

Analysis of the Pastoral Letter “*The clamor for land*”

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This analysis is based on the Pastoral Letter “*The clamor for land*” published by the Episcopal Conference of Guatemala in 1988. The basis of the claims and proposals presented on that letter are discussed briefly and are subsequently subjected to a critical review according to current economic and political thought and theories.

On this letter the Bishops state the claim that historically in Guatemala the majority of the peasants has not had property or any possibility of acquiring it. Based on this statement the pastoral letter’s objective is to suggest a satisfactory solution from two points of view, the first one seen from the perspective of the gospels, and the second one from the social doctrine of the church.

Among the factors that would require immediate attention and remedy as presented by the pastoral letter, are the precarious living conditions of the Guatemalan rural population. These are the result of inhumane poverty levels which are reflected in high levels of illiteracy, mortality rate, malnutrition, unemployment or sub employment, and no adequate family housing. There exists a huge gap between the rich and the poor people. The fundamental problem seen by the Bishops is that the farmers don’t have their own land to cultivate their crops. The origin of the problem lies in the days of

the Colonies. Since colonial times, the land has been held in the hands of a few privileged landowners who have enjoyed arbitrary laws, and this unequal and unjust distribution has remained to our days.

The pastoral letter attacks the law of offer and demand as being unjust and inhumane. It states that the work of men is not simple merchandise, and the Bishops ask for minimum wage raises and improvement of working conditions. To escape the unbearable condition on the countryside, the agrarian people are either migrating to the capital or to the United States.

Within the conclusions of the pastoral letter there is an invitation to solidarity for the landowners and government of Guatemala to share and redistribute land and current wealth with the land deprived agrarian population. It claims that the state has the obligation to provide for social justice in form of education, health, social security, housing and property.

However, despite the good intentions of the Bishops within the pastoral letter, following their advice to land confiscation and redistribution would have dire consequences and would be detrimental to the very people that they are trying to help. The main aspects which are ignored by the Bishops are the desirable organization of a state and the very necessary separation of church and state functions. Having exposed briefly the claims and suggestions within the pastoral letter, I will now proceed to analyze human action, and clarify the origin of the state and its functions.

Mises claims that society is concerted action.¹ Should anyone direct this cooperation? The church? The State? The choice of religion and of one's beliefs is very personal. The church as an institution guides through the understanding of its texts and its task is to provide spiritual guidance. Historically the church's functions have been mixed with the ones of the State. Mises clearly points out that there needs to be a division of State and church. In most Islamic countries the political leader is the spiritual leader as well. Here we encounter conflict of interests for a healthy market economy and for liberty of the people. There is a gap between a society ruled by the Rule of law and the one ruled by a religious doctrine. In order to comply with religious requirements Mises says that individualists might be lead to "master selfishness" and to sacrifice of what is perceived as egoistic wants for the benefit of society.² This is the point where belief is twisted from its true search for spiritual fulfillment to blind following, accepting and obeying of some authority, which could carry any superhuman name. It reminds of primitive man who was not able to understand his environment and who needed some outside explanation by a greater spirit.

Early 1800 Frederic Bastiat concluded that certain nations seem particularly liable to fall prey to government plunder.³ They are those in which men, lacking faith in their own dignity and capacity, would feel lost if not governed and administered

¹ Ludwig von Mises, *Socialism*, Indianapolis: Liberty Press, 1981, p. 143

² Ludwig von Mises, *Human Action*, New Haven, Yale University Press, 1963, chapter VIII

³ George Roche, *Frederick Bastiat – Free Markets, Free Men*, The Hillsdale College Press, 1993, p.159

every step of the way. On the other side of the equation one could ask whether a State is necessary and if yes, which functions should be assigned to it.

Let us now analyze the origins of the State. Understanding how States came into existence will help to determine which functions they should fulfill. There are two main theories on this regard, one referred to as the contractualist or exogenous theory, and the other one referred to as the endogenous theory.

The first view, known as the contractualists or the exogenous origin of the State, is associated with Hobbes, Locke and Rousseau.⁴ It proposes that the state originated from a contract to protect men from outside threat and war. The second theory is presented by Rothbard and is known as the endogenous theory. Rothbard states that the State has never been created by a social contract but rather that it has always been born in conquest and exploitation.⁵ The creation of the State reflects a mutual winning of two parts. The inhabitants receive their personal security, minimizing pressure and creating conditions to encourage production, savings and investment. Whereas the aggressive armed group receives permanent and “confiscated or taxed” income from the inhabitants. The individual can choose between constant conflict and an order that guarantees security of one’s rights.

Every step a government takes beyond the fulfillment of its essential functions of protecting the smooth operation of the market economy against aggression is a step toward losing one’s freedom.⁶ Freedom being defined as that state of affairs in which

⁴ Hans-Hermann Hoppe, Article: Natural Elites, Intellectuals, and the State, Ludwig von Mises Institute

⁵ Murray Rothbard, *The anatomy of the State*, Mises Institute, 2000, p.56

⁶ Ludwig von Mises, *Human Action*, p. 281-283

the individual's discretion to choose is not constrained by governmental violence beyond the margin within which the praxeological law restricts it anyway.

Society is a product of human action, the human urge to remove uneasiness as far as possible. It is man's innate nature that seeks to preserve and to strengthen his life. He is in constant search of what may be called happiness. For human action to take place the individual needs to act in a conscious, voluntary, real and rational manner. According to Ludwig von Mises there are two ways to understand reality. The first one is based on the principle of cause and effect which helps define the person's ends. The second one allows an outside agent to create the person's reality.

Economics has revealed a great truth about the natural law of human interaction, that not only production is essential to man's prosperity and survival, but also exchange. Another fact of human action is the possibility to specialize and exchange for mutual benefit even if one of parties is superior to the other in both lines of production. David Ricardo calls this discovery "The Law of Comparative Advantage". It means that in a free market of voluntary exchanges, the "strong" do not devour or crush the "weak", contrary to the common assumptions reflected in the Pastoral Letter about the nature of a free market economy.⁷ In a similar fashion, German sociologist Franz Oppenheimer shows two ways of attaining wealth in society: a) by production and voluntary exchange with others – the method of the free market; and b) by violent

⁷ Murray Rothbard, Chapter 7, Interpersonal relations, voluntary exchange

expropriation of wealth produced by others. The latter is a method of violence and theft.

As Rothbard points out, there are two types of ethically invalid land titles: “feudalism”, in which there is continuing aggression by titleholders of land against peasants engaged in transforming soil; and land-engrossing, where arbitrary claims to virgin land are used to help first transformers out of that land.⁸ He calls both aggressions “land monopoly” in the sense that arbitrary privileges to land ownership are asserted in both cases.

In the popular use of the word “unjust” it means that some suffer and others enjoy, that some win and others lose. In this sense injustice is what “should not be”, a statement loaded with subjectivity. In the Pastoral Letter the use of just is “should be”. However, a program to transfer land would be unjust in the sense of criminal confiscation of property if the landlord's title is just. The land problems can only be solved by applying the rules of justice – inquiry into present titles of land. The inequality with regard to wealth and income is an essential feature of market economy.⁹

Henry George asked the following question: How can I justly say of a thing “It's mine”?¹⁰ The church is asking the State to interfere and decide what is “mine”. The land is supposed to be divided into equal parts among an equal amount of people.

⁸ Murray N. Rothbard, *The ethics of liberty*, New York Press, 1998, chapter 11 on Land monopoly, past and present

⁹ Ludwig von Mises, *Human Action*, p.288

¹⁰ Henry George, *Progress and Poverty* (originally 1879), Robert Schalkenbach Foundation, 1990
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Who determines that amount? Each person works on their cell of land – equally. There is no room for division of labor and specializing in processing trades.¹¹

Mises points out that it is a serious mistake to call for such an agrarian order or agrarian socialism. Giving a gift of land to a group of people will privilege them. Let's wait one generation and some farmers will do better than their neighbors, because of their size of family, their physical strength, or because of their own initiative, hard work, foresightedness, risk taking and sense of responsibility. They might decide to trade, to exchange and offer crops where there is a higher demand. Shouldn't we set an arbitrary date on which we will redistribute again? Clearly in the course of time some were more successful and had acquired more wealth than others. Or should we help the less fortunate farmer with further gifts of in form of subsidies? All paid for by the government, which means by each tax payer. The cost of the subsidies will be added to the price of the agricultural goods, so the consumer gets punished twice. What is the government doing to the entrepreneurial farmer? He won't need to strive for improvement, doesn't need to fear competition, because the paternal State will protect him. It is a form of socialism which history has shown led to the collapse of its system.

Adam Smith summarizes the main functions of the state the following way: provision of security, justice and provision of public well being. Mises narrows them down even further, justice and liberty and allowing for peaceful coexistence. Nowadays

¹¹ Ludwig von Mises, Human Action, p. 805 Land Reform

the State performs many important functions. In Guatemala there are projects for basic services in different parts of the country. A program to support living space includes the development of infrastructure, such as a system of drinking water and sewage and the construction of roads and public streets. The government hands out subsidies for the construction of housing or for improvement of existing ones. But these functions are executed with the contribution of everybody. Providing social justice through the redistribution of everyone's wealth is not within the functions of the State, as it was demanded in the Pastoral Letter.

Mises argues that for every unprofitable project that is realized by the aid of the government there is a corresponding project, the realization of which is neglected merely on account of government intervention.¹² On the same topic Bastiat states that the government offers to cure all the ills of mankind.¹³ It promises to restore commerce, make agriculture prosperous, expand industry, encourage arts and letters, wipe out poverty, etc.. All that is needed is to create some new government agencies and to pay a few more bureaucrats. This claim to government forgets that the state has no resources of its own; it has nothing, it possesses nothing that it does not take from the workers. When, then, it meddles in everything, it substitutes the deplorable and costly activity of its own agents for private activity.

The State is not the source of wealth. It can only give what it has previously taken. Ideally it would work with a responsible conscience without passing privileges.

¹² Ludwig von Mises, *Human Action*, p. 659

¹³ Ludwig von Mises, *Human Action* p.161

Let's allow the natural order improve everyday living thanks to non-intervention of the State. Also a State does not create employment. Frederick Bastiat states that one can't obtain something in exchange for nothing. The public sector spends the money, and the private sector has not had a chance to show which places of employment it would have created or which investments it could have done.

As an example of government intervention is the setting of a minimum wage. It prohibits the employer to pay less than an established price. The wage is the price of the product of work. It is a misinterpretation to think that the worker is being bought like merchandise. In the free market economy there is respect for the worker, whose work is paid for according to his or her qualification and skills. The product receives a price which depends on offer and demand on the employment market. If the price is set higher than the market rate, it means that the difference of price will be added to the final product. Then the product won't be competitive and the consumer will buy less or look for a substitute. The final result is that the unproductive company might hire fewer workers, might invest into more than necessary machines or that it will close its operation. These effects will cause unemployment of the very people which the government intended to protect.

This boils down to what Hernando de Soto recognizes, that we, the Westernized Third World citizens, are not really capitalists open to competition, we are mercantilists

looking for privileges.¹⁴ Poor countries need solutions which were adopted by developed countries in the 19th century, when those countries were still mostly rural. To build a market economy based on the rule of Law a good judiciary system is needed to guarantee property rights which will allow the nation to grow and bring peace, stability and prosperity. In a country where people don't have reliable property rights over their assets, they cannot get credit and use collateral and they cannot create a firm in which they can divide labor. Additionally, the government will be deprived of tax revenue due to the fact that property owners who lack a legally reliable title to their land and businesses will be forced to operate on the informal sector of society. Real wealth grows from the effort of entrepreneurs, who bring resources together and divide labor efficiently to raise productivity.

According to de Soto the government needs to accept the following: First: The situation and potential of the poor need to be better documented. Second: All people are capable of saving. Third: What the poor are missing are the legally integrated property systems that convert their work and savings into capital. Fourth: Implementing a property system that creates capital is a political challenge because it involves getting in touch with people, grasping the social contract, and overhauling the legal system.¹⁵

¹⁴ Hernando de Soto, Bringing capitalism to the masses, Cato's letter, summer 2004, vol.2, number 3

¹⁵ Hernando de Soto, The mystery of capital, Basic books, A Member of the Perseus Books Group, 2000, p. 227

Mises calls the vehicle of economic progress its accumulation of additional capital goods by means of savings and improvement in technological methods of production.¹⁶ It has also been called the circle of progress.

Douglas C. North, Nobel Prize of economy in 1993, looks at economic change as an ongoing process.¹⁷ It's the consequence of choices of individual actors are making every day. Economic history is about the performances of economics through time. North defines institutions as the humanly devised constraints that structure human interaction. They are made up of formal constraints (rules, laws, constitutions) and informal constraints (norms of behavior, conventions, and self imposed codes of conduct). If institutions are the rules of the game, organizations and their entrepreneurs are the players. They are the underlying determinant of economic performance. Time as it relates to economic and societal change is the dimension in which the learning process of human beings shapes the way institutions evolve.

Since 1995 the Heritage Foundation has been producing an index of economic freedom of 161 countries as a tool for policymakers and investors.¹⁸ It is a careful theoretical analysis of the factors that most influence the institutional setting of economic growth. The countries with most economic freedom also have higher rates of long-term economic growth and are more prosperous than those with less economic

¹⁶ Ludwig von Mises, Human Action p.257

¹⁷ Douglas c. North, Nobel Prize lecture, <http://www.nobelprize.org>

¹⁸ Heritage Foundation, <http://www.heritage.org/research/features/index>

freedom. The analysis is divided into 10 broad factors: trade policy, fiscal burden of government, government intervention in the economy, monetary policy, capital flows and foreign investment, banking and finance, wages and prices, property rights, regulation and informal market activity. Hong Kong is the world's freest economy. Guatemala ranks very low on property rights (4.0 out of 5.0, 1 being the best), as well as in regulation, foreign investment, fiscal burden and informal markets. Within Latin America composed of 25 countries it ranks number 15 with Chile leading the Latin countries.

Private property of the means of production is the fundamental institution of the market economy.¹⁹ Ownership means to have full control. One can decide to merely look at the land, leave it wild, grow trees or build a house. The freedom to decide what one wants to do with one's property. Mises writes that various schools of Christian socialism see the institution of private property preserved only in a “formal sense, while in fact there will be only public ownership.” Private property has existed through man's history. It has been fought for in robbing it and robbing it again at a later stage. Private property as mentioned earlier in this paper was the incentive for the creation of the state, which can legally formalize it. For a non manipulated market society the consumer decides on a daily basis who should own what and how much he or she should own. Ownership is an asset only for those who know how to employ it the best possible way for the benefit of the consumer. Private property is a social function.

¹⁹ Ludwig von Mises, *Human Action*, p. 682-685

Western Europe in the 19th and 20th century has acquired wealth through capital invested in factories or businesses, and through the introduction of new inventions and technology. Today, most European countries have a strong welfare system which they support with previously accumulated wealth. In the long run they won't be able to continue with current disbursements. It is necessary to continue functioning competitively in a market economy. The situation for poor countries of spending their government money on welfare is even more dangerous, because their level of wealth acquisition is much lower, and, coupled with a high degree of indebtedness, it could easily lead to unsustainable economic situations. This would in turn lead to spiraling inflation and decrease in prosperity, with the corresponding detriment on the overall population's standard of living.

Mises summarizes that interventionism needs to end based on three reasons. First: Any restriction will limit the possible gain which can be reused for consumption, savings or investment. Second: Any interference will continue with further interferences until finally complete control has substituted a free market economy. Third: Interference aims at confiscating the "surplus" of one part of the population, but this surplus won't last forever and if people have not been prepared to rely on their own inventiveness for solving problems, prosperity will stall or go backwards.²⁰ Men must choose, and most men have chosen a market economy, particularly after the collapse of the Soviet Union

²⁰ Ludwig von Mises, Human Action, p.858-861

and the fall of the Berlin wall in 1989. It is counterproductive to look for a middle-of-the-road solution, or a small dose of intervention.

Based on the arguments presented on this analysis, in order to truly improve the living conditions of the rural population and of all Guatemalans, the well intended remarks and proposals of the Pastoral Letter should be replaced by a concerted effort to strengthen the freedom and legal framework of the country. Thus, by reducing and refining the roles and functions of the state to the ones which encourage and guarantee the freedom of action of its citizens, including the very important right to private property, prosperity and justice would be improved for everyone.

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