

POLI 437: International Relations of Latin America

^T Note. These Rivers are
both of them Navigable, and all
the Cannon and Stores for Acapulco
are Carried from the North to the
South Sea by them.



THIS WEEK

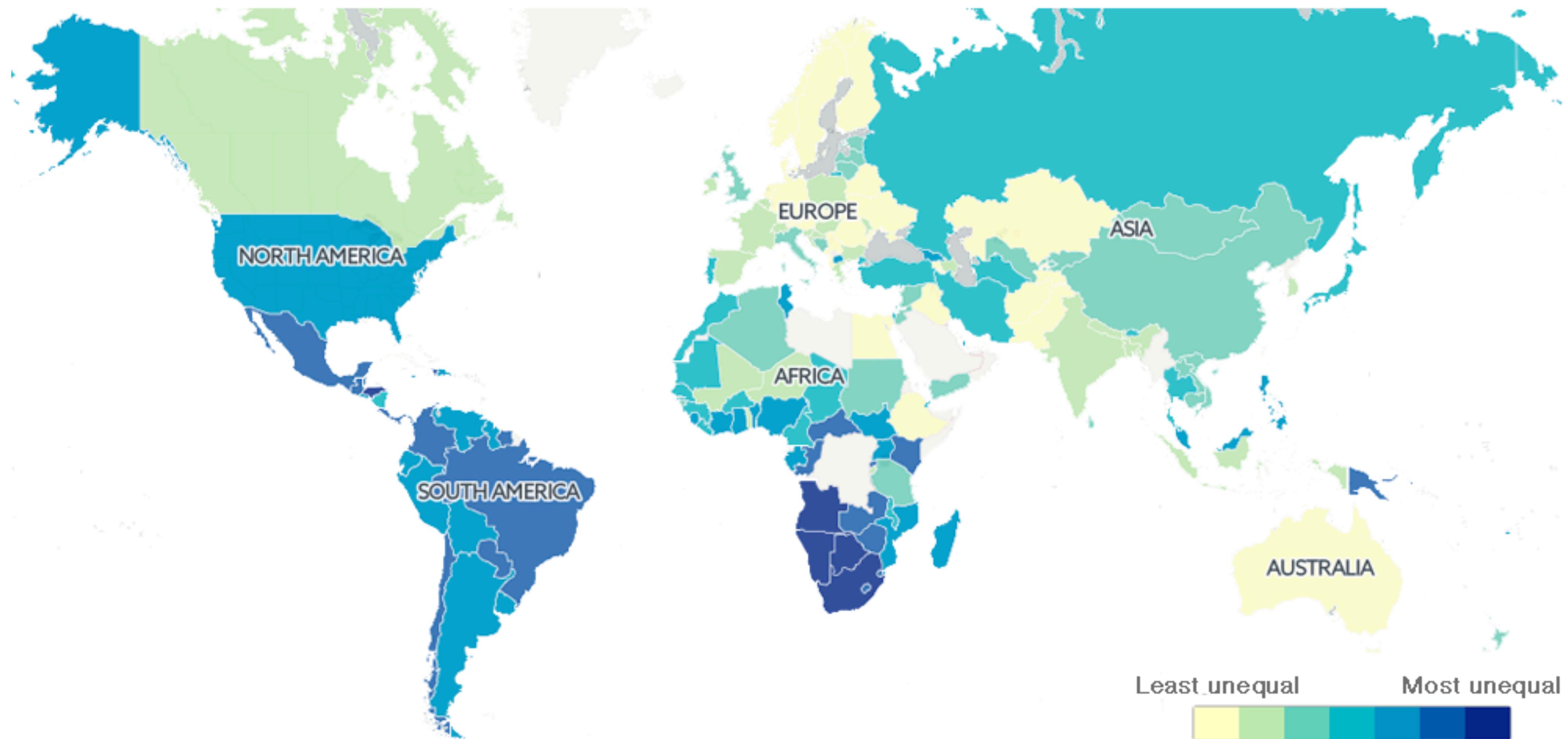
Inequality & conflict

Peru's Revolution from Above

Poverty in LA

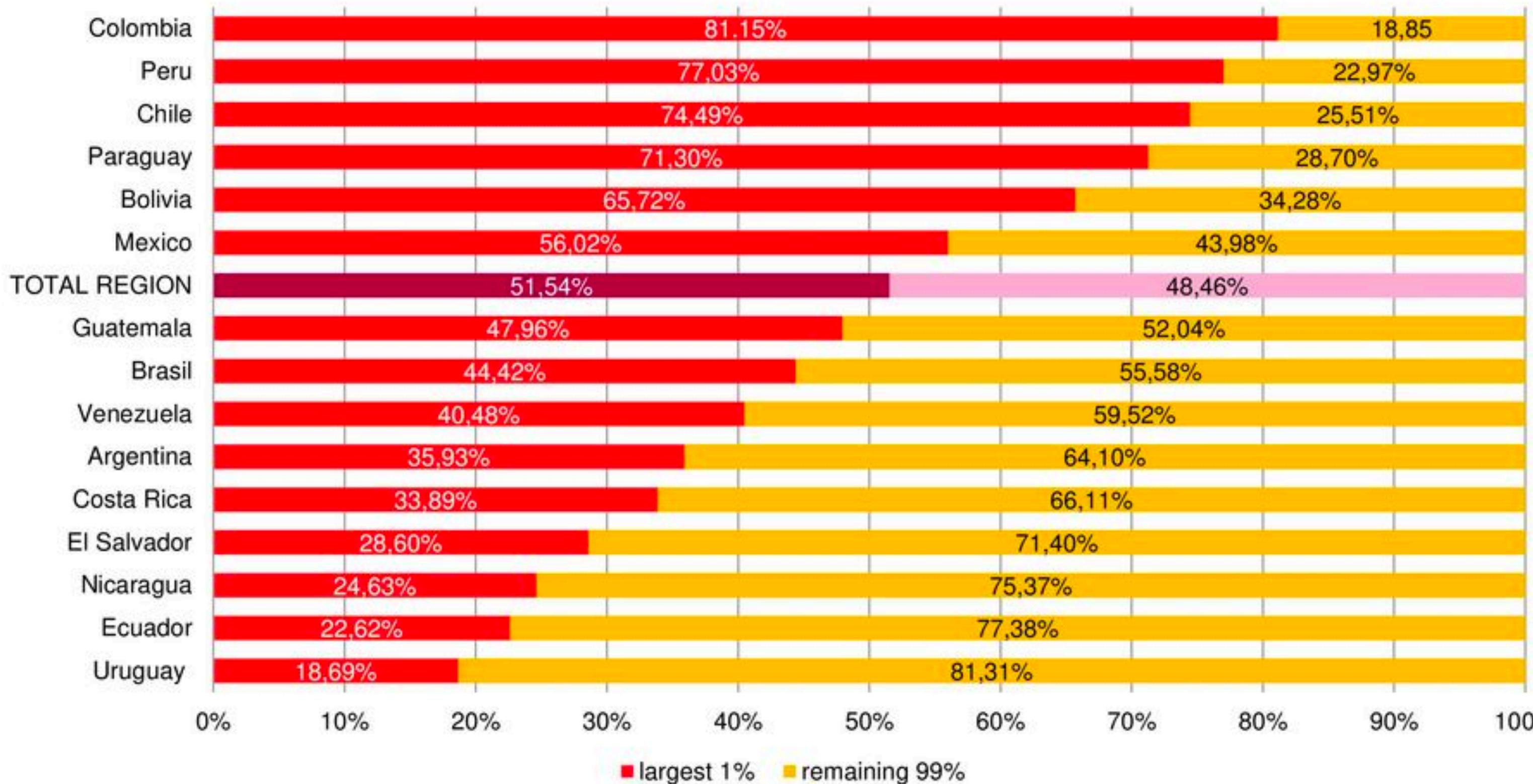
The most unequal regions in the world

GINI index measure of inequality



Source: GINI Index (World Bank estimate)

% OF LAND HELD BY LARGEST 1% OF FARMS IN LATIN AMERICA



WHY DOES INEQUALITY MATTER?

Normatively bad/unfair

Links to violence and
unrest

Tensions with
democratic rule

In the 20th century there
were **armed insurgencies**
all over Latin America

Shining Path in Peru

Tupamaros in Uruguay

Monotoneros in Argentina

ELN, FARC in Colombia



Most of these were **rural**
insurgencies

Some brief (Montoneros ~
5 years or so)

Some very long (FARC ~ 60
years)

Huge costs in terms of
human life and economic
destruction



CLASS ACTIVITY

Why wage war?

Revolutionary Armed Forces
of Colombia (FARC)

The **Zapatista** Army of
National Liberation (Chiapas,
Mexico)

Vertical inequality

Rich vs. poor, peasant vs.
landlord

Conflicts in Latin America

FARC in Colombia

Horizontal inequality

Group vs. group,
discrimination/domination

Conflicts in Africa,
Middle East

Zapatistas in Mexico

Strong association between certain kinds of **inequality** and armed conflict

Inequality produces **grievances**

Armed conflict as **struggle over resources**

Rural inequality = highly unequal ownership of land
(key to production)



Latifundios: large farms, 500+ hectares

Minifundios: small farms, one family

In rural areas, economic relations are sometimes semi-feudal

He was a man who didn't feed us well; he gives [*sic*] us food that one would give to a dog in four [cattle] hides and only one tiny blanket for all six [*semanero* workers to share] on the cement floor in Huanta. . . . He'd only give us two [ears] of corn per person, and he'd give us very few things to cook ourselves. . . . And after working in the fields [all week] we'd return all the way from Huanta fatigued, having not eaten well [or] slept well; just totally fatigued we'd return.⁸⁷

Deep into 20th century, many LA countries still had forced/indentured labor, sharecropping

Landholders have paternalistic relations with peasants

We lived on the property, unlike so many others. The social relations were intimate, we were appreciated. I helped with birth control projects, through the Demographic Association. The Cotton Producers Association lent us two cars to travel around to give talks. Children were dying from pure ignorance; women were dying in labor. It was hard work. I brought some women here for the operation – sterilization. There are other methods but the truth is that they were so ignorant that you had to sterilize them. It was a nice project. With my friends from the other haciendas, I traveled around. We had equipment, nurses; we took down names, physical data.
(Interview, San Salvador, 1992)

Sentiment that rural elite have monopoly on land, live like royalty

This is what I think: what was the war for? For the solution to the land problem. We feel something already, and we're sure that we will be free – that is a point of the war that we have won. Higher incomes? Who knows? But that we not be seen as slaves, that we've won.

Member, Land Defense Committee, Las Marias, 1992¹

Indignity, anger, fuels violence

Not just “resentment” of elites but
also sense that land inequality
contributes to poverty

Puzzling: Econ theory predicts large
landholding is most **efficient** way to
do agriculture

Fixed capital best utilized in large
farms (e.g., tractor)

Why then are **latifundios** inefficient?

Rural elites don't buy land to produce as much agricultural output as possible

Land as a **luxury good**

Land as **investment/speculation**

Land as **tax haven/money laundering**



DISPATCH

From Cocaine Cowboys to Narco-Ranchers

As the drug trade takes over Central America, drug barons have found an increasingly reliable option for laundering their cash: cows.

BY SAUL ELBEIN | JULY 8, 2016, 12:31 PM



Colombia Drug Lords Buy Land, Gain Acceptance

By Alan Riding, Special To the New York Times

Dec. 21, 1988



The New York Times Archives

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Multitudes with no land + large,
empty farms = **land invasions**



Lots of early violence related to land conflicts, land invasions

Armed groups would offer protection, encourage land invasions

Even today, peasants build homes, subsistence farm, try to appeal to state for squatter rights



Today, most of LA has a “piecemeal” approach to land issues

Access to land is still very low for the poor, and land invasions continue

Reforms: “socially unproductive” land open for expropriation

Appeases landless, pressures elites to use land productively



Note: Municipalities that experienced at least one occupation between 1988 and 2004 are shaded black. Nonshaded municipalities did not experience land invasions.

MST tries to identify weakly guarded/easily invaded land

Secretly plan, coordinate resources large group to invade

Landowners will try to repel invasion with police/private militias

If successful, peasants may win control of land



~1.5 million members
“Occupy, Resist, and Produce”

LAND INVASIONS IN BRAZIL



This outcome is...not great

Invasions can become violent

Discourages investment,
encourages “gaming” system

Your country is highly dependent on agriculture, large farms are **inefficient**, and cause all this **unrest**...

Why not break up farms, pay off elites, and distribute into more efficient medium-sized farms?

Close ties between **rural elites** and **military**

Military historically sides with elites in labor struggles

In some cases resulting in massacres, e.g., Colombia's infamous "banana massacre"

The Honorable
The Secretary of State,
Washington.

Sir:

With reference to my previous reports concerning the Santa Marta strike, and with especial reference in that connection to my Despatch No. 55 of December 29, I have the honor to report that the Bogotá representative of the United Fruit Company told me yesterday that the total number of strikers killed by the Colombian military exceeded one thousand.

I have the honor to be, Sir,

Your obedient servant,

Jefferson Caffery
Jefferson Caffery.

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Military tend to support elite
against demands “from below”

Especially true in highly unequal
countries, where elites have lots to
lose

This is the situation Peru is in during 1960s

Lots of rural unrest, demand for reform, organized land invasions

Emergence of rural insurgencies



But something strange happens

1968, General Velasco and others
coup and rule Peru till 1980

Break up and redistribute 45% of
land, abolition of serf-like
arrangements, nationalize industries

Aim to “break the back” of Peruvian
rural elites



This is surprising: autocratic leaders often protect/depend on elites (Boix, 2003)

Why did the military turn on the elites?

EXPLAINING PATTERNS OF REDISTRIBUTION UNDER AUTOCRACY

The Case of Peru's Revolution from Above

Michael Albertus
University of Chicago

Abstract: Who benefits and who loses during redistribution under dictatorship? This article argues that expropriating powerful preexisting economic elites can serve to demonstrate a dictator or junta's loyalty to their launching organization while destroying elite rivals out of government that could potentially threaten the dictator's survival. Expropriation also provides resources for buying the support of key nonelite groups that could otherwise organize destabilizing resistance. An analysis of the universe of fifteen thousand land expropriations under military rule in Peru from 1968 to 1980 demonstrates the plausibility of this argument as a case of redistributive military rule that destroyed traditional elites and empowered the military. Land was redistributed to "middle-class" rural laborers who had the greatest capacity to organize antiregime resistance if they were excluded from the reform. This finding directly challenges a core assumption of social conflict theory: that nondemocratic leaders will act as faithful agents of economic elites. A discussion of other modernizing militaries and data on large-scale expropriations of land, natural resources, and banks across Latin America from 1935 to 2008 suggests that the theory generalizes beyond Peru.

Motives for betrayal

Ideology (leftist/revolutionary ideology in military, ties to USSR)

“Father of the poor” strategy (court the poor, easy to please)

Gain trust of military by expropriating elites

Who is the “launching organization”
for Velasco?

The military, who fear betrayal from
Velasco

Velasco risks coup from military, or
from popular insurrections

In general, autocrats need support of
powerful groups to survive

Why would expropriating powerful elites help Velasco survive?

Weaken a potential rival

By eliminating elites, Velasco more dependent on military, **costly signal** that he will rely on them to survive

Use resources to **buy off** segments of poor most likely to challenge him if left out

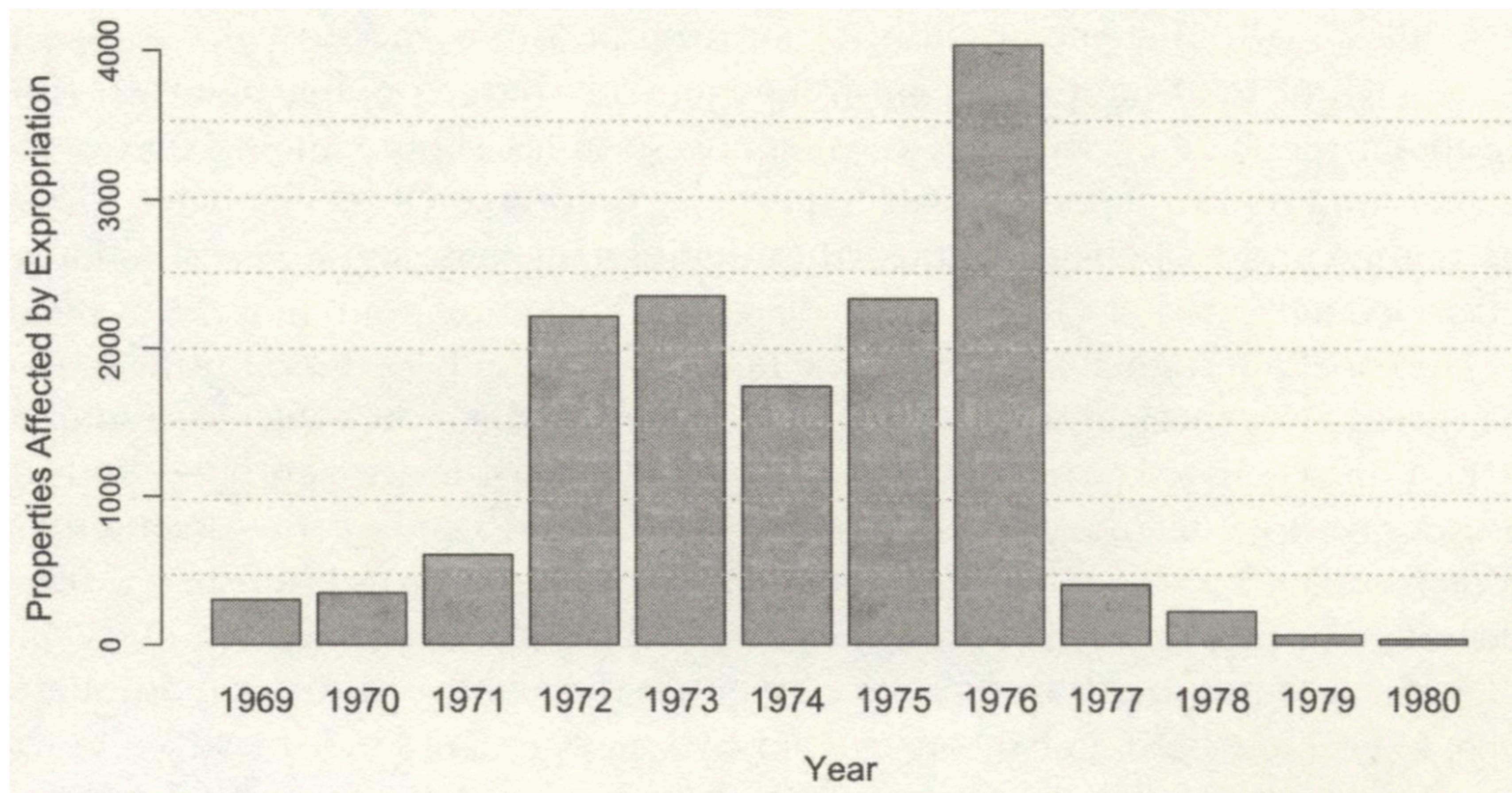


Figure 2 Number of properties affected by expropriation in Peru by year, 1969–1980

COLD-BLOODED

to be expropriated. Compensation was based on the property value previously declared by the landowner for tax purposes, often well below market value, and reimbursement was primarily paid in long-term government bonds that became next to worthless against very high inflation at the end of the 1970s.³ Only in early 2014 did the government take the first definitive steps toward compensating remaining bondholders in response to a 2013 Constitutional Court ruling, which set compensation at a small fraction of the originally low valuations.

But how do we know the military's motives in expropriating?

Ideology (leftist/revolutionary ideology in military, ties to USSR)

“Father of the poor” strategy (court the poor, easy to please)

Gain trust of military by expropriating elites

~~Velasco anti-communist, variety of beliefs, rural poor got less redistribution~~

~~Rural poor got less redistribution~~

Expropriated largest landholders, gave to middle-poor

Table 4 Cases of large-scale expropriation under autocracy in Latin America, 1935–2008

Country	Leader	Year took power	Type of large-scale expropriation	Length of tenure in years
Bolivia	Toro	1936	R	1
	Paz Estenssoro	1952	R	4
	Siles Zuazo	1956	L	4
	Paz Estenssoro	1960	L	4
	Ovando Candía	1969	L,R	1
	Torres	1970	L,R	0
	Banzer	1971	L	7
	García Meza Tejada	1980	L	1
	Torrelio Villa	1981	L	0
	Vargas	1930	B	15
Brazil	Medici	1969	L	5
	Geisel	1974	L	5
	Pinochet ^a	1973	L	17
Chile	Castro	1959	L,R,B	49
Cuba	Balaguer	1961	L	0
Dominican Republic	Velasco Ibarra	1968	R	4
Ecuador	Rodríguez Lara	1972	R	4
	Poveda Burbano	1976	R	3
El Salvador	Duarte	1980	L,B	2
Guatemala	Ubico	1931	L	13
Mexico	Castillo Armas ^a	1954	L	3
	Cárdenas	1934	L,R	6
	Ávila Camacho	1940	L	6
	López Mateos	1958	L	6
	Díaz Ordaz	1964	L,R	6
	Echeverría	1970	L	6
	López Portillo	1976	B	6
Nicaragua	Ortega	1979	L,B	11
Panama	Torrijos	1968	L	13
Peru	Velasco	1968	L,R,B	7
	Morales Bermúdez	1975	L	5

Lots of other (military) dictators in LA expropriated elites, and tended to live longer as a result

RESULT

Unlikely source of reform:

“Power-hungry” military
maneuvering to stay in
power

Elites *can be* vulnerable to
expropriation from dictators

This experience shows why elites in
highly unequal countries might
support democratization

Elites have good reason to fear
democratic rule

If policy reflects will of the majority
and the majority are poor...

why don't poor vote to take away
elites' stuff?

This is part of why we think elites sometimes allow or encourage
democratic transitions

Better moderate, consistent, gameable redistribution under liberal democracy

Than a (unpredictable) dictator taking everything

The face of poverty in LA

We often think about poverty as **binary**

People are either poor or not poor

This influences how we think about and design
poverty-alleviation policy

EITC: “the single most effective program targeted at reducing poverty for working-age households.”

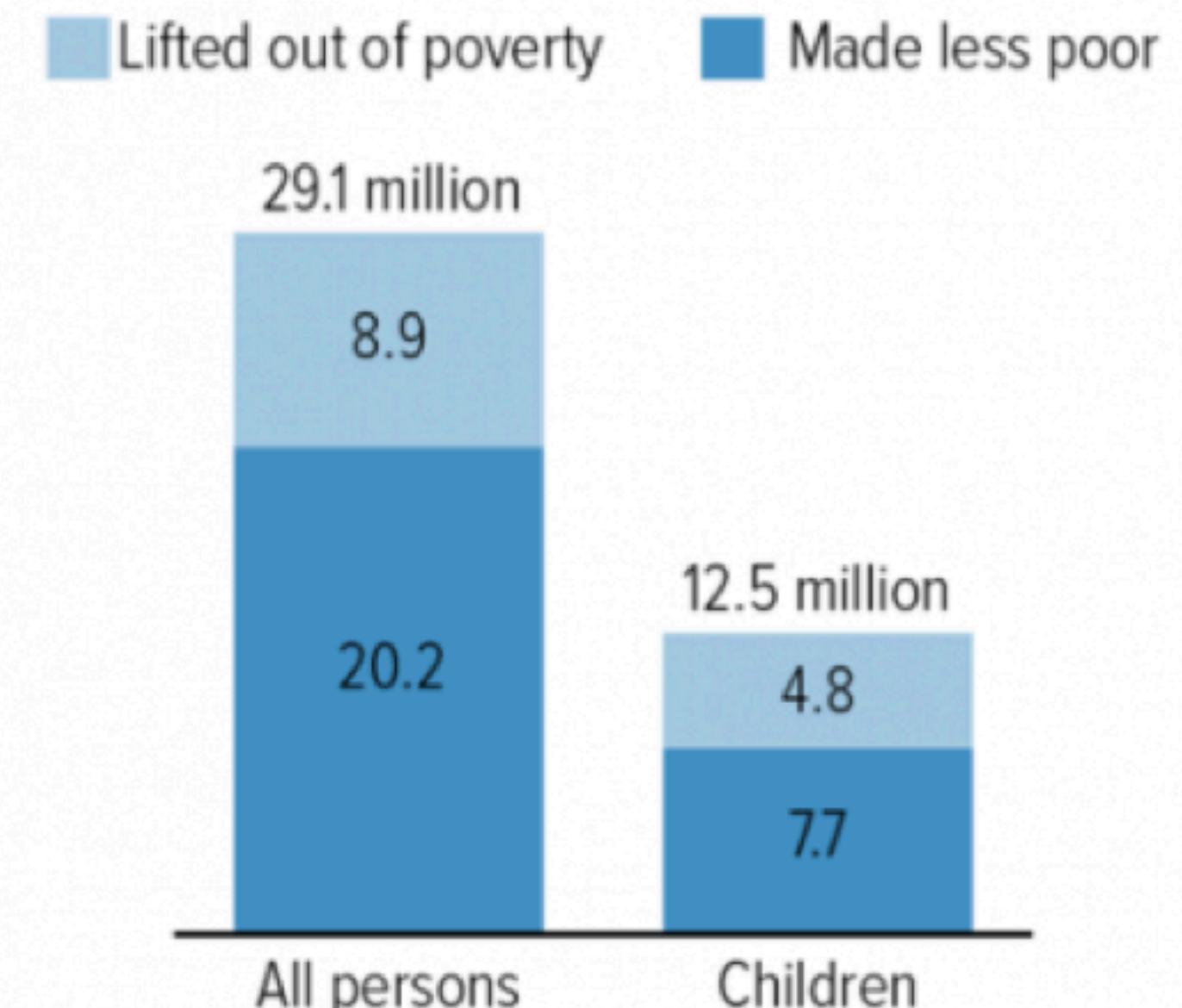
But measure of effectiveness based on
(arbitrary) poverty threshold (~24k/family)

Family goes from 18k to 40k counts same
as 23k to 24k

In some ways, binary thinking can **distort**
policy toward narrow goals

Earned Income Tax Credit and Child Tax Credit Have Powerful Anti-Poverty Impact

Millions of persons lifted out of poverty or made less poor (using Supplemental Poverty Measure) by EITC and CTC, 2017



Note: Unlike the Census Bureau's official poverty measure, the SPM counts the effect of government benefit programs and tax credits.

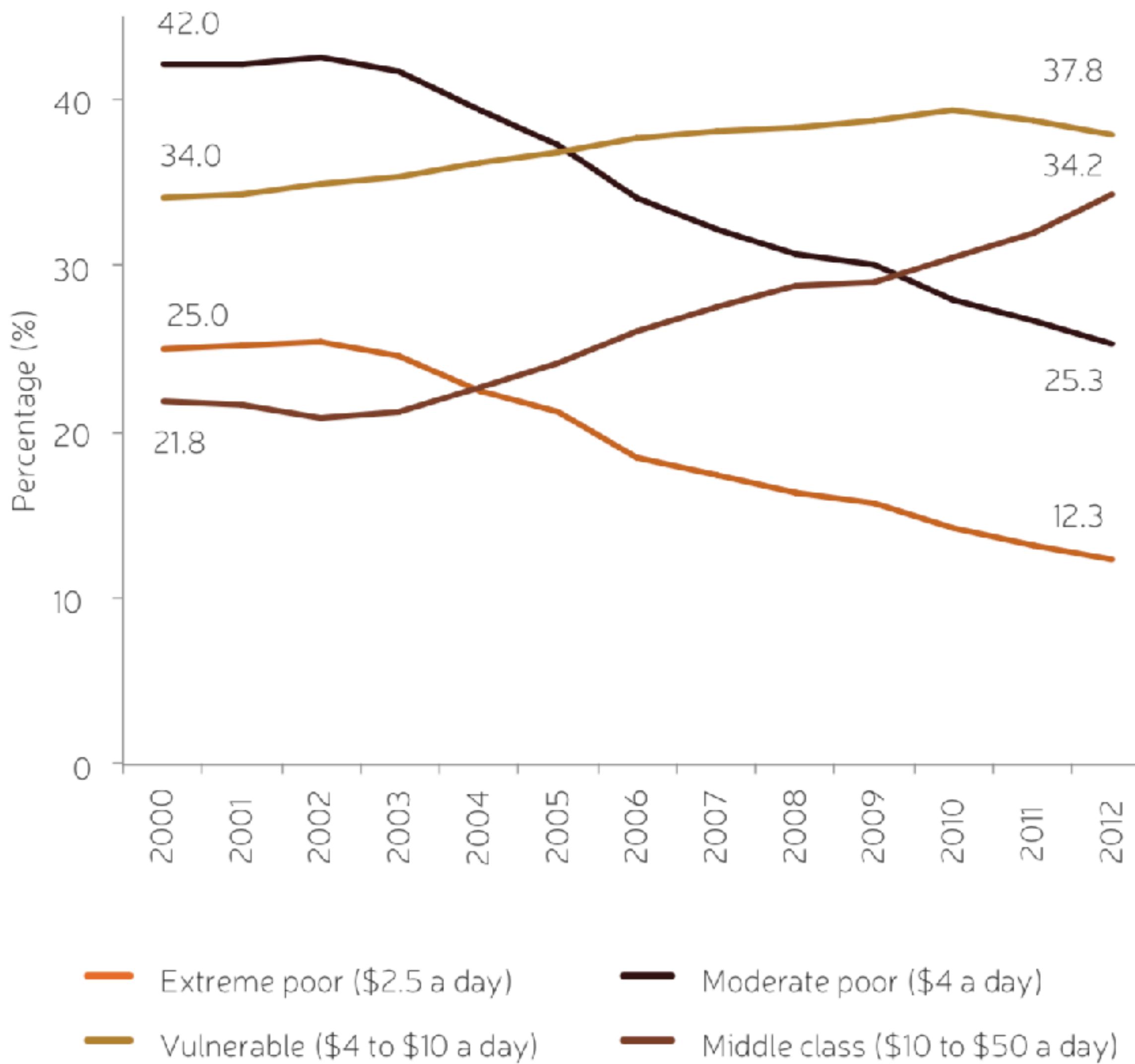
Source: CBPP analysis of Census Bureau March 2018 Current Population Survey and 2017 SPM public use file.

The truth is poverty has a lot of **gradation**
and is also **dynamic**

Poverty looks very different across and
within countries

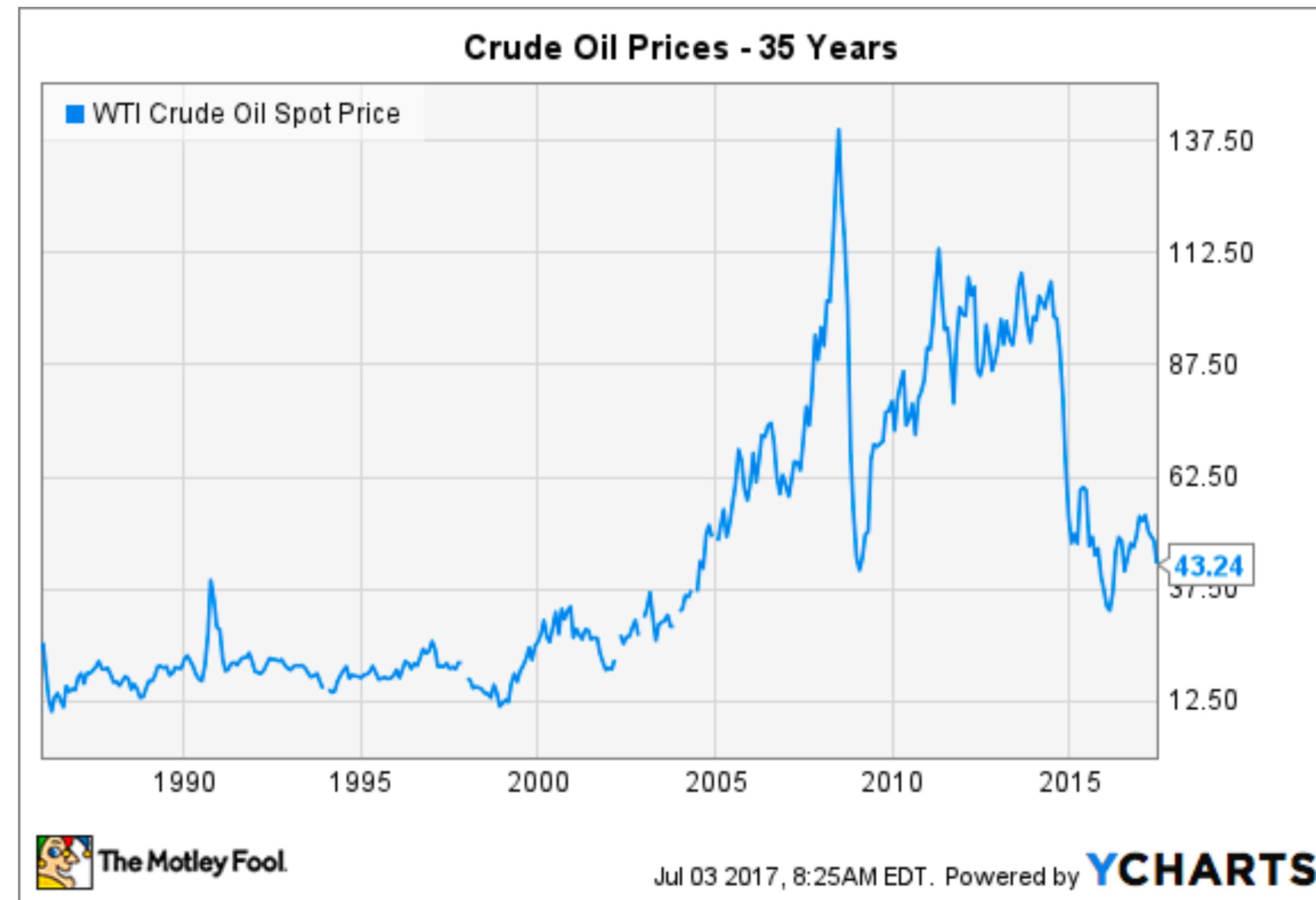
Many people move in and out of poverty
multiple times in their lives

Figure 1: Poverty, vulnerability, and the middle class in LAC (2000-2012)



LA made lots of improvements in 21st century

Combination of rising commodity prices



And big social programs

Table 1 Income distribution in Latin American countries (2000–2013). Source: authors' calculations based on household survey data from IDB's *Sociometro*

	Incidence (%) in 2013 (a)					Variation (pp): 2013–2000 (b)				
	Extreme poor	Moderate poor	Vulnerable	Middle class	High income	Extreme poor	Moderate poor	Vulnerable	Middle class	High income
ARG	4.0	6.9	34.4	52.5	2.2	-10.9	-8.5	-2.1	21.3	0.2
BOL	19.7	12.8	38.5	28.4	0.6	-23.0	-5.1	12.7	15.8	-0.4
BRA	10.4	10.8	38.4	36.9	3.6	-16.8	-6.1	6.0	15.6	1.3
CHL	3.7	6.6	37.7	45.7	6.3	-6.5	-6.4	-0.9	12.2	1.7
COL	18.6	15.4	36.7	27.2	2.2	-21.5	-4.1	10.0	14.5	1.2
CRI	8.5	10.6	37.7	39.2	4.0	-6.7	-4.3	-2.8	11.0	2.8
DOM	22.7	20.7	38.7	17.2	0.8	-1.3	2.9	3.8	-4.8	-0.6
ECU	13.4	16.4	42.0	26.8	1.4	-27.3	-4.4	14.5	16.7	0.5
GTM	47.7	19.6	25.2	7.3	0.2	0.4	5.5	2.5	-7.0	-1.4
HND	49.5	17.0	24.9	8.5	0.2	2.1	1.5	-0.1	-3.2	-0.3
MEX	19.9	17.6	37.8	23.0	1.7	-3.0	-0.3	0.6	2.5	0.2
NIC	33.0	24.1	33.3	9.3	0.3	-14.3	6.9	9.6	-0.8	-1.3
PAN	15.6	11.1	36.1	34.7	2.6	-8.1	-3.7	2.1	9.4	0.4
PER	19.3	13.7	40.5	25.7	0.8	-15.5	-4.4	6.1	13.4	0.4
PRY	15.9	14.0	38.5	30.1	1.5	-14.7	-0.7	5.2	10.3	-0.2
SLV	21.6	21.2	41.4	15.4	0.3	-8.5	3.1	7.5	-1.9	-0.2
URY	3.9	6.4	32.3	54.5	2.9	-0.9	-2.7	-5.1	8.7	0.0
VEN	10.7	13.8	45.9	29.1	0.6	-20.7	-7.7	9.7	18.3	0.4
Region	15.9	13.7	37.6	30.5	2.3	-12.9	-3.7	5.2	10.9	0.6

The **chronically** poor in LA are:

Largely rural

Self-employed

Less education

Larger households

Moderate poor, vulnerable, and
middle class:

Urban

Slightly more
formal work

More education

But many who are not poor
experience poverty in their lives

1 in 7 middle-class people experience
poverty **at least once** (2003 - 2013)

What would you guess are key factors pushing
people into poverty?

Health emergencies push people into poverty all over the world

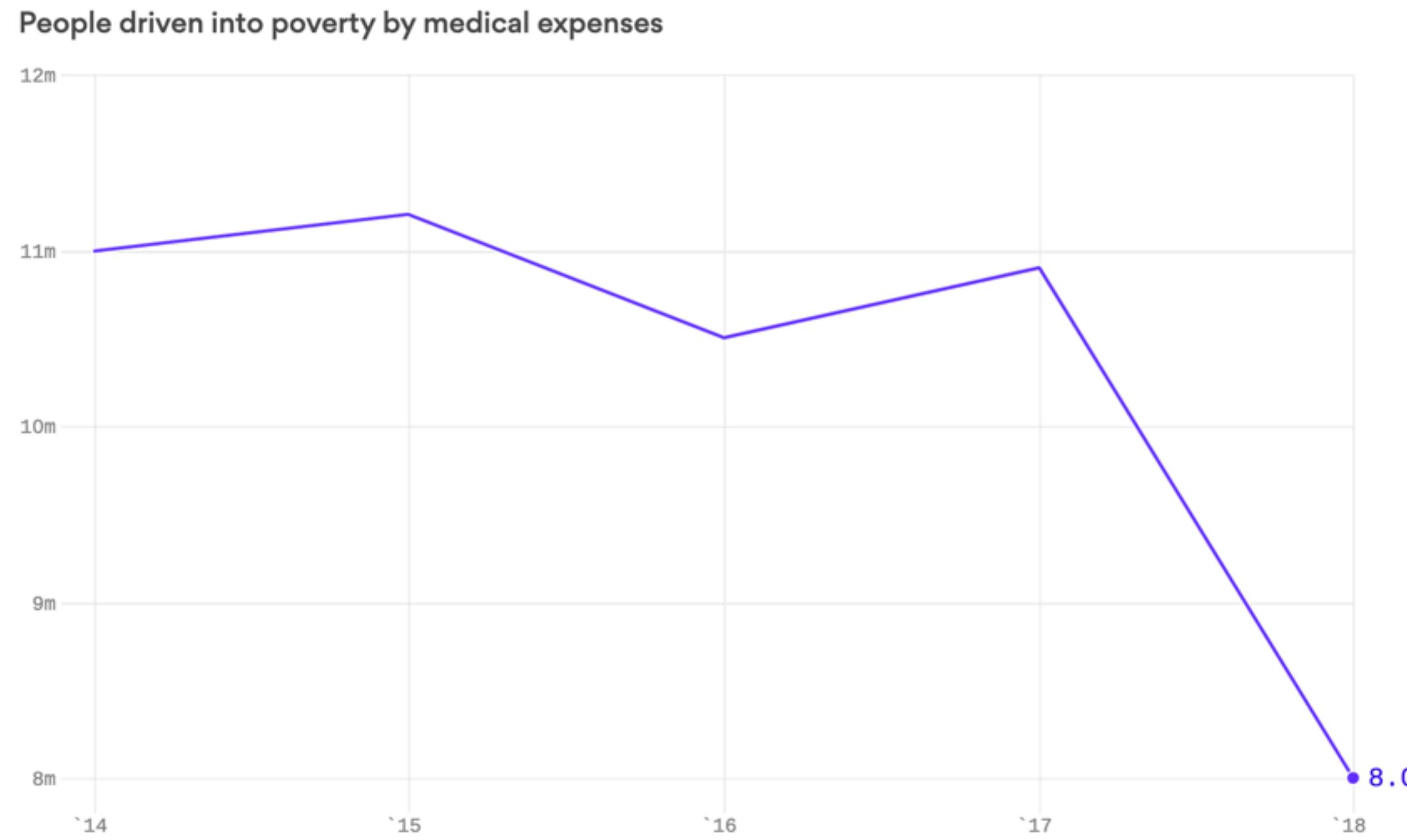
My father fell ill about 18 years ago. We must have spent close to 25,000 rupees on his treatment, but to no avail. When my father died, we performed the customary death feast, spending another 10,000 rupees. We sold our cattle, and we also had to take out some loans. We worked harder in order to repay these debts. Then, about ten years ago, my wife fell seriously ill, and she has still not recovered. We borrowed more money to pay for her medical treatments. More than 20,000 rupees were spent for this purpose. It became hard to keep up with our debts. Somehow we could make do for another two or three years. Then the rains failed for three years in a row, and that was the end of the road for us. We sold our land. Now, my sons and I work as casual labor, earning whatever we can from one day to the next.

Direct = costs of care

Indirect = loss of working family member

No insurance, low/no savings

Medical costs are driving millions of people into poverty



where *job losses* were the most frequently cited reason for descent. A total of 66 percent of all households falling into poverty in North Carolina either lost a job or suffered a reduction in working hours. Importantly, each of these households also mentioned at least one health-related problem, such as an illness, an accident, high medical expenses, or disability. Beyond the impact on income, job loss very often implied the loss of health insurance benefits, which in turn increased the vulnerability of the household concerned. A combination of job loss, insurance loss, and serious illnesses was associated with the majority of descents into poverty in North Carolina.

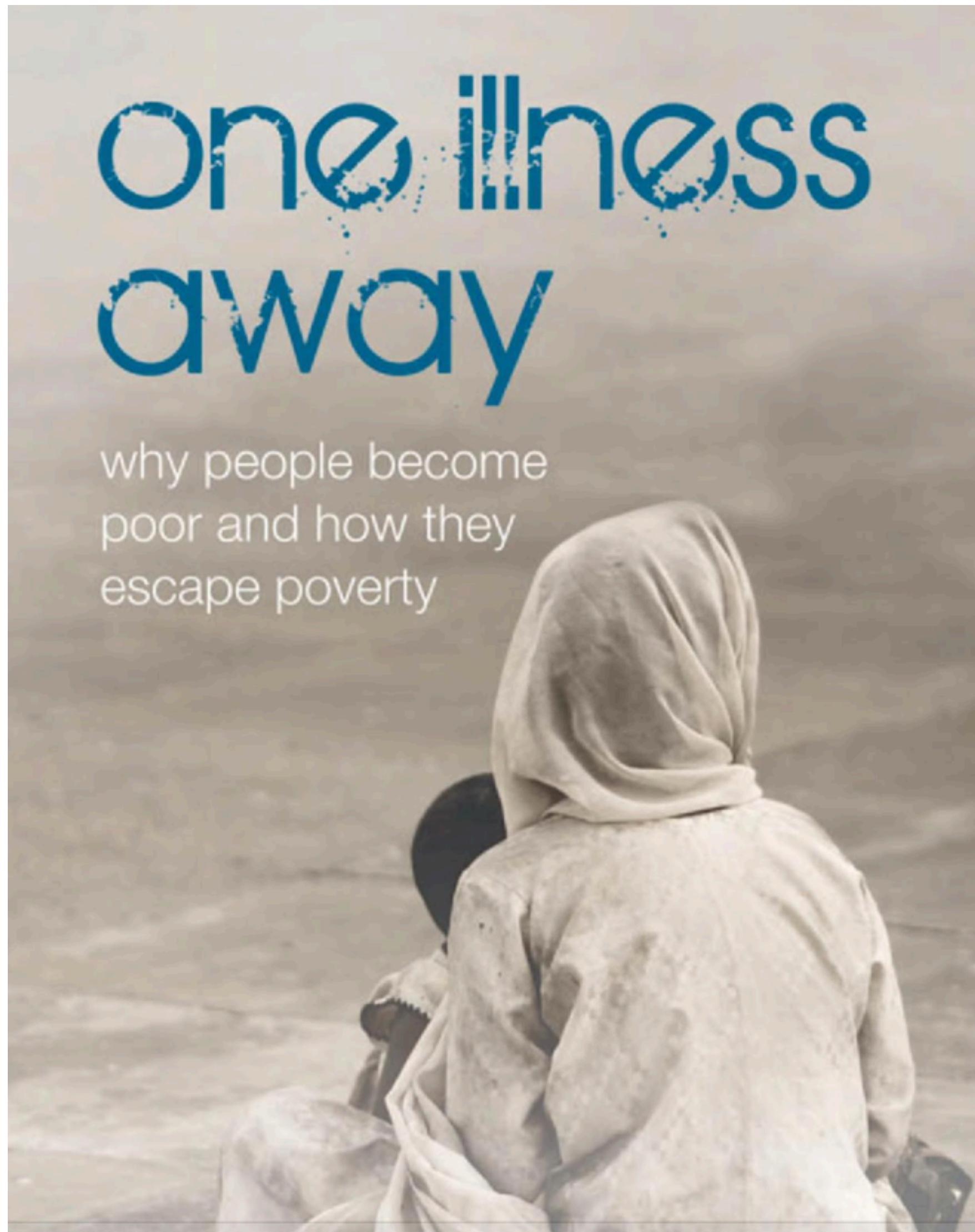
Poverty = Frequent downward “tugs” +
Restricted upward mobility

Downward tugs

Illness, death

Customary practices

Crop failure, enviro.
disasters



In rural areas, practices like expensive funerals or **land divisions** following death can exacerbate negative events

My father died and I had to drop out of school because we had no money to pay for school fees. My father's land was divided. My brothers and I received our shares. The piece of land that I inherited is too small for me to make a living by raising crops or animals. Furthermore, coffee has been affected by the wilt, and that has additionally reduced my income. Now my family depends on casual labor and on hiring land from other people upon which we can grow something.

Keep in mind we all do stuff like this



Natural disasters hit areas with weak infrastructure worse

Too poor/risky for traditional insurance/credit

Poor devise clever ways of guarding against these kinds of unexpected negative events

Peasants collectives = everyone pitches in, makes small loans

When I was a child, my father and my mother were shepherds who worked for one landowner. We never had any land of our own. My brothers and I could only go to primary school and no further. We also grew up working as shepherds. I got married, and my wife was also a shepherd. Six years ago, the community awarded me with a piece of land and some cattle. Little by little, I have bought more cattle, and now I sell milk to the community cheese plant. One's own land always helps to be better off, we can have more livestock, and we can live more peacefully. The community also helps when someone is sick or in need. It is through their support that I am better off today.

Big emphasis on diversifying income sources

Twenty-five years ago, I always had livestock: cattle and small animals. I also harvested crops, but for me, livestock is the one thing that helped most. Livestock, especially cattle, helps. When we need something in the family, we can sell an animal. It also helps for my business of cheese. Raising more animals, we are better off. The problem is that there is not more pasture, and we need more irrigation infrastructure.

What are the biggest impediments to upward mobility?

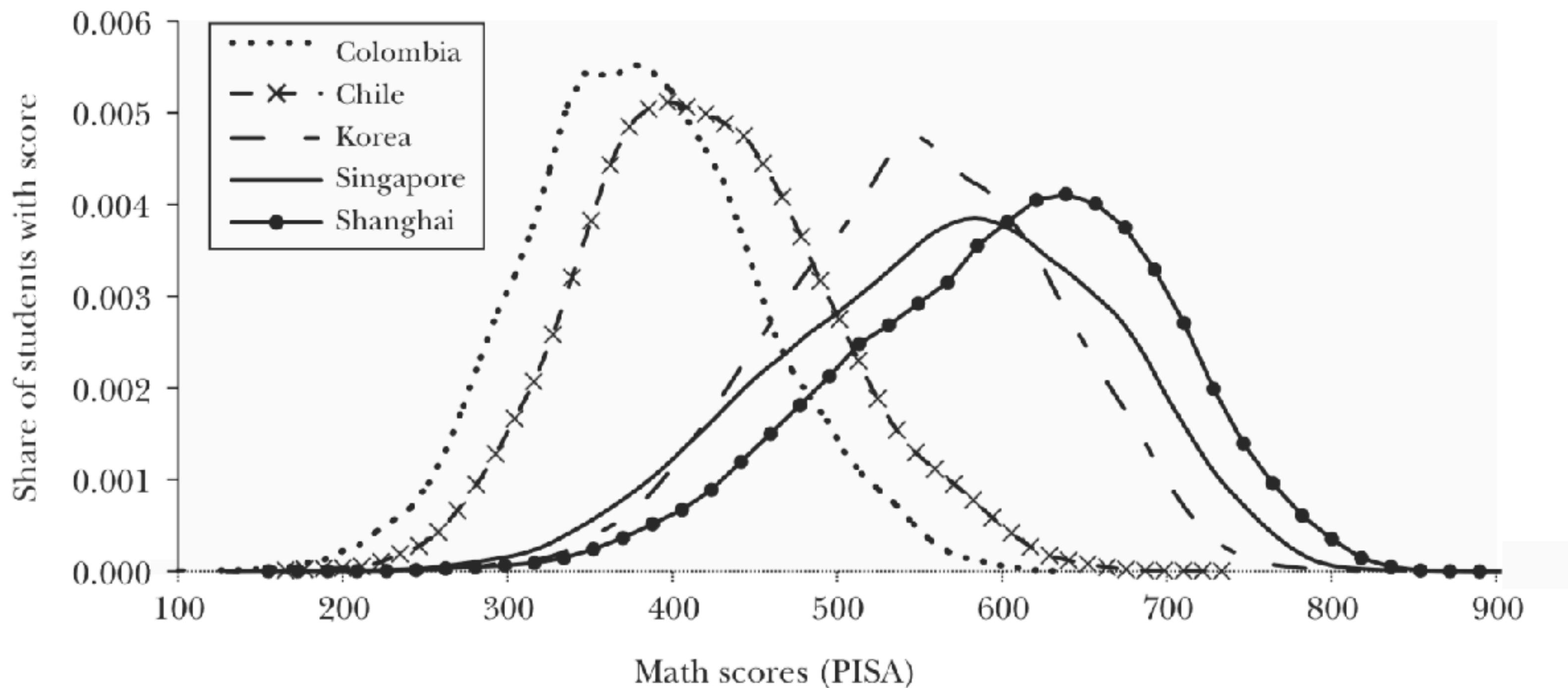
Education, skills = **human capital**

Access to **public services**

Networks and information

Figure 3

Math Scores among 15-Year Olds, Latin America and East Asia (2009)



Source: Authors' calculations based on data from OECD Program for International Student Assessment (PISA), 2009.

Big improvements in literacy but other lags

Turns out having an education not a guarantee
to success

Location and parent's education are often
stronger predictors of mobility in developing
world

Why might this be?

Part of answer is they define access to
networks of information and opportunity

TAKEAWAYS

Forget **binary** thinking;
poverty is on a continuum

Long-term perspective for extreme poor given low mobility

Means testing may be too black/white for urban poor who move in/out of poverty

Education alone is not the answer in rural areas

Middle-class drops into poverty → social safety net relevant for non-poor