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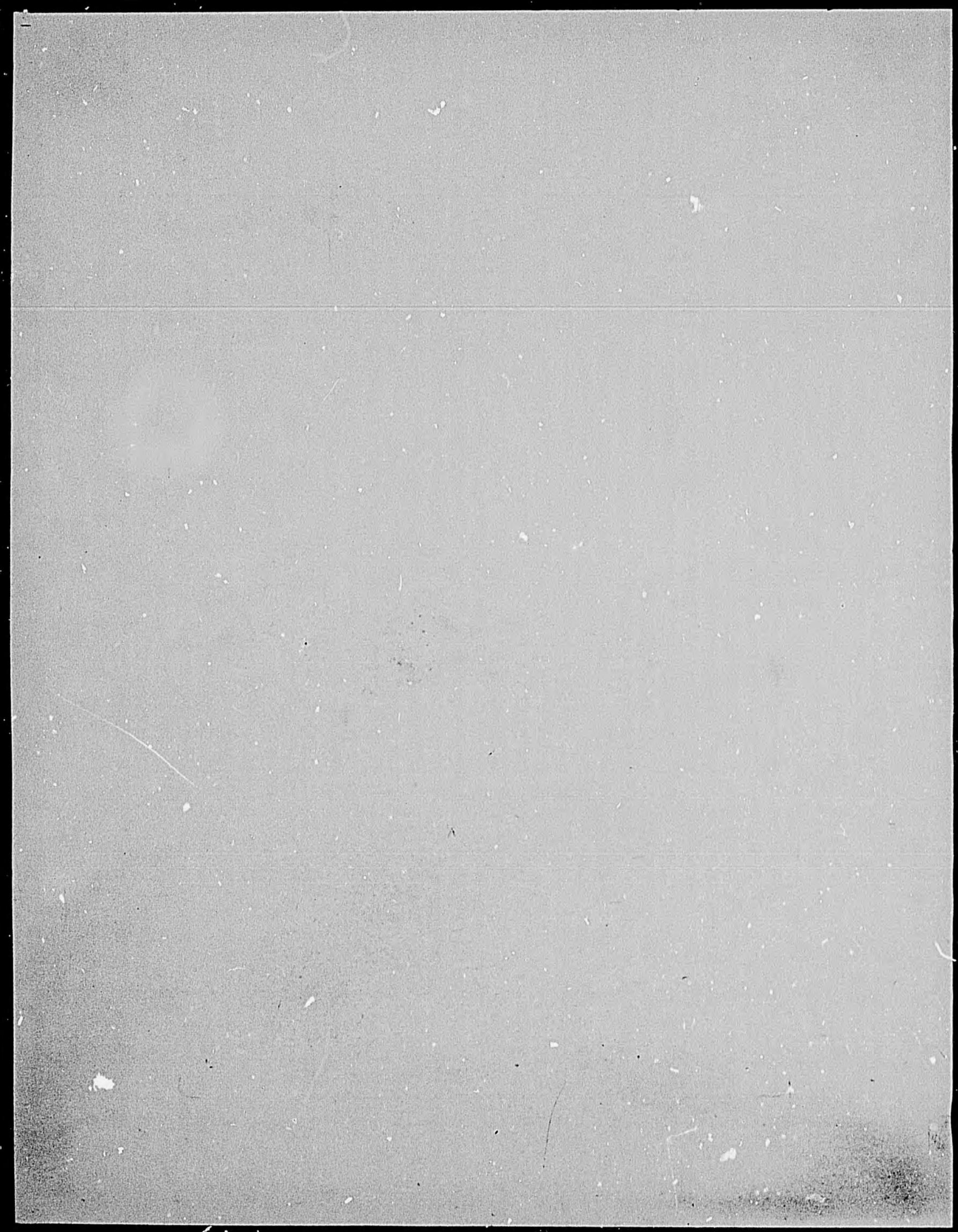
# THE ECONOMICS OF LAND REFORM

DALE W. ADAMS



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DOREEN WARRINER\*

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Land reform will not do everything needed to set a country on the road to development. The results of land reform to be expected in Asian and Latin American countries are important, but the limits of what land reform can be expected to achieve are important also. In assessing results, I shall define some of the limits of what land reform can and cannot do.

However, I must make certain methodological reservations. First, I cannot assess all land reforms in these continents, from China to Peru; so I shall base expectations of results on a few well-documented reforms. Even for these, however, results can seldom be ascertained with any degree of precision.

Second, problems arise from the use of different criteria of evaluation. Institutional change is an interdisciplinary subject; it can be approached in several aspects: historical, economic, social, and political (15). Evaluations on these criteria will assess its significance differently, though not necessarily in mutual contradiction. For example, in the historical nineteenth-century "land questions" in the Balkan countries, where the peasants struggled for ownership of land for fifty years, the reforms—when they finally came—represented a great achievement for them, and turning points in the history of their countries; yet the immediate economic effects, though good, were not in any way sensational. Although in relation to the subject of this conference it seems necessary to deal chiefly with economic results, which to some extent at least are measurable, it is important to keep such other perspectives in mind.

Third, there is a certain difficulty over definition of the subject. As I explained in my 1969 book, I use the term "land reform" in the traditionally accepted sense to mean "the redistribution of property or rights in land for the benefit of small farmers and agricultural labourers" (16). The definition has been criticized on the grounds that it is too narrow, by those who believe that it should mean much more than this, as I also believe. But the redistribution of land is basic to most other institutional changes in tenure and structure. It is an essential preliminary to the introduction of further important economic reform measures, for example, the reform of taxation, to mention only one. My use of the narrow definition is

\* The late Dr. Warriner was Professor, Social and Economic Studies of Eastern Europe, University of London.

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intended to lay the emphasis where it is most needed; it does not convey the whole *content* of land reform policy; but it does point up its strategically operational meaning.

#### OBJECTIVES AND MOTIVATIONS

Since land reform, in the sense of redistribution of land, involves a conflict of interest between haves and have-nots, it is primarily a political question. Unless this is emphasized at the start, the reasons why governments act as they do remain obscure. If the scope of land reform in the modern world has been far wider than it was in the period between the wars, that is because the balance of international power has changed, and not simply because the climate of international opinion on the subject has become so much warmer than it was in the glacial period when I first began to study the subject.

Communist governments have used land reform as a strategy for gaining political power. Newly independent governments have broken with the past by expelling foreign landowners or abolishing forms of tenure associated with colonial rule. Peasants themselves have played a part in the struggle against landowners, most strikingly in Andean countries, though in the modern world, as also in the past, it seems that peasant movements cannot get up momentum unless class antagonism is reinforced by national or racial oppression. Among the welter of motivations, some common features can be discerned (as the slogan of "the abolition of feudalism" [16, pp. 4-10], which can be translated as the aim of greater social and economic equality). But political ideologies and drives are heterogeneous; for example, the democratic and European Marxist Chilean experiment is strongly contrasted with the achievements of the soldier-intellectuals charting a new course in neighboring Peru.

Even where governments include development objectives in their statements of policy, economic aims are always secondary to the political aims of abolishing the power of the large landowners and establishing greater equality. Where such motivation is not present, land reform is not feasible. Where it is strong, the scope of the reform will be wide. Where it is weak, the original impetus may peter out, defeated by the opposition of the landowners, as it did in India, where the reform policy of the central government was obstructed by the influence of the landowners in the state legislatures. Hence the mass of unimplemented legislation on the statute books, not only in India, but in several other countries.

Where then does the economic development objective come in? Over the past twenty years, to be precise since 1950, when the United States backed a Polish resolution in the United Nations (UN) General Assembly urging the UN and its agencies to prepare a report analyzing the extent to which unsatisfactory forms of agrarian structure impede economic development, discussion of the role of land reform as a condition of such development has been interminable. From that time on, the UN and various agencies have indefatigably encouraged member governments, through conferences, reports, missions, and experts, to undertake reform to promote the economic development of their countries; and some have included provisions in their laws for this purpose. Naturally, all this propaganda has created the impression that development is the prime motivation, whereas in reality the problem is rather to ensure that the political moti-

vation of equality is tied in with the economic objective in such a way as to make reform a condition of development. Insofar as the international agencies have achieved this object, they have performed an indispensable function.

Yet it must be recognized that the propaganda approach has its dangers. It involves constant pressure to inflate the concept of reform, to make it include every sort of institutional change in agriculture and also agricultural policies which really lie within the sphere of long-term development planning. This confuses the issues; to believe that expanding a concept enhances its significance is of course a mistake; on the contrary, such expansion may so blur the edges that the concept becomes quite unusable for the purposes of analysis. If land reform is really such a panacea as is claimed, governments might well believe that having carried out a reform they have already done enough to promote agricultural development, and that therefore there can be no need for further strategy or policy.

Another weakness in the propaganda approach is that it is necessarily uncritical. International agencies, whether servants of one master or many, are constrained to work within a certain framework of accepted ideas. They are obliged to adhere to stereotyped doctrines or prescriptions for success, and cannot subject them to critical scrutiny by examining the results of the reforms in which these teachings have been applied. On this level there is no prospect of learning from experience—including experience of failure—which to my mind is the only way of ascertaining what land reform can and cannot do.

So the responsibility for such investigation rests with individual scientific researchers working in the field, now fortunately very numerous. In my 1969 book, I brought the results of some of these investigations and my own observations together, to see whether there were any lessons to be learned from recent experience in several countries. It seemed necessary to do this because by the mid-1960s the process of oversell was beginning to kill serious interest, and seemed likely to set up reactions against land reform as such, an effect which can be avoided only by looking at results in practice.

#### GENERAL ASSESSMENT OF RESULTS

Since the scope of reform in the modern world is wide (though still far from world-wide), it includes countries with different resource endowments; different forms of agrarian structure; different levels of technology; different levels of development and rates of growth; and different methods of reform.

How far then is it possible to generalize about results? It is possible, of course, to construct hypothetical models of unreformed structures, and demonstrate that on certain assumptions certain changes will have certain results. But since land systems have such wide ramifications, such models are usually based on unconscious assumptions, derived from an historical case, not necessarily reproducible in other settings. A much simpler method is to review a wide range of results, and see how far it is possible to make an empirical generalization about normal expectations.

On the basis of a fairly wide experience, past and present, land reform can be expected to do at least one very important thing: to raise peasant living standards by raising peasant incomes. At lower levels of living, in the world's diet-

deficiency regions, where the income elasticity of demand for food is high, most of this increase will be consumed as food. At higher levels, more will be spent on farm equipment or consumption goods. Whether the recipients of land become better farmers as well as better eaters depends on a variety of circumstances. If they are given tiny holdings on marginal land, then this first step will not lead to better farming, though as a first step it may be better than nothing. But if they get viable holdings, then there is a prospect of better farming also. Since I first studied a range of peasant economies in prewar Eastern Europe, I have seen much poorer peasants in Persia, Egypt, and India farming with knowledge and skill, often better than bigger farmers or large landowners—a fact well known to all who have studied Indian agriculture and for which there is ample evidence in the literature. At certain stages of development, though not always and not everywhere, peasant farmers can be a great economic asset.

On the same basis, the transfer of land from large properties into small ownership can be expected to lead to some increase in agricultural production, as a result of higher inputs of labor due to its higher marginal productivity, and also to higher inputs of capital in certain conditions. However, I would not rule out the possibility of a decline in production in exceptionally large and chaotic reforms, since this has occurred in two recent cases and did occur in two of the old East European reforms. As to employment, effects are too varied for generalization. It is true that peasant farmers will attempt to provide employment for their families in order to maximize farm income, and that the volume and conditions of employment will improve if the change in scale can be accompanied by conversion to a type of farming with more regular labor requirements. But whether this change is possible or not depends on environmental conditions; the fact that it did occur in mixed arable and livestock farming in Europe is unfortunately not a sufficient basis for generalization about other regions of the world.

It should be noted that this assessment of probable effects on production rests on the implicit assumption that small farmers, tenants, or farm laborers will work the land when they get it, and that they will be prepared to work long hours at low rates of return with the object of maximizing farm income over a long period of time. Yet this common assumption is not always valid. In Italy and Venezuela the recent reforms have, to a great extent, failed, because a large proportion of the recipients of land soon abandoned their holdings and found employment elsewhere. Although both these reforms were highly integrated, some proportion of the holdings allocated were too small to provide an income considered adequate by comparison with rising earnings in other occupations, then expanding at high rates; moreover, most of the assignees had formerly been farm laborers, unaccustomed to independence. These limiting cases are interesting, since they show that it cannot be assumed that the motivations of peasant economies will necessarily work in other types of economy, particularly not when these are developing at high rates.

Given this normal level of expectation concerning incomes and production, then land reform can be compatible with development, though the change in structure in itself is not likely to generate a higher rate of growth. Even though the former agrarian structure has apparently impeded growth, by causing poverty, underemployment, undercultivation, and underinvestment, yet there are

almost invariably other constraints—shortage of land, shortage of water, and lack of infrastructure—which will persist after the structure has been reformed, and may even cause reversion to the old structure (e.g., debts due to harvest failure may compel peasants to resell their holdings). As J. W. Mellor put it, land reform can be a condition of development without being a sufficient condition (9).

In assessing expectations of results specifically in Asian and Latin American countries, two determining sets of conditions must be taken into account. These are: (1) methods of reform, and (2) types of pre-reform structure, in relation to the constraining factors with which these structures are typically associated.

#### METHODS: INTEGRAL AND SIMPLE REFORMS

As originally conceived by the United States Department of Agriculture (USDA), the "integrated approach" meant "a comprehensive program," covering a long list of supporting measures; the object was to ensure that modern reforms should promote development, and thus avoid the weaknesses of earlier reforms in Mexico and Eastern Europe, where peasant and agrarian parties carried out reforms simply in the light of what their supporters wanted. But since no government can do everything at once, in practice the long list is often reduced to a simple formula, "credit and extension." In Japan this formula did prove strategic, because the extension service supplied an essential but missing component of growth in a farm economy already advanced in highly intensive cultivation by small farmers eager for innovation.

The doctrine of integration has commanded wide acceptance. Some governments have followed it; in the United Arab Republic (U.A.R.) it was elaborated into a system of complete superstructure integration, in Italy into complete infrastructure planning. Yet other governments included provisions for integration in their laws only to find that these could not be implemented when it came to the point of action. Integral reform was simply not feasible. There are several possible explanations of why this should be so. Basically, the reason is that the formula does not fit everywhere, because all the world is not like Japan, nor do all ministries of agriculture resemble USDA.

To show the results to be expected under integral reforms as contrasted with simple reforms (i.e., with little or no provision of supporting services), I have grouped six countries according to the method used. In the second group, land-use classification is lacking, and assessments of areas are highly conjectural. It should be emphasized that before the reforms the two groups were strongly contrasted in level of agricultural development. Japan and the U.A.R., both exceptionally densely populated, had reached high levels of yields in commercial agriculture, through the use of modern technology in favorable ecological conditions, long before the recent reforms (11, p. 134, Chart 1). Both had had previous reforms during the nineteenth century, which had aided this development, and though in the interim inequality had increased, small owners already held a large proportion of the land area, though a large proportion of the farm population were tenants. Italy was anomalous, including two contrasting regions, the advanced North, where small farm ownership was prevalent, and the overpopulated, poverty-stricken South, where latifundia dominated. All three coun-

tries had systems of land survey and registration, which of course facilitates redistribution.

By contrast, those in the second group were extremely backward in agriculture, with very low yields and low cropping rates, using traditional methods in exceptionally adverse conditions of soil and climate. Land ownership was highly concentrated, with a large proportion of the land in the hands of big landowners. Population densities were comparatively low; but owing to the lack of land-use classification, man/land ratios have little meaning. There had been no previous land reform in these countries, though there had been some abortive attempts. Only Iraq had a system of land survey and registration.

In Iraq and Persia the status of the working farm population resembled serfdom; the peasants paid high produce rents and also did labor service for the landowners, who ruled their lives. In Bolivia they were serfs in law, tied to the estates, where they worked three or four days a week without payment, under overseers with whips, in return for the right to occupy subsistence holdings. The scope of these reforms was on the whole much larger than in the first group of countries, and the social changes introduced were more fundamental.

The accompanying table shows comparative results, so far as the data permit.

COMPARATIVE RESULTS IN INTEGRAL AND SIMPLE REFORMS\*

	Integral			Simple		
	Japan	U.A.R.	Italy	Bolivia	Persia	Iraq
Date of reform laws	1946	1952, 1966	1950	1953	1962	1958
Farm land redistributed						
Thousand hectares	2,385	263 <sup>a</sup>	700	4,000 <sup>b</sup>		3,000 <sup>c</sup>
Number of villages					12,000 <sup>d</sup>	
Percent of total	30	11	4	70 <sup>e</sup>	24	50+
Families receiving land						
Thousand families	4,218	264	100	266	587	300
Percent of total	60+	10	6	60 <sup>e</sup>	25 <sup>e</sup>	50+
Potential actual income gain						
Percent	100	50	50	—	70 <sup>e</sup>	100 <sup>f</sup>
Agricultural production index						
1964/65 (1952/53– 1956/57 = 100)	132	144	119	—	124	105
Wheat yield (100 kg. per hectare)						
1948–52 average	18.5	18.4	15.2	6.1	9.0	4.8
1952–56 average	21.5	21.7	17.7	5.9	9.3	5.8
1964–68 average	26.9	26.2	22.1	7.2	8.3	5.4

\* The agricultural production index and wheat yields are from FAO, *Production Yearbook*, various issues. Question marks are the author's.

<sup>a</sup> Distributed by 1966.

<sup>b</sup> Cultivable land; individual ownership.

<sup>c</sup> Distributed by 1970. Of this total 841,000 distributed, the remainder rented to tenants of Ministry of Agrarian Reform.

<sup>d</sup> First stage only; distributed by 1965.

<sup>e</sup> Case study, M. R. El-Ghcnemy.

<sup>f</sup> Case study, M. E. Adams.

*Agricultural Production*

The effects on production appear much more favorable in the first group than in the second. In Japan, the rate of growth of agricultural output after the reform was much higher than in any previous period; authorities disagree as to how far this can be attributed to the reform. In the United Arab Republic and Italy, production also increased faster than before, but in view of the comparatively small proportions of land affected, the higher rates must have been mainly due to general agricultural policy, which strongly favored public investment. In all three countries, production increased chiefly through higher inputs of capital; there was some extension of the cultivated area through reclamation, but the big extension in area in the United Arab Republic did not come until the late sixties, after the High Dam came into operation.

As to simple reforms, there can be no certainty that production will increase. It is wiser to emphasize this so that governments can take steps to avoid a fall. If the reformers in the United Arab Republic had not been aware that cutting up large plantation-type estates—without at once replacing their capital inputs—would be disastrous, production would certainly have fallen. This risk is not so acute in primitive methods of farming, where labor is still the chief input. Nonetheless, production can fall in large-scale simple reforms, owing to (a) long delays in distribution that last up to ten years or more, causing uncertainty about ownership in which neither peasants nor landowners will have an incentive to cultivate; and (b) failure to replace landowners' functions, particularly serious in respect to maintenance of irrigation and marketing. These obvious needs should have a higher initial priority than credit or extension; they get overlooked because laws are based on formulae and not on actual conditions. For these two reasons, and because of four successive years of harvest failure in the northern rainfed zone, production fell after reform in Iraq; it did not recover to the pre-reform level until the late 1960s. In Bolivia, national figures show a decline in production in 1953–58, the "period of chaos," and for a time the marketable surplus declined, owing to failure to replace landowners' marketing functions. In addition, the continuance of the policy of keeping agricultural prices down exercised a restrictive influence.

To avoid the fall in production which is likely to occur in large-scale reforms in countries with an inadequate administration, measures can be taken to speed up the process of distribution. This was the object of the original strategy used in Persia by Dr. Arsanjani, who streamlined implementation in unorthodox ways, and wisely eschewed an unrealistic attempt to provide services, apart from a little cooperative credit allocated to cooperatives, to which the peasants themselves were expected to contribute—an unusual and energizing feature of the strategy. Production certainly increased during the first stage of the reform, owing to the expansion of the area in cultivation. Persia, however, is rather a special case among primary reforms, because it is not often that a clearly conceived strategy from above meets with such strong response from below; and few reformers, when offered the stylish models, have the strength of mind to prefer the Volkswagen.

*Incomes*

In both types of reform, the incomes of recipients of land can be expected to rise. The *potential* gain in income resulting from the reform alone (i.e., assuming constant prices and output) will be equal to the proportion of the gross income formerly payable as rent, less the amount payable as the annual installment of the purchase price of the holding; i.e., if the share rent formerly amounted to 50 percent of gross income, the new owner's gross income will double if he receives the holding free of charge. This in fact happened in Japan, where currency inflation reduced the total purchase price to a fraction of one year's yield; and also in Iraq, where cultivators received their holdings without payment. If recipients of land have to bear part of the cost of the reform, their gain will be correspondingly less. *Actual* gain in income will be determined also by the increase (or decrease) in production and farm prices, and in other costs (as, for example, for the services provided, quite a big cost item in U.A.R.). In simple reforms, however, while the immediate income gain may be greater than under integral reforms, the increase is not likely to be sustained, because production will at best increase slowly, being dependent chiefly on the extension of the area in cultivation, a normal expectation after reform in countries with reserves of cultivable land, as contrasted with the rapid increase in land productivity due to increased capital inputs under integral reforms.

*Capital Investment*

In capital investment, integral reforms can show impressive results, as simple reforms cannot. In Japan, agricultural investment by farmers, cooperatives, and the government more than doubled capital stock per person in agriculture between 1946 and 1962, and was accompanied by a rise in the rate of growth of land productivity; labor productivity did not rise until labor began to move into other sectors: this movement reduced the farm labor force by one-third between 1956 and 1968 (10). In the U.A.R. the reformers evolved a new organization to raise the rate of investment. Official control over the supervised cooperatives was maintained, in order to force members to invest a much larger proportion of farm profits than they would be willing to do if left free to decide. Now the highly integrated model first used in the reform (i.e., supervised services, controlled investment, and rationalized field layout) (12, pp. 78-80) has been extended to cover the whole of the land of Egypt. Unfortunately, the active agricultural population continues to increase, though not so rapidly as total active population.

In Italy, investment was directed into the physical planning of new settlements, on poor land reclaimed and in arid areas irrigated, followed by the distribution of small holdings, chiefly to unemployed farm laborers. As a measure for the relief of unemployment in the early 1950s, this reform was useful, but some of the holdings were tailored too tight for large families. In the big rural exodus, which reduced the Italian farm labor force to half its size between 1951 and 1968, a large number of assignees of land abandoned their holdings, though when settlements really were integrated, i.e., supplied a processing factory, and

were based on irrigated land, and where holdings were not too small, they have generally proved stable (8, pp. 197-98).

Comparison of the results thus shows that integral reform is far more effective than simple or crude redistribution from the standpoint of economic development. It also shows why an integral program is feasible in countries which are already more highly developed. Where a government disposes of the administrative apparatus of a modern state, it can deploy new services and organization. But where the reform is large in scale and the administration cannot even get the land distributed quickly, a government will not be able to mount credit and extension services at short notice. To this it may be objected that the Government of India did in fact mount such services quickly during the 1950s. But the results nonetheless support this argument. In most Indian states, the community development network was largely symbolical, and much of the cooperative credit was wasted, whereas in the more advanced states it did prove possible to get an efficient extension service (e.g., Punjab), or to integrate cooperative credit with marketing (e.g., Maharashtra).

Is the lesson of this comparison that countries which cannot set up an integral reform should wait until they are at a position to do so? Clearly not, for if they did they would wait forever. Freeing peasants from the burden of serf labor is the immeasurable social gain to be expected from these revolutionary primary reforms. In secondary reforms, even with some revolutionary impetus behind them, it is comparatively easy to set up an improved institutional framework in an orderly manner. But where the agrarian structure is stratified in racial as well as class oppression, and reform means the reversal of a long process of land-grabbing, then the slogan of the reformers will be "restitution" or "land and liberty," and up on the Sierra there will be land seizures. Sooner or later, peasant unrest will find leadership, from one quarter or another, and serfdom will be abolished. That can mean a breakthrough to a new way of life, which cannot be judged by the standards of an efficient managerial operation. That is why I referred to the need for criteria of evaluation other than the economic.

#### *The Follow-Through*

Yet short-term results are only the beginning. The true success of a reform in turning peasants into farmers depends on whether governments and peasants can together undertake a process of follow-through. Among such, Mexico's is the great success story, from the raw beginnings which over fifty years led on to the biggest reform in the world; and after 1950 to the highest rate of growth of agricultural production in the world, through an agricultural development policy which broke the constraints of the environment by irrigation and the opening up of new lands. In Europe, Denmark's cooperative movement, undertaken entirely by the peasants themselves a century after the first reform, was the means by which they eventually became the best farmers on the continent. Irish peasants, who won farm ownership after a long and violent struggle, did not become better farmers until they became cooperators. This lesson could be repeated in other European countries and in countries outside Europe. A cooper-

ative movement is generally an indispensable way of integrating reform and development, in the long run more effective than integral reforms, since it continues to expand on its own power, and is not, or should not be, entirely dependent on government services.

Cooperation can of course be easily defeated in its early stages by a government which decides to undermine a reform by cutting cooperative credit, as recently done in Persia; it should not be assumed that everything will come right in the end. But if, after all the prescriptions have failed, a government just leaves the peasants to get on as best they can, they can sometimes find in informal cooperation a way of helping themselves. They have done so in Iraq, although they have had little official help and are for the most part still without tenure security. As "temporary tenants on state land," they hire blocks of land in groups at nominal rents from the agrarian reform offices, temporarily allotting land among themselves for cultivation by individual families, working communally on canal digging, and hiring tractors, so that they have simply got the land back into the old system of shifting cultivation. This movement now gets official support as tending toward collective farming. However, until the irrigation system can regularize and increase the supply of water, and until the land can be drained, prospects of better farming are poor. Farmers are much better off: a recent survey of Diyala shows that real income per family in 1970 was twice as high as in 1958, chiefly owing to the abolition of the share rent; and they invest their gains in fat-tailed sheep (1). I quote this example of peasant group initiative to correct the diagnosis of failed incentive in my 1969 book.

If cooperation can play such a constructive role, why not introduce cooperative farming at the start? This question is always raised in seminars, for the idea of cooperative farming, with peasants happily pooling their land to use large machinery, is more attractive to urban intellectuals than it is to peasants. The argument in its favor (also, of course, used in support of collective farming) has always been the supposed necessity of combining small farms into large farms in order to use tractors and combines. This line of thought dates back to the engineers' revolution of the 1920s, and has now been outdated by the laboratory revolution of our time, although it persists in communist dogma. Even as late as 1966, Yugoslav agronomists, to prove that all capital investment must be directed to the state farms, were still claiming that only large farms (covering several thousand hectares) could use modern methods of agriculture, and that peasants could not do so, although at that time Yugoslav peasants were sowing hybrid maize when they could get it, and repairing and using the tractors discarded by state farms. The coming of the Green Revolution should break up this traditional way of thinking, because the new inputs, being divisible and as far as possible risk-proof, can be used by small farmers as well as large. It is true that small farmers cannot undertake the research behind the complementary inputs, but neither can large farmers or large landowners.

As Guy Hunter's paper emphasizes, we really do not know what sort of institutional framework the development of agriculture requires.<sup>1</sup> But we should

<sup>1</sup> Hunter's Conference paper on "Agricultural Administration and Institutions" will appear in *Food Research Institute Studies*, XII, 3.

So well to get away from the concept of simple individualism and pure collectivism as mutually exclusive alternatives; in all rural societies there are individual and collective functions. The real argument for small ownership is simply that the working peasants want it and will make it work, in many societies; but it is equally true that they need help and direction in using the new inputs. These functions could be exercised on a village or local basis, or they may be part of the new structure itself, as in the U.A.R. supervised cooperatives, though this is not an easy model to imitate.

One remarkable result of the new technology is that any country, however poor and primitive, as for instance Ethiopia, can have its own research stations to work out the ingredients of its package program, provided that it can get the United Nations Development Project (UNDP) or some other agency to finance them. If there has been no land reform, it is the big landowners who will then benefit. If there has been a land reform, then the use of the new inputs will necessitate the setting up of cooperatives or official agencies to supply the new inputs on credit. Credit and extension will no longer fail for lack of anything to extend: they will have a definite purpose, and could be tied to definite production targets.

#### TYPES OF PRE-REFORM STRUCTURE

To focus on Latin American and Asian countries, expectations can be compared with reference to two major types of pre-reform structure: (a) latifundian systems, associated with reserves of uncultivated cultivable land; and (b) Asian tenancy systems, associated with land shortage.

##### *Latifundian Systems*

Because land-use potential is much greater in these Latin American systems than it is in Asia, the expectation of a major contribution to development through reform is also greater. There is a high degree of concentration of ownership in large properties, which are also large enterprises, whose owners are monopoly buyers of labor and use their power to keep wages and status low and minimize employment. Land use is typically extensive, with only a small proportion of the estate under cultivation, the greater part of the area being in rough grazing. The standard economic argument for land reform, put forward by the Economic Commission for Latin America (ECLA) and other authorities, is that the division of large estates into smaller farms would bring idle land into cultivation, and underemployed labor into work, thereby simultaneously increasing production, employment, incomes, and demand for manufactured goods, and stimulating take-off into sustained growth. On paper the argument is convincing, for the polarization of property into uneconomically large and uneconomically small certainly wastes land and labor. Yet apart from Mexico, in its fifty years of reform, results to date have not justified the expectation that land reform will result in a large expansion of the cultivated area, or the big general increase in farm production and incomes which could result from a land-using strategy.

The revolutionary potential is also greater than it is in Asian countries. Class divisions are much sharper than they are in the village hierarchies character-

istic of Asian tenancy systems, because the predominant relationship between landowners and laborers is one of employment. Consequently the demand for better wages and living conditions, with which the demand for land reform is now connected, comes from syndicates of farm workers, rather than from small owners or tenants. In the early sixties these syndicate movements often culminated in land seizures, through the occupation of large estates; in Brazil these were suppressed when the dictatorship took over, though in Venezuela they played a major part in the implementation of the land reform. Peasant movements in the Andean countries have long continued in the form of sporadic outbreaks of violent agitation and land invasions, their object being to gain ownership and release from serf labor. Here, too, there has been success, in Bolivia obtained through a left-wing government, and also prolonged failure, in Peru, where various outbreaks were suppressed during the sixties, while the dominant political parties made ineffectual attempts at reform.

Judging from the 1969 reform in Peru, however, farm workers and peasants can expect to find new allies, since this reform was carried out by a military government, and its scope is breathtaking. Peru's agrarian structure spans the centuries: modern and largely foreign-owned sugar plantations employing seasonal labor, and miserable mini-farms, on the coast; traditional Indian communities overlaid and enserfed by latifundia up on the Sierra. According to a strange doctrine prevalent in Latin America in the mid-1960s, commercial plantations are "rational" and should therefore be exempt from expropriation, while latifundists are "traditional," and should therefore be punished. This "new sophism" (as they called it in the Agrarian Reform Office in Lima in 1965) has now been decisively rejected. Serfdom has been abolished. Nine sugar plantations, two of 100,000 hectares each, were expropriated in 1970, with great psychological effect; and now it is the turn of the latifundia (2). It seems likely that this reform will have repercussions in neighboring countries with similar structures and that the revolutionary potential will continue to be realized.

It also seems probable that the agricultural potential will continue to be neglected. In spite of the revolutionary climate, Latin American governments are inclined to think in orthodox terms, preferring an accepted formula to empirical approaches to the problems of their own environment. In Venezuela, for example, it proved much easier to supply credit and extension officers to the settlements than to keep the farmers there to receive their advice. Most of the settlements observed in 1965 were partly or wholly deserted, because three hectares did not provide enough income or employment. The elementary lesson that, if incomes are to rise, a change in scale necessitates a change in type of farming had apparently not been learned, except on one settlement which, under the direction of a capable syndicate leader, had converted to vegetable cultivation and found that three hectares could provide good incomes even by Venezuelan standards (16, pp. 359-69). Where recipients of land are a proletariat, not a peasantry, they may prefer higher wages and better working and living conditions to independence as small farmers. Some no doubt wish to become owners of larger farms, and in Venezuela they will get opportunities, as more successful farmers buy up or rent land from those who have left the settlements (17). In the more advanced Latin American countries, *small* family farms are not likely

to be assets in development, except in certain highly intensive types of farming.

Where farm workers really do not want to become independent farmers, as Galjart argues in his profound study of a Brazilian settlement (6, pp. 25-29), would better results be obtained if expropriated estates were not subdivided, but transformed into public ownership as state, collective, or cooperative farms? The Chilean reform, up to 1969, showed better results in income and employment than Venezuela (13). However, this type of structure has its specific problems, such as financial losses due to bad management and the usual conflict between output per capita and employment objectives. Under the Allende government, expropriation has been accelerated, and the option of independent farming after three years' operation has been cancelled, which seems unduly hidebound, since some proportion of the settlements did exercise this option in the first stage. It remains to be seen whether, under the new regime, it will be possible to reduce wages and operating costs at the same time as increasing production.

So long as Latin American programs remain hidebound in these ways, the expectations of a big contribution to agricultural development through reform must remain low. The limits to what land reform can achieve are at present set by mental constraints. One of the most harmful of these is the common belief that the choice lies between very small family farms and very large collectives; this is of course a reflex of the polarized pre-reform structure, and also of the ideological climate. If policy-makers could think in terms of their own countries, these limits might be overcome. Far more attention should be given to the need for rationalizing farm sizes and capitalizing farms for the types of production which agricultural policy aims at encouraging, and to the need for infrastructure investment in relation to systematic land settlement. At present there appears to be only one empirical verification of the multiple development effect of land reform: the million-hectare settlement in North Parana, on the basis of which a whole region of South Brazil did in fact take off into sustained agricultural and industrial growth (16, pp. 316-20). This project is rarely mentioned in international circles, because it was originally financed and carried out by a Scottish laird; his other project, however, the Gezira scheme in the Sudan, has received much publicity.

#### *Asian Tenancy Systems*

These systems are generally considered to prevent the rise of land and labor productivity by checking capital investment. Neither the high-rent-receiving owner nor the insecure cultivator has an incentive to invest; and the latter is in any case too poor to do so after the surrender of half the produce as rent. However, it is always difficult to distinguish the adverse effects of the structure from those of other constraining factors. That Asian tenancy is compatible with high levels of land productivity is shown by the high yields obtained in Japan before the 1946 reform; although in 1941 nearly half the land was held in tenancy, peasant farming was much more productive than in other Asian countries, no doubt because before that date farm population had been held constant over a long period, and regular high rainfall favored stable intensive farming, so that the adverse effects of the system were outweighed by other factors. In India, by contrast, with growing population on the land and climatic instability, these sys-

tems appeared to reinforce the state of Malthusian overpopulation which existed in the agricultural depression of the 1930s. In multideterrent conditions, it certainly cannot be claimed that a change in the structure from tenancy to ownership will be sufficient in itself to throw the switch to rising labor productivity. At best it can be a step in the right direction.

Twenty years ago, when we were drafting the first United Nations reports, the standard remedy proposed for these systems was tenancy legislation to enforce controlled rents and tenure security, and so give tenants an incentive to invest in their holdings (though to anyone at all familiar with the working of these systems this idea was absurd). As might have been expected, such legislation has generally proved unenforceable, because tenants will connive with landowners in evading the laws for fear of being evicted from their holdings. In India, the legislation actually worsened the position of tenants, who were evicted by landowners on a large scale. As R. F. Dore comments, "The Japanese experience over the last 15 years quite clearly confirms the common observation that administratively it is far more difficult to control tenancy than to abolish it" (5).

Effective reform in systems of this type therefore means the compulsory expropriation of landowners and the transfer of the ownership of their holdings to the occupying tenants. Politically, it is not an easy change to carry through. Total abolition of tenancy requires force majeure, through a communist regime or an American occupation (the area maximum in Japan was fixed so low that the 1946 reform resulted in almost total abolition). It is of course easier if the transfer of ownership is limited to holdings above certain maximum areas. Whether partial or total, redistribution of ownership can be expected to result in: (a) an increase in the income of the new owners (assuming that the annual installment is less than the former rent payment); and (b) an increase in agricultural production resulting from higher incentive to work harder or invest more. The effect of higher labor incentive is more evident at low levels of intensity of cultivation, where pasture or wasteland can be brought under the plow, as in Persia. Where the intensity of cultivation is already high, as in Japan, Taiwan, and the U.A.R., the incentive effect on capital investment in the farm will depend on what other measures are taken to encourage or enforce such investment, in an integrated policy.

An administrative advantage in reforms of this kind is that the change from larger to smaller ownership need involve no change from large- to small-scale farming. The prospective new owners acquire the right to purchase the holdings which they have previously cultivated as tenants, using their own working livestock; with higher incomes they should be able to provide their own seed, so that there should be no disruption of production resulting from change in scale, unless the former landowners' functions cannot be replaced. However, in a longer period, the small size of farms will prove a disadvantage. As farm population continues to grow and farms are subdivided, some proportion of the holdings will become too small to support the family, and poorer farmers will revert to renting land or working as laborers. This demographic erosion of a new structure has occurred in several well-known cases, as, for example, under *ryotwari* in India, originally established as a form of peasant ownership, which in time became a system of subletting.

At this point we have reached the limits of what land reform can be expected to achieve in conditions of high and increasing population density. By redistributing ownership it can raise farm incomes, and stimulate an increase in output per acre; it may also stimulate receptivity for technological change; but the constraint of the inadequate land base cannot be overcome by institutional reform alone. In reformed structures of this kind, development strategy must aim at charging up myriads of small cells to higher levels of land productivity, by pushing the use of new methods of farming which raise yields.

#### THE NEW PERSPECTIVE FOR REFORM

Here, above all, the success of the Green Revolution is relevant. Whether induced technological change of the package program type can increase output and employment at sufficiently high rates to keep pace with the growth of the farm labor force is still a highly controversial question. In this connection, the Billings and Singh study is particularly valuable, because it compares these effects in two Indian states with different demographic and structural conditions, Punjab and Maharashtra, and shows, as might be expected, that results are more favorable in the more favorable (and less typical) conditions of Punjab (3).

Since technological change of this kind can certainly achieve far quicker results in increasing production than can generally be achieved by land reform, does it follow that land reform should be short-circuited by programs which aim at increasing production within an unreformed system? Not if the income-equalizing objective of land reform is still to be regarded as essential. Where ownership is unequally distributed, technological change is certain to result in increased income inequality and unemployment. Larger owners, through their pull with government agencies, will be able to get a disproportionate share of the new capital inputs. They will invest in tractors and displace labor (as they were already doing in India before the Indian Agricultural Development Program [IADP] was initiated). Higher rates of return from the use of new capital inputs will lead them to evict tenants, in order to farm on their own account. All this will mean that the gains of technological advance will accrue mainly to the landowners and that tenants are likely to lose income and employment.

Thus the land reform perspective is likely to change. Advocated for many years as a condition of development, because it was believed capable of promoting rapid increases in production, it can now be envisaged chiefly as a means for ensuring that the benefits of rapid technological progress are spread widely to ensure a general rise in living standards and an increase in rural employment.

The only example of this new approach at present known to me is the quietly brilliant strategy initiated by the Swedish International Development Authority (SIDA) at Chilalo in the highlands of Ethiopia, in the face of great obstacles, one of which is the tenure system (7). Ethiopia is one of those rare countries so richly endowed by nature that the agrarian structure, feudal in every sense of the term, does appear to be the only constraint on development. The object of the SIDA strategy was to introduce a seed and fertilizer program, researched in its own laboratories on the site; this, at the time of my visit in 1970, was being vigorously implemented by peasant farmers plowing their land five times to prepare the ground. But SIDA did not begin with the inputs; the essential first

step was to get the confidence of the peasants, because at first they had been convinced that the foreigners had come to take away their land (as foreign concessions in other areas had done).

The agency therefore began by creating a market incentive, setting up milk-collecting centers which, by bulk trading, could offer prices slightly above those ruling in the market (not previously organized). As farmers began to supply milk to these centers, SIDA proceeded to the next step, offering credits to buy seed and fertilizers to farmers selling milk regularly. At first, the agency also provided machine service, but when they found that this benefited the larger owners in an outlying area, who were introducing machinery and tractoring off their sharecroppers, they decided to give up this service and to confine the issue of credit for seed and fertilizers to farmers with less than 25 acres, though larger farmers can still purchase these items for cash; thus the agency adjusted its program to benefit the smaller farmers. At the time of my visit, the project administrators were attempting to make the sale of the new inputs conditional on farmers agreeing to raise the crop share due to their sharecroppers. They were also cautiously starting marketing cooperatives, under agency guidance; when these were working, control was to be transferred to the members. Whereas the conventional approach has hitherto been to carry out land reform, and then provide services, leaving markets to look after themselves, SIDA began by organizing the market; then went on to supply new inputs; and only when the output effects had been attested in practice did it begin to encourage cooperative selling and press for tenure reform. It has proved a real pioneer project, for an American agency has decided to follow the same strategy in another area, in a settlement of small farmers, where tenure problems are not likely to arise.

In this brief review of results, I have emphasized learning from failure, in the hope that the need for new thinking will become apparent. The Green Revolution got its impetus from the great failure of the Indian food crisis. Its implications for the future of land reform policy are certainly hopeful, even if we are not yet in a position to estimate their full significance.

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DALE W. ADAMS\*

## THE ECONOMICS OF LAND REFORM

For a number of years I have followed with interest Dr. Warriner's writings on the topics of rural poverty and land reform (25; 26; 27; 28; 29). Her historical as well as multi-country perspective allows her an overview of these matters which few can match. She has consistently directed our attention toward the rural poor and recognized their skills and willingness to change if profitable alternatives were made available. She has stressed income distribution in developmental planning, and has insisted that the term "land reform" be used in a narrow sense to mean a change in property ownership in favor of the poor. She has rightly pointed out that land reform is no cure-all, but that it may, in some cases, be the only alternative available for making significant inroads on rural poverty. Few in the development profession can match her dedication to these issues.

My comments will be largely supplemental to the points made in her paper. I attempt to do two things: (1) state what I think is the state-of-the-art regarding five major economic issues related to land reform, and (2) briefly review the role which economists and aid agencies have played, and the part they will likely play in land reform during the next couple of decades.

### FIVE ECONOMIC ISSUES

#### *Production and Land Reform*

The relationship between land reform and short-term production has received a good deal of attention. Several approaches have been used by economists to address this question. Warriner and others have emphasized country reviews (e.g., 4; 5; 7; 10; 11; 21; 29). A similar approach was used by the Agency for International Development (AID) in its 1970 *Spring Review of Land Reform* programs covering approximately 30 countries (24). Additional studies have been aimed at determining land reform's impact on production at the project level (e.g., 2; 17; 23). Still other economists have mainly stressed economic logic plus some empirical information to deduce the production effects of land reform (6; 8).

Aside from the Iraq case, the country reviews support the conclusion that land reform has a neutral to positive impact on production. Project-level studies appear to verify the same conclusion. Exercising economic theory, Steven Cheung,

\* Professor of Agricultural Economics, The Ohio State University.

on the other hand, argues that land reform carried out among share-tenants will have a neutral impact on production (6). He concludes that highly competitive land-leasing markets, at least in Asia, have eliminated most inefficiencies in farm-level input use. It is unclear, however, if land-leasing markets in Africa, Latin America, and the Middle East meet the same competitive standard. To the extent they do, his conclusions also would lead one to expect little increase in output among share-tenants who become owner-operators. W. P. Cline comes to a different conclusion in his analysis of Brazil (8). He argues that land reform which includes breaking up of large landholdings will significantly increase output. He bases his argument mainly on the elimination of (1) labor-market dualisms, (2) the holding of land as a store-of-value, (3) land-market imperfections, and (4) monopsony powers in the rural labor markets. Following E. J. Long's earlier findings, he also concludes that the economies-of-scale argument against land reform has little merit (18).

In many respects the 1970 AID *Spring Review of Land Reform* gave the benediction to the "land reform decreases production" issue. The consensus of that *Review* agreed with Warriner's general conclusion: almost never does land reform decrease production, occasionally it has a neutral effect, most often it has a positive impact.

#### *Capital Formation and Land Reform*

Less conclusive evidence is available on how land reform relates to changes in rural productive capacity. Said another way, does land reform affect rural capital formation and the ability to increase long-term output?

Some information on this point can be gleaned from the studies already mentioned. But, to the best of my knowledge, Raup's article is one of the few studies specifically aimed at this question (20). Drawing upon fragmentary country studies and economic logic, he concludes that land reform will have a positive impact on farm-level as well as nonfarm rural capital formation. I have the same impression after visiting rural areas affected by land reform in Japan, Taiwan, Colombia, Venezuela, Ecuador, and Brazil. I have seen no evidence which indicates that incentives to create additional rural productive capacity were stifled by land reform; participants are willing to, and in fact are investing in capital if returns are attractive. Small farmers' investments in power tillers in Taiwan and Japan, low-lift pumps in Vietnam, tubewells in the Punjab of India, and land clearing in Southern Brazil and Ecuador are further evidence on this point.

In their papers for this conference, Cline and S. R. Lewis both raise an important collateral question (9; 16): Do participants in land reform have lower marginal propensities to save than the original landowners, and would parcelization therefore decrease aggregate savings? Research which we at the Ohio State University have underway in Southern Brazil, in the Indian Punjab, and in Taiwan, is leading us to a different conclusion. Average and marginal propensities to save among Taiwanese farmers, many of whom were beneficiaries of land reform, were remarkably high (19). Where some growth in real income is occurring, and where profitable alternatives to consumption are present, small-farm operators are willing to defer consumption. They must, however, have profitable on-farm investment opportunities, have access to credit in order to

finance part of these investments, and be provided with positive real interest rates on institutional savings. In many cases there are no profitable investments open to the small farmer; he is denied access to bank credit, and he is offered zero or negative real rates of interest on financial savings. Most of us would choose to consume additional output if faced with similar alternatives. Land reform will not transform the rural capital base overnight. Some evidence is available to suggest, nevertheless, that it along with other appropriate policies can help accelerate the accretionary capital formation process.

*Income Redistribution, Effective Demand, and Land Reform*

Warriner and Cline both assign land reform a role in creating a broadly based demand for the products of society. W. C. Thiesenhusen has also argued this point (22). He suggests that most of the industrial base in Latin America is underutilized because of the lack of internal effective demand. In Colombia only about 40 to 50 percent of the industrial productive capacity is currently utilized. Unless peasants and landless workers have access to additional income they cannot buy toothbrushes, aspirin, shoes, and shovels. I am always impressed after periodically visiting rural areas of Taiwan and Japan how rapidly mass consumer markets have extended into areas where land reform has been carried out. The presence in rural Taiwan of radios, sewing machines, television sets, bicycles, power tillers, and motorbikes has mushroomed over the 13 years I have known the country. Peasant consumer purchases in Northeast Brazil, Guatemala, El Salvador, and Colombia, on the other hand, are static. How much of this difference is due to the status of landownership distribution has not been quantified. Further research on this issue might provide some additional arguments for adjusting the way social income is distributed.

*Employment and Land Reform*

Surprisingly few studies have been done on the employment effects of land reform. Warriner, T. H. Lee (15), and a few other authors have hinted that employment increases somewhat with land reform. Aside from a few secondary employment effects due to more income being spent in rural areas, there is probably little employment impact, as Cheung points out, from switching tenants to landowners. Settling landless workers on underutilized land in places like Northeast Brazil, the north coast of Colombia, and the highlands of Guatemala will, however, likely have a strong positive impact on rural employment.

One parcelization project which I studied in the tobacco region of Colombia indicated that employment can be substantially increased through land reform (2). The project only included 1,500 acres, but over 850 people were making a very satisfactory living from the land six years after parcelization. This was up sharply from about 70 people who lived there prior to division. A similar-sized traditional hacienda with some cattle and tobacco share-croppers located nearby, but with much better land, provided a living for only 230 people.

We clearly need more research on the employment coefficients of land-reform expenditures. How do they compare with those for additional credit, expenditures on new technology, and irrigation investments? Can land reform be useful in helping to retard and modify the rural-to-urban migration flood? Will it create

an environment within which individuals can be more highly capitalized before moving into the cities?

*Structure, Technology, and Land Reform*

Ruttan and Hayami have made a frontal attack on the structuralists, institutionalists, and land reformists (13). In their recent book they argue that new technology creates a new economic environment which in turn induces almost automatic adjustments in the structure of the economy. A Gotsch, Beckford, Flores, Thiesenhusen, Jacoby, Dorner, Carroll, or Barraclough, on the other hand, would argue that in many cases structure must be changed before satisfactory development can occur. Warriner appears to take an intermediate position. She sees a mutual relationship among technology, development, and structure.

I would hypothesize that all three positions are correct. Ruttan and Hayami have mainly focused on those countries which have had a reasonably equitable distribution of access to land (e.g., Japan, Taiwan, and the United States). Or, to use the terminology of Peter Kilby and B. F. Johnston (14), they have focused on relatively unimodal societies. Moreover, their time frame of analysis is quite extended. The structuralists, on the other hand, base their arguments on experience in bimodal societies which have had highly concentrated landownership patterns (e.g., Peru, West Pakistan, Chile, Mexico, Brazil, Ethiopia, Colombia, and Guatemala). Their analyses have much shorter time frames. Warriner has mainly focused on countries going through structural transformation and her time frame is intermediate in length.

I suggest, therefore, that the conclusions of Ruttan and Hayami are probably not valid for countries where structure is a serious problem. Introducing highly profitable new technology into areas like the Northeast of Brazil where 120 families own almost all of the high-quality land will do relatively little to ease the poverty and employment problems which exist among the millions of landless. The best of all worlds would be to couple technological change to land reform. We need a good deal more research on the linkages between technology and structure, especially in countries where landownership concentration is severe.

THE ROLE OF ECONOMISTS AND AID AGENCIES  
IN LAND REFORM

Dr. Warriner has rightly argued that traditional economic considerations are not of primary importance in land reform decisions. I heartily concur. It really does not matter much if the production effects are shown to be neutral or slightly positive, whether or not land reform stimulates capital formation, if effective demand and employment are increased or decreased by parcelization, or whether it can be shown that tenure systems decay over the decades when submerged in a changing economic environment. Edmundo Flores is correct: land reform is principally social and political surgery. It is a value-laden policy issue, the likes of which only political economists of Ricardo's and Marx's breadth of interest were prepared to wrestle with. Marshallian economists are poorly equipped to treat questions of who *ought* to own land, and who *ought* to be allowed to claim the economic rent from land. Our professional impotency on

these topics has forced economists into a largely defensive role in the wings of the land reform stage. I see no reason why this role will change during the 1970s unless at least some reincarnated political economists appear on the scene.

I am almost as pessimistic with regard to what aid establishments such as the Food and Agriculture Organization, the International Bank for Reconstruction and Development, International Development Bank, and United States agencies such as AID will do in land reform in the next couple of decades. Aside from a few FAO technicians interested in land reform and a few million dollars of miscellaneous assistance to land reform activities in Latin America, aid agencies have been unable and/or unwilling to support land reform during the past two decades.<sup>1</sup> I see no reason why this will change in the future.

I feel certain that land reform will be carried out in countries like South Vietnam, in portions of the Philippines, in Nepal, in West Pakistan, in Northeast Brazil, in Colombia, in the Dominican Republic, in El Salvador, and in Guatemala independently of what economists say or do, and largely without the assistance of aid agencies. It will not be part of development strategy. The forces of nationalism, population growth, rising expectations, socialist thought, and widespread education are setting an irreversible course in these countries. There is no other alternative open to these societies which could have a similar impact on rural poverty.

Those of us like Warriner who have interests in easing rural poverty will continue to be reporters of the economic effects of land reform, and will make some after-the-fact input of economics into land reform programs. We will not be in the first string of players. With our value hang-ups we might find more professional satisfaction by helping to adjust traditional economic tools like exchange rates, pricing policy, credit, taxes, and technology to realize more equitable results from these techniques.

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