegates at the national conventions that take place approximately every three years. At the state level, the prevailing organization is called a Seccional and is governed usually by a five-man executive

committee. Members of these committees are elected in regional conventions by representative delegates of the local unions. These are governed by a five-member Junta Directiva.

The Federation's role in the rural problem-solving of Venezuela through the agrarian reform program was that of a "feed-back problem formation-transmission system" from the individual campesino, through his local leader, to the higher echelons of the Federation's hierarchical structure (seccionales and headquarters). "The campesino who lives in the problem-environment is in a more valid position to generate such feedback than any other system participant . . . ."67 But the efficiency of the feedback information transmission is conditioned on how well or efficiently the local sindicato leader calls the attention of the higher-ups to the specific problem situation.

At the intermediate level of this feedback through the Seccionales, several of the specific problems can be solved through the direct and formal linkages that exist with other public agents of the problem-solving system--Agricultural Bank, Instituto Agrario, Ministry of Agriculture (all of these also have regional offices)-- or through informal connections that exist between regional campesino leaders and government bureaucrats. If these are of the same party, the problem solution functions rather rapidly. So, for example, during the first years of the reform, IAN officials knowing the relative slowness of the petitioning process often encouraged local leaders (who, by the way, belonged to the same party--they were compañeros) to invade private estates, in the knowledge that the Institute would not proceed to evict the farmers, and their newly acquired possession of the land would be sooner or later recognized. In some states, campesino loans had to be petitioned through the local leader at the regional office of BAP, where the petitions were screened by a campesino credit committee, in which the FCV had official representation. There are many more instances that could be pointed out, where a close linkage existed between the Federation and other agents of the rural problem-solving system. Nevertheless, where no formal feedback system was established, the intensity at the regional level was largely conditioned by the personal initiative of the FCV leaders. Where these were strongly motivated, the ad hoc system functioned satisfactorily.

If a problem could not be resolved at the regional level, the problem situation, or information, was transmitted towards headquarters of the FCV in Caracas, which then initiated action in the government agencies. National leaders, having personal connections or direct access through the multi-party system to high government administrators, were able to pass the problem information to them, and were in a position to obtain responses to their requests. These national leaders devoted a considerable amount of their energies to try to solve local problems brought to their attention.

Powell suggests that feedback communication channels through the established government bureaucracy were not employed because that "system seems relatively unresponsive to these reports-- that is, does not take them into account in subsequent behavior-- they do not constitute feedback." 163 Without doubt, although an ideological, personal and ad hoc institutional linkage does exist between regional FCV leaders and public administration officials in the provinces, action through the proper channels has always been unbelievably slow because of inefficiencies prevalent in the state's bureaucracy and because of administrative inertia and dilution of responsibility.

Within this problem situation, then, the FCV acted as a rather efficient "institutionalized brokerage vehicle" during the first stages of the reform. The local leader, most of the time a spontaneous social phenomenon, emerged during a period when the basic aspirations of his rural community were simple, namely, a piece of land and some money to till it. Once this aspirational horizon was reached, the local leader quite often became inadequate to fulfill the more complex functions expected of him--namely, obtaining and channelizing the state's assistance to increase, on the one side, the economic productivity of his clientele, and on the other, to improve social conditions. The pressures exerted by the FCV to obtain land and services for campesinos conflicted with the ability of the nation to provide services extended by law.

The Law emphasizes the obligation of the state to provide agricultural credit regularly, preferably supervised, and every beneficiary of the Law has the right to obtain said credit either as an individual or through an association (Articles 109-118). Furthermore, the state is obligated to provide all necessary infrastructure in the newly-created settlement--including housing--in order to insure the economic success of the projects (Article 79).

While these principles undoubtedly are in line with the noble objectives put forward in the Law, they imply an expenditure of gigantic magnitude, probably not realized by the well-meaning legislators, but which served, nevertheless, to lead to an extremely important program of the IAN--the "consolidation" schemes.

In relation to expropriation of private estates, the concept of "social functions" plays a pivotal role (Articles 19-23). Only land that is not fulfilling its "social functions" can be expropriated. Five criteria have to be met for this fulfillment:

- a) Land has to be efficiently "exploited" so that all production factors are employed rationally;
- b) No absentee ownership and management is taking place;

- c) The natural resources of the property are being properly protected against erosion and mismanagement;
- d) The owner is complying with existing labor law requirements;
- e) The property is registered in the national cadaster.

Contrary to the social function concept and "incompatible with the national well being," are lands that are kept idle, as well as ones that are exploited through sharecropping or other indirect tenure systems. The social function of property as operatively conceived in the Venezuelan Agrarian Reform Law becomes the legal cornerstone on which this legislation is based, and represents a substantial modification in Venezuela's jurisprudence, where the absolute rights theory was upheld by a superior court as late as 1941. The "social function" concept making land ownership subject to certain social obligations introduced a completely new dimension in the country's agrarian question.<sup>69</sup>

The Law is very specific on the inappropriability of estates that are fulfilling their "social function" (Article 26). Nevertheless, expropriation can only take place when no lands of public ownership are available (national, municipal and other rural properties of state ownership) (Articles 10-12). There are maximum property size limits that are also inappropriable, varying according to soil conditions from 150 hectares for first class land to 5,000 hectares for seventh class land (Articles 29 and 198).

Before proceeding with expropriation, according to the proceedings established in the existing Law on Expropriation for Public Utility, the Agrarian Institute has to try to reach a friendly agreement with the owner (Article 35). Expropriated owners may keep a minimum amount of land for their use. These "reserves" can be reduced up to 50 percent when the land is localized in areas of high demographic pressure.

Detailed provisions are established in relation to financing methods in order to compensate partially expropriated properties, allowing the Agrarian Institute to incur a public debt by issuing agrarian bonds (Articles 172-179). Three types of bonds were allowed in the original legislation: "Class C," the most favorable ones, which are transferrable, with a yield to be established by market conditions, and their value to be redeemable in ten years. "Type B" bonds are non-negotiable, yield four percent annually, and mature in fifteen years; and "Type A" bonds, also non-negotiable, with three percent yearly interest and becoming redeemable after twenty years. The amount of bonds paid for compensation is in inverse proportion to the value of the property.<sup>70</sup>

The initial provisions, nevertheless, were changed in practice as budgetary limitations made it very difficult for the Agrarian Institute to meet the cash requirements. "Class C" bonds were used as part of the stipulated cash payments.

The Agrarian Reform Commission provided an initial target figure of 350,000 families that would become the beneficiaries of the program, although no clear explanation is available as to how that figure was obtained.<sup>71</sup> In 1960 the Agrarian Institute calculated that 228,000 families did not own any land at all or that the size of their parcel was below ten hectares, and thus they were able to obtain the benefits of the program. Detailed figures were presented for each municipio on a statewide basis.<sup>72</sup> Finally, the ambitious CENDES-CIDA study group employing the 1961 census figures presented two extreme hypotheses. The first one included all salaried farm workers and the second only 50 percent of them. The calculations showed totals of 384.2 thousand families or 264.4 thousand families.<sup>73</sup>

These figures indicate that the problem to be solved was quite large, but by no means insurmountable, given the broad land base available and the largeness of the state's resources.

The Agrarian Institute, when it initiated its program in 1960 under the new Law, proposed a three-stage approach to solving the problem. The purpose of its first stage was to be to "stop the campesino exodus to the cities" by providing peasants with their own land. The second stage would consist of "stabilizing the families that have received land" by providing them with credit, housing and technical assistance, and last, to "convert the campesino into an active factor within the economic development of the country" through special production plans that would result in small and medium-sized entrepreneurial farms, as well as cooperatives.<sup>74</sup> In other words, the implementation of the program was optimistically conceived as a smooth transition of the technologically backward subsistence peasant toward an economically productive farmer through the application of the three agrarian reform precepts: land, credit and technical assistance.

For 1960, the Institute calculated that 10,000 families would be settled in such an orderly manner, but it turned out that it was avalanched by around 55,000 petitions, and at the end of the year 24,116 of these petitions had been granted, and the families supposedly settled. Because the administrative structure of the Institute was not able to cope with such a volume, land distribution took place without regard for procedures established in the Law, such as technical studies of the land, establishment of administrative committees in the new settlements, careful subdivision of the land in individual parcels of appropriate size, etc.. As a consequence, essential technical settlement criteria were completely disregarded and the result in most of these newly created asentamientos was one of chaos and disorder. The situation was even further complicated when expectant campesinos became impatient at delays in fulfilling their petitions and invaded private estates, regardless of whether or not they were protected by the "social function" clauses of the Law. These invasions were usually quickly formalized by the government, through expediting payments to the former owners.

Land was handed over to the directors of local syndicates in much-publicized formal celebrations, but thereafter the campesinos had to decide by themselves how the land would be divided among them.

The Agricultural Bank (BAP), also under great political pressure to satisfy the ever-increasing demand for campesino loans, and also with an inadequate administrative structure and experience, had to cope with this unprecedented demand for its services. It applied improvised systems that disregarded the most basic principles of financial prudence. Its program was often jokingly referred to as "La Feria de los Créditos" (The Credit Fair). Not only did this administrative irresponsibility lead the BAP to the brink of bankruptcy, but it caused deep indebtedness among campesinos, which in later years excluded them from the bank's services. Loans were given almost freely, without any control. As a result, the consumer goods-starved campesino, already exposed to the niceties of urban life through mass communication, finally saw a chance to partially fulfill some of his consumption aspirations. His newly-received land went unattended, or was cultivated with the primitive techniques of his ancestors.

Probably the most disquieting aspect of the first two tumultuous years of the agrarian reform implementation was the continuous occurrence of land invasions which not only caused open friction between commercial pressure groups and the government, but gave the impression that the program had as its purpose the destruction of existing prosperous farms. Ratinoff and Rios<sup>75</sup> calculated that between 1959 and 1961 "approximately 40 percent of all the land purchased [by IAN] had been previously invaded by the peasants, which amounts to approximately sixty to seventy of the respective farms." In some states where the peasantry was better organized in cohesive syndicates, such as Aragua, Carabobo, Yaracuy, Trujillo and Zulia, almost 80 percent of the farms purchased by IAN had been previously invaded.<sup>76</sup> Nevertheless, invasions in 1962 were very few, and after 1963 they ceased completely.

Although the Federación Campesina de Venezuela in 1959, during its first national convention, solemnly stated it would respect the content of the coming agrarian reform law and would actively support agencies entrusted with its implementation, it was not able to control illegal actions of its affiliates.

The basic motive for the occurrence of these invasions can be found in awakened aspirations for land in the campesinos following the active discussion of the coming law for almost two years, the rapid organization of the syndicates by the FCV under the slogan of "Tierra para el campesino," and the impatience of the peasantry with the legal, but slow, procedures of the IAN.

In 1961, the number of settled families came to 11,074 and the Agrarian Institute invested Bs. 62.7 million in infrastructure in the newly-created settlements, a noticeable decrease from the previous year. This was a reflection of two circumstances: first, as part of the antirecession policies of the government, the budget of the agency was curtailed from Bs. 199.5 million in 1960-61 to Bs. 139.3 million the following year. Second, conflicting ideologies and personalities of the president of the IAN and the flamboyant Ramón Quijada, member of the directorate of the agency and at the same time president of the FCV, became pronounced. As a result, no land was distributed for several months during that year. The internal crisis of the land reform agency was a reflection of the growing split that was occurring within the AD party. Quijada asked for a more rapid and radical distribution of private property, while the president of IAN, a sympathizer of the conservative wing, showed preference for strict application of the Law.

When the split in AD was finally formalized, Quijada had to leave the directorate of IAN and eventually was even outmaneuvered from his controlling position in the FCV. The Agricultural Bank, which was experiencing increasing financial difficulties came under a new cost-conscious management, which put an end to the previous lax lending practices, although it did not curtail the total amount of funds lent to the campesino sector.

As open criticism mounted against the agrarian reform program, the Ministry of Agriculture tried to have a stronger voice and leverage in the affairs of IAN. For that purpose, and at the end of 1960, the Agrarian Reform Coordination Commission was established, but it was not accepted by the Agrarian Institute, and its existence was even ignored in the annual reports of that agency.

After 1962, the program's implementation underwent considerable modifications, caused in part by reduction of its budget and in part by nominating a more cautious directorate as an outcome of congressional hearings.

The split of the AD party brought about a loss of parliamentary majority for the government, and when at the end of 1962 the budget of IAN for the coming year was again severely curtailed, a new implementation policy had to be devised. For 1963 the Agrarian Institute received an appropriation of only Bs. 107.8 million, the lowest since 1958.

The reasons for this curtailment were quite obvious. With the upcoming presidential election in the following year, AD's power in the rural areas was feared, and increased budgetary appropriations for the agrarian reform agencies would have increased this strength even further. So, a mixture of pre-electioneering considerations, and genuine concern with poor management and waste, caused this reduction.

Also, during 1962, the doors were opened at the Agrarian Institute to the Commission of Public Administration in order to straighten out the disorderly administrative structure and proceedings of the Institute.

To summarize, the 1961-63 years in the program's implementation can be considered as a period of administrative readjustment during which initial emphasis on rapid and massive distribution at all costs came to an end. Rationally conceived investment programs started to make their appearance, priority was given to public lands in the distributive phase of the program, attention was given to disentangling and controlling the chaotic tenure conditions in public land areas of recent settlement, and the first timid steps were undertaken to rationalize administrative procedures. Land invasions came to an end.

The following official figures give an indication of the magnitude and expenditures incurred during the 1959-1963 period:<sup>77</sup>

Number of families settled:	66,428
Number of settlements	703
Total area distributed:	1.67 million hectares of which:
	912,000 hectares were former private property, and
	758,000 hectares came from state lands.
Total settlement costs:	Bs. 511.5 million, of which:
	Bs. 291.7 million were for land purchases, and
	Bs. 219.8 million for infra- structure investment (consolidation of settlements).
Tenancy regulation:	14,353 families received titles on
	233.5 thousand hectares of land.

3. Cadaster on public lands and within existing asentamientos.
4. Titulations for settled peasants and squatters on public lands (3,400 titles).
5. "Physical consolidation" (infrastructure investments and programs amounted to Bs. 49.4 million in 1967).
6. Joint IAN-IDB program, giving heavy emphasis to investments in irrigation systems.
7. "Socio-economic consolidation" which consisted of the following projects:
  - a) "Maize plan," a jointly executed special credit program to increase asentamientos' corn yields, with MAC and BAP;
  - b) "Ground Nuts Plan," similar to the aforementioned, but on a smaller scale;
  - c) Certified Maize Seed Production Program, also directed at increasing yields;
  - d) "National Cow Plan" to provide peasants with one animal for home milk consumption;
  - e) Breeding farms for goats and beef cattle.
8. "Socio-Economic Organization and Orientation" which had the following projects:
  - a) Self-improvement of rural housing;
  - b) Cooperatives (empresas campesinas);
  - c) Community-development schemes.

To undertake such an extensive program in an orderly manner, several administrative restructurings took place within IAN, most notably the establishment of a planning and budget office, the Division of Land (Dotación) and the Division of Consolidation.

The Land Division dealt in a unified manner with questions related to land purchases and expropriation, subdivision, titlization, valuation and cadaster, while the latter division handled all questions related to providing the required infrastructure for the projects.

Statewide agrarian reform coordination committees, in which the other agricultural agencies participated, were established throughout the country. The CIARA (The Center for Training and Applied Research in Agrarian Reform), a CORDIPLAN-promoted agency

to train middle echelon officials on agrarian questions and project formulation, by 1965 started playing an active part in the consolidation aspects of IAN and even went so far as to promote and supervise several of IAN's consolidation projects.

The IAN also actively promoted the supervised credit program of BAP. The much-heralded Tenancy Regulation Plan of 1962 came almost to a standstill after 1965, because the implementation was becoming exceedingly difficult and the manner by which it was executed left much to be desired. As the consolidation program received more emphasis, the concept of solving the problem of squatters by simply providing them with a title lost quite a bit of its initial appeal. Furthermore, when consolidation was to be undertaken in areas where squatting had been legalized, and changes of existing farm boundaries became necessary, the peasants strongly opposed it.

#### Results of the 1960 Agrarian Reform

By 1967, according to official figures of the Agrarian Institute, 145,350 peasant families had benefited from the program, and the area employed for settlement came to 3.8 million hectares.<sup>80</sup> Of these, 1.7 million hectares were of former private ownership and 2.1 million hectares had been previously public lands.

The CENDES-CIDA study claims that by 1967 the agrarian reform had benefited 96,273 persons and the area affected by the reform came to 2.7 million hectares of which 1.1 million hectares used to be of national ownership (ejidos and baldíos), and 1.6 million hectares of former private estates.<sup>81</sup> Quite obviously, the differences between these two sources is considerable. It is believed that the CENDES-CIDA figures are more reliable and they will be used in the following paragraphs.<sup>82</sup>

The land distribution program had an overall moderate influence on national land use, as can be seen in Table V-4. Nevertheless, more detailed comparisons indicate that 30.5 percent of the useable agricultural area in 1961 had been used for agrarian reform purposes by 1967. By including improved pastures and lightly forested areas under useable agricultural area, this percentage is reduced to 10.0.<sup>83</sup>

In relation to the quality of the land transferred to the agrarian reform program, the CENDES-CIDA study estimated that around 72 percent was agricultural useable land (a similar percentage to the national average) and of this area (1,228 million hectares), 2.1 percent was irrigated, 51.1 percent used for dry crops, and the remaining 46.8 percent not utilized but adequate for exploitation.

TABLE V-4

VENEZUELA: AGRICULTURAL AREA AFFECTED BY LAND REFORM BY 1967  
AND AGRICULTURAL LAND USE BY 1961  
(Millions of hectares)

Land	Total National Agricultural Land (1961)	Agrarian Reform Land	
		Affected (1967)	Percent of National Total
Total	26.0	2.8	10.9
Public	2.7	1.1	42.4
Private	23.3	1.7	7.3

Source: L. RATINOFF AND P. RIOS, op. cit.

The foregoing is a reflection of the process employed in the land distribution process. As will be recalled, the initiative for distribution originated with the campesinos' petitions, and during the first years by invading a specific private estate. It is quite obvious that campesinos were mainly interested in land under production, or in farms that had a high productive potential. Consequently, the agrarian reform had a much larger effect on existing agrarian structure than the national averages indicate.

A more detailed relationship of the reform and its impact on existing land use by regions indicates that in areas of low "demographic and agricultural crop density" (most of the Llanos and Zulia), 39.4 percent of the 1961 crop land was taken over by the reform, but only 21.2 percent in the zones of high density (the Andes, Central States and Sucre State).<sup>84</sup> This is a reflection that more low priced land was available in the regions of "low" density and consequently the resistance of landlords was less when expropriation took place. On the other hand, in the states of "high" density, more farms were fulfilling their social functions, landlord resistance was higher, and overall private farm size was smaller so that many of them were precluded from any agrarian reform action.

Another meaningful and essential relationship of the incidence of the reform on the problem to be solved is the number of beneficiaries in terms of the total peasantry subject to the benefits of the program. Since there are several estimates as to the number of rural persons that were in need of land when the reform was initiated in 1960, the CENDES-CIDA "conservative" estimate of 264,453 families will be taken. Of these 101,000 were farm laborers without any land, 128,000 with parcels below ten hectares, and 35,000 with precarious tenure arrangements (squatters, sharecroppers, etc.).

By 1967, there were 96,273 families that had received land from the Agrarian Institute, being equivalent to 36.4 percent of the total 1960 families subject to the benefits of the program. Even this estimate of 96,000 families is a considerable number, especially in view of the nonviolent characteristics of the reform and the administrative disorder of the first years of the program. Of those 96,000 farmers, 94 percent had individual plots, 4 percent were in cooperatives, and the remaining 2 percent of the beneficiaries had received title, and most of these had received it since 1964, when the Institute put great stress on this process.

Contrary to general belief, it was not in the more populous regions of the country where the highest number of reform-settled farmers were living. They were more or less evenly distributed among the three regions employed by the CENDES-CIDA study.

The yearly rhythm of settlement was in direct proportion to the budget appropriations of the Institute. During the 1961-1963 period, when these were substantially reduced, the number of settled farmers per year fluctuated between six and nine thousand. For 1960, when IAN received almost Bs. 200 million, 17,500 farmers were provided with land, and when IAN's budgetary allotments increased again, 19,000 were settled in 1965, 13,000 and 11,000 in each of the following two years.<sup>85</sup>

The existing conditions in the reform projects regarding parcels, titles and ownership patterns can be appreciated from the following figures for 1965, based on the nationwide CENDES-CIDA agrarian reform survey.<sup>86</sup>

<u>Type of Beneficiaries in 1965</u>	<u>Number</u>	<u>Percent</u>
With property title	13,161	18.38
With parcel but no title	20,356	28.43
On nonsubdivided land	25,701	35.90
SUBTOTAL of individual lots	<u>59,218</u>	<u>82.71</u>

On collectives	2,474	3.46
Salaried workers of IAN	1,413	1.97
SUBTOTAL	<u>63,105</u>	<u>88.14</u>
Occupants with more than 50 hectares	2,885	4.03
Abandoned parcels	5,599	7.82
GRAND TOTAL	<u>71,589</u>	<u>100.0</u>

Undoubtedly, conditions were quite heterogeneous in this respect, a reflection of the first years' haste in implementing the program. Moreover, a high number of beneficiaries with individual parcels (64 percent) lacked ownership titles and/or didn't even have the limits of their land clearly established. The almost 3,000 farmers with parcels above fifty hectares can be attributed to settlements undertaken in the Llanos for cattle-raising purposes, or due to uncontrolled conditions on some projects. According to the above figures, 7.8 percent of the existing farms at the time of the survey had been abandoned by their owners, a figure that undoubtedly is in constant flux and is closely related to the economic success obtained during the harvest.

In general, the size of the individual lots that emerged within the asentamientos seldom was the result of detailed agro-economic studies. Because of the haste of the program, the lack of sufficient and well-trained personnel and because of the absence of income-target criteria for the beneficiaries, the size structure of the parcels became one of minifundia.

Half of the individual lots were under ten hectares, a size that can only be economically justified with present-day technologies for truck farming or some other type of intensive agriculture. One-fourth of the reform-created farms had a size between ten and fifteen hectares and the remaining 25 percent were larger than fifteen hectares, but only 6.7 percent had areas above twenty-five hectares.

Farms in the mountainous region of the country, on the average, tended to be smaller (almost three-fourths of them below ten hectares). In the intermediate region, only 45 percent had sizes smaller than ten hectares, and in the Llanos not even one-third did. These size distributions by regions are largely the outcome of purchasing cost and land scarcity during the program implementation, when peasant pressure was strong.

Farm size, in order to be economically meaningful, has to be related to cropping patterns, technology employed, capital availability and operator's income. With the given conditions existing in most asentamientos, in terms of low knowledge of modern farming technology, lack of credit and sufficient working capital (credit) that would permit more intensive cropping patterns, the income provided by the reform-created farms was extremely low, as can be seen in Table V-5.

Low farm incomes have obligated a considerable number of beneficiaries to complement their income with work outside of their parcel, as farm laborers, storekeepers, construction workers, etc. In a case study of six different asentamientos undertaken by Schuster in 1964-65,<sup>87</sup> in the central part of the country, one-tenth of gross family income came from work undertaken outside the farm. In this study, production credit was considered as an income and amounted to 25.6 percent, and the remaining 64 percent of the income came from farm operations. Similar conclusions are reached in the CENDES-CIDA sample survey, where the national average farm gross income amounts to Bs. 3,373 per annum, and nonfarm family income obtained comes to Bs. 1,645 per annum.<sup>88</sup>

TABLE V-5

AGRARIAN REFORM BENEFICIARIES NET FARM INCOME DISTRIBUTION, 1965

	Farm Income (Bs./family)			
	Less than -1,000	+1,000 to +1,000	1,000 to 4,000	More than 4,000
Number of families	78	518	405	172
Percentage	6.6	44.2	34.5	14.7
Family income (Bs.)	-445	1,924	3,501	11,224 3,554 <sup>a</sup>

<sup>a</sup>National average.

Source: CENDES-CIDA, National Survey, 1965 (Trabajo No. 15).

Schuster found that indebtedness was extremely high in the six settlements, although a considerable variation was noticeable among them. Excluding one project where farmers had just received long-term supervised credit loans, average indebtedness per campesino came to Bs. 3,170, which is significantly high in view of the fact that annual net family income amounted to Bs. 4,409.89. Over half of total indebtedness (58 percent) originated in unpaid production credit loans obtained from the Agricultural Bank.

Fixed and working capital at the beneficiaries' disposition was very low. In four of the asentamientos it was below Bs. 9,000 and in the remaining two, it was Bs. 12,307 and 15,030. Because of the 'decomodization' of land received by the beneficiaries of the agrarian reform, it was excluded from the inventory in Schuster's survey. The percentage distribution of existing capital, and the categories employed can be seen from the following list:

<u>Category</u>	<u>Percent</u>
Dwelling	52.17
Other constructions	3.62
Land improvements	2.50
SUBTOTAL	<u>58.29</u>
Tractors	26.40
Vehicles	3.41
SUBTOTAL	<u>30.28</u>
Livestock	10.73
TOTAL	<u>100.00</u>

If dwellings are excluded, the survey points out, existing capital in three of the projects reaches figures between Bs. 2,500 and Bs. 890 per farmer. In two of the other settlement projects, capital received through official credit programs (machinery, barns, fences, etc.) played a decisive role in the existing structure. In only one asentamiento had existing capital been mostly from savings and reinvestment of profits. This indicates that the rate of capital accumulation had been decisively influenced by official credit programs, for in those asentamientos that did not benefit from medium-term credit programs for machinery purchase and/or construction of barns and land improvements, capital formation was extremely slow, at rates of below Bs. 800 per year.

The intensity of utilization of the plot throughout the year was basically conditioned by the following factors: availability of working capital (credit), amount of capital, types of crops used, and availability of irrigation. Since relatively few asentamientos had irrigation schemes, and dry season cropping was very limited, most production took place during the rainy season. The types of crops that were planted were influenced, to a very large degree, by the amount of short-term production credit received. Because credit available through the BAP was rather limited, even through the campesino credit program, reform beneficiaries were obligated to concentrate on crops that required relatively little production credit, such as the traditional crops of maize, tubers and beans. Nontraditional cropping patterns on asentamientos were the exception. Furthermore, because of the reduced amount of individual loans, even for traditional crops, the employment of yield-increasing inputs such as fertilizer, improved seeds, herbicides, etc., was extremely limited.

Although no comprehensive evaluation is yet available on a national scale of the productive structure and resource utilization scale in the asentamientos, all available information tends to indicate that productivity levels on these projects were low and that production patterns tended to concentrate on a few traditional crops that do not allow a sustained increase of income. The size of the holdings, with prevailing patterns of traditional crops agriculture, present almost insurmountable difficulties for substantial income improvements.

At the same time, different crop patterns with higher income producing capacities require better-skilled farming methods and more credit. The supply of these could be increased in Venezuela in a relatively short period of time by increasing the efficiency of the extension service and restructuring the lending practices of the BAP. But past experience has shown that changing and reforming the administrative capacity of the state is by no means an easy task.

But what is probably the greatest hindrance to increasing farm productivity in the long run in the agrarian reform sector is the size of individual holdings. As the application of more sophisticated technology takes place, especially machine-intensive technology as undoubtedly is the trend in Venezuela, the size of holding will have to increase. Since the typical farmer's plot is now ten hectares, readjustments will have to take place. There are already some isolated instances where these readjustments are occurring.<sup>90</sup>

With the foregoing considerations in mind, the minifundia farm structure that is being created by the agrarian reform undoubtedly will act as an impediment to improvement of living conditions of the beneficiaries. But agrarian reform, viewed in the long run of economic development, could and should also

be considered as a program that slows down rural migration by creating a noticeable but temporary impact on consumption patterns that will permit an increase in industrial output with its employment multiplication effects. However, increased consumption patterns by the beneficiaries of the reform will only take place if the implementation of the reform does bring about drastic structural changes within agriculture by allowing an increase, even if slight, in productivity and income of the reform-benefited peasantry. It is difficult to ascertain whether or not the Venezuelan agrarian reform has succeeded in increasing incomes in the peasant sector by raising levels of productivity. There is some evidence that the average value of production per settled peasant family increased throughout the 1960's, although the figures on which this is based are subject to doubt.

Nevertheless, in regard to the program's effects on stemming the rural exodus, available evidence suggests that the rural urban migration keeps flowing at rather high rates, causing an almost negligible growth of rural population. For the 1960's, annual growth for this population was only 0.7 percent per annum, while the national growth increased at a yearly rate of 3.5 percent. Projections indicate that this trend will continue throughout the 1970's. In 1961, the rural population accounted for 42.6 percent of the total, and for 1970 it was expected to be 32 percent.<sup>91</sup> Whether or not most rural migrants are agrarian reform beneficiaries is not known.

The agrarian reform law has as one of its main objectives, as stated in the preamble, the incorporation of the rural population into the economic development of the nation by providing them with land, credit and technical assistance. This undoubtedly is taken to mean converting them into a commercial independent producer, as the IAN's administration has stated on more than one occasion. This conversion has been viewed as gradual, thus implying a transition from traditional-subsistence agriculture to modern market-oriented agriculture. The evidence examined indicates that the first steps toward this transition are taking place, but that because of land base limitations, it is most improbable that a broad segment of agrarian reform commercial farmers will appear in the foreseeable future.

Evidence suggests--Schuster's, Thiesenhusen's, and CENDES-CIDA's--that a peasant stratification is emerging. The large variation encountered in the available statistical data on incomes and output of the reform's beneficiaries points toward the appearance of different economic types or groups of campesinos situated along the continuum implied by the concept of transition from subsistence toward commercialization and modernity. Undoubtedly, the reform program has induced a movement along this path for a substantial number of peasants that previously were located close to the subsistence extreme of the scale. Because of land base limitations and because of personal aspirational constraints and

cultural circumstances, it is doubtful that the majority of the beneficiaries will be 'pushed' toward the other side of the spectrum. Thus, the reform is creating a new peasantry at higher economic and income levels than before, but which will keep on requiring nonrecuperable economic assistance from the state, which of course amounts to a subsidy. This probably is the price the Venezuelan polity will have to pay in the long run for initiating the agrarian reform program, and for having made it possible to partially satisfy long-suppressed aspirations of the peasantry. The cost of this subsidy will decline as the rural population gradually is absorbed into the nonagricultural sectors of the economy. It may have been a high price to pay, but the consequences of not undertaking such a reform might have been even more costly.

## CONCLUSION

In conclusion, the Venezuelan experience in agricultural policy suggests that the phenomenon of bringing about change in an economic sector that displays many features of traditionalism and technical backwardness is closely associated with the diffusion of political power within the decision-making process. Change and economic expansion is not only a question of making more capital available or modifying the socio-political structure within which the productive process takes place--these variables undoubtedly are important--but is also intimately related to the state's action, through its bureaucratic apparatus, to create a new institutional framework that makes change viable. In Venezuela, the effectiveness of the state's bureaucracy was never too pronounced. During the first years of agricultural policy formulation and implementation, the government administration was severely hampered by lack of experienced personnel and absence of technical know-how in matters dealing with agricultural development. In later years, when these initial drawbacks were overcome and bureaucracy started to acquire administrative and technical skills, the politicization of the decision-making process largely offset gains obtained through technification. While this politicization made optimality solutions most difficult and perhaps even accentuated certain inherent vices within bureaucracy, such as the spoils system and patronage, it served to accelerate the implementation of many programs that had received low priority. In other words, the pressure exerted by political parties and interest groups upon the state's resources came to play a vital function in the conception of agricultural economic policy in general, thus overcoming internal inertia inherent in the government's administrative machinery.

Another basic feature of the Venezuelan "rural problem-solving system" that might be relevant to other developing countries is the dual approach toward agricultural backwardness. Applying different policies to the commercial and subsistence-traditional sectors of agriculture made a rapid and sustained growth of farm output possible while maintaining a considerable amount of "security of expectations" within both of these sectors. Thus, it was possible to avoid stagnation in production and at the same time provide an institutional framework for subsistence agriculture that insured a defense against the most flagrant social injustices and permitted a slow and gradual improvement of living conditions of the campesino masses. This prevented emergence of a disruptive socio-political situation. This dual approach was not the end product of a clear-cut policy design, but was the outgrowth of almost thirty years of policy continuity and incrementalism.

FOOTNOTES

<sup>1</sup>For a discussion of Venezuela's traditional society within the context of Rostow's growth stages, see: J. FRIEDMANN, Regional Development Policy: A Case Study of Venezuela (Cambridge, Mass.: The MIT Press, 1966).

<sup>2</sup>"Income per capita, between 1839 and 1936, grew approximately at an average annual rate of 0.3 percent." Conference held in Cendes, Caracas in 1962 by B. FERRAN, cited in: J. A. SILVA MICHELENA, "Hipotesis sobre el Cambio Social en Venezuela," Boletín Bibliográfico, Edición Especial (Abril-Junio, 1963).

<sup>3</sup>The official census for 1881 indicated a total population of 2.07 million inhabitants. By 1920 it had increased to 2.9 million. E. ARCILA FARIAS, "Evolución de la Economía en Venezuela," Venezuela Independiente 1810-1960 (Caracas: Editorial Sucre, 1962), p. 352.

<sup>4</sup>R. DIAZ SANCHEZ, "Evolución Social de Venezuela," Venezuela Independiente 1810-1960, op. cit., p. 235.

<sup>5</sup>So far, no comprehensive analysis of Gómez' regime has been undertaken. For some descriptive material, see: J. LAVIN, A Halo for Gómez (New York: Pageant Press, 1954); P. E. FERNANDEZ, Gómez, El Rehabilitador (Caracas: Jaime Villegas Editor, 1956); and T. ROURKE, Gómez: Tyrant of the Andes (Garden City: Halcyon House, 1936).

<sup>6</sup>G. MORON, A History of Venezuela (London: George Allen and Unwin, Ltd., 1964), p. 192.

<sup>7</sup>R. FERNANDEZ Y FERNANDEZ, Reforma Agraria en Venezuela (Caracas: Tipografía Vargas, 1948), p. 52.

<sup>8</sup>For accounts of the history of Venezuela's petroleum exploration and first drillings, see: E. ARCILA FARIA, "Evolución de la Economía en Venezuela," in Venezuela Independiente 1810-1960, Fundación Eugenio Mendoza (ed.) (Caracas: Editorial Sucre, 1962), pp. 377-384; E. LIEUVEN, Petroleum in Venezuela (Berkeley: The University of California Press, 1954); and R. BETANCOURT, Venezuela: Política y Petróleo (Mexico: Fondo de Cultura Económica, 1956).

<sup>9</sup>E. LIEUVEN, Petroleum in Venezuela, op. cit.

<sup>10</sup>C. FURTADO, El Desarrollo Reciente de la Economía Venezolana (Caracas: Ministerio de Fomento, 1957), p. 13 (mimeo).

<sup>11</sup>A specific discussion of these taxing schemes can be found in: INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, The Economic Development of Venezuela (Baltimore, Md.: Johns Hopkins Press, 1961), p. 23; C. SHOUP, et al., The Fiscal System of

Venezuela, a Report (Baltimore, Md.: Johns Hopkins Press, 1959); and A. PARRA, The Petroleum Industry and its Fiscal Obligations in Venezuela (Caracas: Ministry of Mines and Hydrocarbons, 1963), mimeo.

12A. PARRA, The Petroleum Industry and its Fiscal Obligations in Venezuela, op. cit., Table D-1.

13C. FURTADO, El Desarrollo Reciente de la Economía Venezolana, op. cit., pp. 13-14.

14J. AHUMADA, Hypothesis for the Diagnosis of a Situation of Social Change: The Case of Venezuela (Caracas: CENDES-UCV, 1963?), p. 12 (mimeo). A similar version in Spanish appeared in América Latina (Abril-Junio, 1964), pp. 3-14.

15 U.S. DEPARTMENT OF AGRICULTURE, Coffee Production, Trade and Consumption by Countries (Washington: Government Printing Office, 1912), Bureau of Statistics Bulletin No. 79.

"The principal takers are the United States and France. These two countries were formerly about equal consumers of Venezuelan coffee but in the later years the United States has been taking more than 50% of the total exports."--p. 30.

The following table from the above publication on the exports of raw coffee from Venezuela, by destination, sheds light on the subject:

<u>Country</u>	<u>1907-08</u> (millions of lbs.)	<u>1908-09</u>
United States	56.3	53.6
France	21.9	29.9
Germany	5.2	5.8
Netherlands	3.1	5.6
Spain	<u>2.3</u>	<u>3.5</u>
Total	92.3	103.4

16J. FABIANI RUIZ, Latifundio (Caracas: Lit. y Tip. Vargas, 1937), claims that in 1929, "536,276 hectares, of the 800,870 that had been mortgaged by that Bank, were unproductive."--p. 170. As a source he cites the Annual Report of the BAP for the year 1929.

This, of course, is indicative of the extremely lax lending procedures employed by the BAP.

17 MINISTERIO DE AGRICULTURA Y CRÍA, "El MAC, Su Historia y Organización," El Agricultor Venezolano (Enero-Febrero, 1956), p. 10.

18A mission of the World Bank--studying the economy of Venezuela in 1960 employed a broad analytical framework of the "subsistence-commercial" type agriculture. Based on this dichotomy classification, the mission presented a development plan for the country's agriculture. See, INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, The Economic Development of Venezuela (Baltimore, Maryland: The Johns Hopkins Press, 1961).

19R. BETANCOURT, op. cit., pp. 236-237.

20A. HIRSCHMAN, Journeys Toward Progress (New York: Twentieth Century Fund, 1963), p. 237.

21C. ERASMUS, "Agrarian Reform: A Comparative Study of Venezuela, Bolivia and Mexico, Part III" (Unpublished research in the files of the Land Tenure Center, University of Wisconsin, Madison, 1964), p. 717.

22p. S. TAYLOR, Venezuela: A Case Study of Relationships Between Community Development and Agrarian Reform (Caracas: Report prepared for the Bureau of Social Affairs, U.N., 1960), mimeographed, p. 6.

23MINISTERIO DE AGRICULTURA Y CRIA, "Educación Vocacional Agrícola," El Agricultor Venezolano (Enero-Febrero, 1956), p. 32.

24MINISTERIO DE AGRICULTURA Y CRIA, Memoria Correspondiente al Lapso 22-10-45 al 31-12-46 (Caracas: 1947), cited in La Colonización Agraria en Venezuela, 1830-1957 (Caracas: MAC-IAN, 1959), p. 37.

25ibid., p. 37.

26A. HIRSCHMAN, op. cit., p. 237.

27R. FERNANDEZ Y FERNANDEZ, op. cit., p. 241.

28BANCO CENTRAL DE VENEZUELA, Memoria y Cuenta Correspondiente al Año 1949 (Caracas: BCV, 1950).

29The cotton project is discussed in detail in: L. UZCATEGUI R., La Campaña Algodonera del Ministerio de Agricultura y Cria (Caracas: Editorial Crisol, 1945), Tercera Conferencia Interamericana de Agricultura, Caracas. The sugar cane project is analyzed in: C. GRAVES and G. MOLINET, Proyecto de la Cana de Azúcar (Caracas: Impresores Unidos, 1945), Tercera Conferencia Interamericana de Agricultura, Caracas.

30VENEZUELA, Ministerio de Agricultura y Cria, Memoria que presenta el Ministerio de Agricultura y Cria al Congreso de los Estados Unidos de Venezuela en sus Sesiones Ordinarias de 1948 (Caracas: Imprenta Nacional, 1948), p. III.

31 MINISTERIO DE AGRICULTURA Y CRÍA, "Los Presupuestos del MAC en 20 Años," in: El Agricultor Venezolano (Enero-Febrero de 1956), pp. 20-21.

32A. MARTINEZ SALAS, et al., Evaluación del Servicio de Extensión de Venezuela (Caracas: MAC, Dirección de Extensión, 1966), pp. 6-7.

33 VENEZUELA, Ministerio de Agricultura y Cría, Memoria for the year 1948, p. VI.

34 Ibid., Memoria for 1946 (Caracas: Editorial Artes Gráficas, 1946), Tomo II, p. VII.

35 DECRETO PRESIDENCIAL No. 319 del 29 de Mayo de 1946, in: Compilación Legislativa de Venezuela Anuario 1946 (Caracas: Edit. Andrés Bello, 1947); pp. 542-556.

36 CORPORACION VENEZOLANA DE FOMENTO, Memoria y Cuenta 1946, op. cit., p. 9.

37 Ibid., pp. 19-20.

38 CONSEJO DE BIENESTAR RURAL, Agricultural Credit in Venezuela (Caracas: CBR, 1954), p. 300 (preliminary report--mimeographed).

39 Exact reference for these legislations is the following:

a) LEY AGRARIA del 10 de Septiembre de 1945. In: Compilación Legislativa de Venezuela, Anuario 1945 (Caracas: Editorial Andrés Bello, 1948), pp. 1140-1162.

b) DECRETO Legislativo sobre Arrendamiento y Desalojo de Predios Rusticos del 6 de Marzo de 1947 and Reglamento del Decreto sobre Arrendamiento y Desalojo de Predios Rusticos del 4 de Junio de 1947. In: Compilación Legislativa de Venezuela, Anuario 1947 (Caracas: Editorial Andrés Bello, 1948), pp. 893-896 and 896-899.

c) LEY AGRARIA del 6 de Octubre de 1948. In: Compilación Legislativa de Venezuela, Anuario 1948-1949 (Caracas: Editorial Andrés Bello, 1951), pp. 505-567.

d) ESTATUTO AGRARIO DECRETO 173. In: Gaceta Oficial de los Estados Unidos de Venezuela, Numero 22958 (30 de Junio de 1949), pp. 166665-166678.

40 Gaceta Oficial, no. 22336 (June 18, 1947), and no. 22423 (October 24, 1947), as Resoluciones 60 and 109.

41 This is in direct contradiction with J. D. POWELL, "The Politics of Agrarian Reform in Venezuela: History, Systems and Process" (unpublished Ph.D. dissertation, University of Wisconsin, Madison, 1966), p. 127.

42 Ibid., p. 91.

<sup>43</sup>J. D. POWELL, "The Politics of Agrarian Reform in Venezuela: History, Systems and Process," op. cit., p. 94.

<sup>44</sup>The figure of Bs. 652.8 million has been calculated as follows: Bs. 361.6 million for MOP irrigation, Bs. 141.8 million "additional credits" for MAC, Bs. 61.3 million for MAC expenditures for the feeder road program, and Bs. 88 million by IAN for construction of Turén, Los Andes, and other minor colonization projects.

<sup>45</sup>D. MARTINEZ-SALAS, et al.: Evaluación del Servicio de Extensión en Venezuela (Caracas: MAC, D. de Extensión, 1966), p. 6 (mimeo).

<sup>46</sup>For an economic analysis of the country's sugar industry, see P. de los R. OLALQUIAGA, J. et al.: Evolución y Perspectiva de la Industria Azucarera Venezolana (Caracas: Distribudora Nacional de Azucares, 1961).

<sup>47</sup>In 1950 only three major organized farm pressure groups existed: the Livestock Association (Asociación Ganadera de Venezuela), the Coffee-growers Association (Asociación Cafetera de Venezuela) and the Agricultural Chamber (Cámara Agrícola de Venezuela).

<sup>48</sup>L. T. SONLEY, La Política Agro-Industrial (Caracas: Ministerio de Fomento, D. de Planificación, 1959; mimeo).

<sup>49</sup>C. ANDERSON, Politics and Economic Change in Latin America (Princeton, N.J.: D. van Nostrand Co., 1967), pp. 286-287.

<sup>50</sup>F. LEVY, Economic Planning in Venezuela (New York: Frederick A. Praeger, 1963), and J. FRIEDMANN, Venezuela, From Doctrine to Dialogue (Syracuse, N.Y.: Syracuse University Press, 1965).

<sup>51</sup>For 1964, the employed population by major activities was the following:

<u>Sector</u>	<u>000 of persons</u>	<u>Percent</u>
Agriculture	793	32.3
Petroleum & Mines	44	1.8
Mfg. & Industry	531	21.6
Services	1088	44.3
Total Employed	2456	100.0
Unemployed	309	11.2% of total active population

Source: CORDIPLAN: Plan de la Nación (Caracas, 1965).

52 CONSEJO DE BIENESTAR RURAL: Estado Actual y Posibilidades del Desarrollo Agrícola en Venezuela (Caracas: CBR, 1967; mimeo), pp. 12-15.

53 Calculated from Annual Reports of the Banco Central de Venezuela.

54 CONSEJO DE BIENESTAR RURAL, op. cit., pp. 23-24.

55A. CALATRABA, Evaluación de la Eficiencia Agrícola (Caracas: Publicaciones del MAC, 1960).

56 MINISTERIO DE AGRICULTURA Y CRIA, Anuario Estadístico Agropecuario, 1968 (Caracas: MAC, 1969), p. 85.

57 CONSEJO DE BIENESTAR RURAL, Estado Actual y Posibilidades del Desarrollo Agrícola en Venezuela, op. cit., p. 85.

58R. GROVES, "Administrative Reform in Venezuela" (unpublished Ph.D. dissertation, University of Wisconsin, 1965).

59c. ANDERSON, op. cit., p. 31.

60 MINISTERIO DE AGRICULTURA Y CRIA, Juntas Nacionales de la Producción, Informe Anual de 1962 (Caracas: Junio, 1962).

61 F. LEVY, op. cit., p. 52.

62 ibid., p. 53.

63 ibid., p. 100.

64 ibid., p. 120.

65 The number and type of agricultural science graduates in Venezuela can be found in: CONSEJO DE BIENESTAR RURAL, op. cit., pp. 114-122. Also, the number of these technicians employed by the various agencies is indicated in it.

66 Decreto Presidencial No. 371, del 26 de Septiembre de 1958.

67 JOHN D. POWELL, op. cit., p. 243.

68 ibid., p. 244.

69O. FALS BORDA, "The Social Function of Property," in Agrarian Reform in Latin America, edited by T. Lynn Smith (New York: Alfred A. Knopf, 1965). See also W. J. BAYER, "Expropriation and the Venezuelan Law of Agrarian Reform," The Columbia Journal of Transnational Law (Fall, 1967), pp. 273-276, and R. V. CASANOVA, Los Temas de la Reforma Agraria (Merida: Universidad de los Andes, 1963), pp. 24-27.

70 R. PENN and J. SCHUSTER, "La Reforma Agraria de Venezuela," Revista Interamericana de Ciencias Sociales, Vol. 2, No. 1 (1963), pp. 29-39.

71 MINISTERIO DE AGRICULTURA Y CRIA, Reforma Agraria (Caracas: Editorial Arte, 1959). (Contains two volumes of the legal sub-commission, three volumes of the economic subcommission and one volume each of the social and agro-technical subcommissions.) See economic subcommission report, pp. 132-133 and 343.

72 INSTITUTO AGRARIO NACIONAL, Annual Report for 1960 (Informe 1960). The figure of 228,000 families was calculated by projecting the 1950 census tenancy and farm size figure to 1960. Farm workers were excluded.

73 G. PINTO COHEN, Sujetos, Solicitantes y Beneficiarios de la Reforma Agraria Venezolana (Caracas: CENDES-CIDA Trabajo No. 15, 1969), p. 3 (mimeo). The figures are presented by region.

74 IAN, Annual report for 1960, introduction, no page.

75 L. RATINOFF and P. RIOS: El Proceso de Adquisición de Tierras (Caracas: CENDES/CIDA, Trabajo No. 8, 1969), p. 83 (mimeo).

76 Ibid., p. 84.

77 IAN, La Reforma Agraria en las Entidades Federales 1959-1963 (Caracas: IAN, 1964), pp. 2 and 90.

78 IAN, Annual Report for 1964, pp. 2-3.

79 IAN, Annual Report for 1967, pp. 45-91.

80 IAN, Annual Report for 1967, p. 67.

81 L. RATINOFF and P. RIOS, op. cit., p. 38.

82 For a detailed discussion on the pre-1965 agrarian reform data available, see: J. F. SCHUSTER, Información Disponible Sobre la Reforma Agraria Venezolana (Caracas, 1965; typed manuscript in the files of the Land Tenure Center Library, Madison, Wis.).

83 L. RATINOFF and P. RIOS, op. cit., p. 43.

84 Ibid., p. 48.

85 G. PINTO COHEN, op. cit., p. 34.

86 Ibid., p. 27.

<sup>87</sup>J. F. SCHUSTER, La Estructura Económica en Seis Asentamientos Campesinos, con referencia al proceso de transición hacia la agricultura comercial (typed manuscript in the files of the Land Tenure Center Library, Madison, Wis., 1965), p. 67.

<sup>88</sup>R. ALEZONES, El Compartamiento Económico de los Beneficiarios de la Reforma Agraria Venezolana (Caracas, CENDES/CIDA Study (Trabajo 151), 1959), pp. 21 and 32.

<sup>89</sup>J. F. SCHUSTER, op. cit.

<sup>90</sup>In Aragua State, where many of the reform plots are below five hectares, but conditions are favorable for truck farming, the leasing of plots to more progressive farmers within the asentamiento is very common. A similar situation was observed in Portuguesa where reform beneficiaries with tractors rent land two to three times the size of their own plot in order to be able to utilize their machinery more intensively. The Law prohibits this type of transaction.

<sup>91</sup>CONSEJO DE BIENESTAR RURAL, Long Term Forecasts of the Supply and Demand of Agricultural and Livestock Products in Venezuela (Caracas: CBR, 1965; mimeo), based on official projections of the Statistics Department, Ministerio de Fomento.