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WYN F. OWEN

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9. ABSTRACT

An attempt has been made in this paper to outline a general framework of analysis that may be helpful to the understanding of economic and social change in the Middle East as well as elsewhere. It is offered as being particularly relevant to the problems facing densely populated countries like Egypt, but to a considerable degree the basic argument would appear to apply quite generally. To the extent that is sound it has obvious and important implications both in the policy area and for social science research.

What is called for is a program that not only holds the line against poverty and excessive rural-urban migration in the manner of the pioneering Poor Laws of England, but also provides greater degrees of both security and hope to the people concerned, and especially to the younger generation among them. Particularly important for the implementation of such a program is the redistribution of relatively small amounts of appropriately located land. But this social welfare potential inherent in land reform programs should not be confused with the equally important objective of freeing most of the land for commercial agriculture wherein not equity, nor privilege, but market efficiency, is the appropriate principle upon which land distribution should be based.

The program should also not be limited to the redistribution of land. In the transitional sector this needs to be reinforced by efforts aimed at creating a wider horizon of economic opportunity for the households concerned in the form of complementary non-farm activities, wherein lies their only hope for an ultimate escape from the vicious cycle of poverty.

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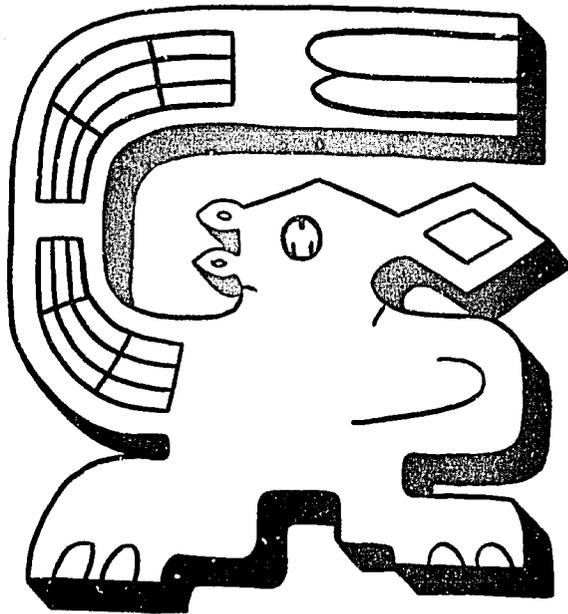
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**Two Rural Sectors:  
Their Characteristics and Roles  
in the Development Process**

by Wyn F. Owen

**LAND TENURE CENTER  
University of Wisconsin-Madison  
53706**

WYN F. OWEN

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TWO RURAL SECTORS: THEIR  
CHARACTERISTICS AND ROLES IN  
THE DEVELOPMENT PROCESS

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REDUNDANT LABOR in agriculture arises in the Middle East, as elsewhere, as a by-product of the failure of most economies to create new jobs rapidly enough in the non-farm sector to absorb labor which is displaced by technological progress in agriculture. A lagging rate of labor absorption in non-farm employment, in turn, tends to be a product of an oftentimes slower rate of economic growth in the non-farm relative to the farm sector, combined with the former's characteristic capital-intensive bias (Hendrix 1962, p. 528). However, these effects are generally reinforced by an antipathy on the part of many social reformers to advocate a wider sharing of existing employment opportunities in urban-industrial areas among all available workers. On the other hand, redundant farm labor does tend to have a way of continuing to subsist in the countryside; whatever the extent of farming opportunities in any country, these tend to be distributed among the existing rural population in one way or another, so that few, if any, are left without any means of subsistence. This phenomenon is widely taken for granted and, in keeping therewith, even the most welfare-oriented Keynesians rarely argue for extending to "underemployed" rural labor the same treatment and concern as is now so widely accorded the unemployed in the cities.

It deserves to be noted in the same connection that agriculture tends

This paper attempts to outline a general analytical framework within which rural social and economic change might be viewed more meaningfully. Certain illustrations are drawn from the Middle East but reference is also made to relevant experiences and situations in several other parts of the world. Several policy implications are presented in positive terms with a view to throwing into bold relief a number of related issues, many of which are admittedly controversial and deserving of further development and possible qualification.

to provide a safety valve for urban unemployment in the sense that the normal net migration flow of labor from the country to the city in a developing country slows down during periods of recession and, indeed, in serious depression circumstances may temporarily reverse (Heady 1962, p. 203). At such times agriculture may be called upon to absorb displaced urban-industrial labor in addition to accommodating any pre-existing excess capacity in its own internal labor supply. Writing in the context of the 1930s when this was a reality in the United States, M. L. Wilson ventured the pertinent suggestion that in these conditions reverse migration to farms constituted the most preferable of all forms of urban unemployment relief (Wilson 1939-54, p. 46).

It can be argued that, in these ways, a large and unique burden, having both chronic and cyclical characteristics, automatically falls upon the rural sectors of all countries.<sup>2</sup> The author has previously referred to this burden as "farm-financed social welfare," since the population concerned is supported at the cost of land that would otherwise be used by commercial farmers (Owen 1966, pp. 61-65). The extent of this burden remains significant even in highly developed countries like the United States, where it is reasonable to assume that the official rate of unemployment, averaged over the business cycle, is superimposed upon an unrecorded but at least equivalent number of persons who, based on relevant minimum standards of efficiency, are redundant to, though existing in a state of underemployment in, agriculture (Hendrix 1962, p. 525; Higbee 1963). In less developed countries an analogous situation exists, except that in most of these cases the stockpiling of surplus labor in the countryside probably tends to be much more extensive in both relative and absolute terms, irrespective of whether or not the marginal productivity of the labor concerned is zero or greater than zero (Hansen 1966; Schultz 1964, pp. 64-70).

Nevertheless it would appear foolhardy to advocate a higher rate of rural-urban migration than tends naturally to apply in most of the less developed countries given existing rates and forms of effective employment creation outside of agriculture; for one thing, underemployed farm labor is potentially less politically explosive than unemployed urban labor. But it is not just a matter of politics; also to be taken into account is the potentially negative effect on economic efficiency in the industrial-urban sector, including government and military services, of such urban featherbedding operations as have been experimented with by Nasser of Egypt, Sukarno of Indonesia, and others (Amin 1968, pp. 40-49), and the distinct possibility that both a basic level of immediate welfare and superior long-run prospects for most of the labor concerned can be better provided for in a rural than in an urban setting.

For these reasons, coupled with more sophisticated analyses of the demographic aspects of development, it is becoming widely recognized

that from all points of view one of the most critical problems facing almost all less developed countries is the threat of excessive rural-urban migration (Dovring 1959; Thiesenhusen 1969; Prybyla 1970, pp. 11-16). Accordingly, it can be argued that development planning in many countries should give high priority to ways and means of retaining a maximum amount of labor in the countryside even though it be technologically redundant to the developing agricultural sector.

The essential proposition which emerges from this line of thought is that sound development policy, as well as more relevant research in the social sciences, likely needs to be based on an explicit recognition of two quite distinct rural sectors: a "modernized" or "commercial farming sector" and a "transitional" or "surplus population-supporting sector."<sup>2</sup> The commercial farming sector in such a differentiation would comprise only those farmers who, under competitive market conditions, are capable of generating from the production and sale of farm commodities a continuing standard of living comparable to that earned by skilled workers in the modernized urban-industrial sector of the same country. Commercial farmers, so defined, should be expected to include only a small proportion of the entire farming population, or of those officially classified as "farmers" in most countries.<sup>3</sup> On the other hand, it may be posited as a basic condition of economic growth in all countries that most of the available land resources should be incorporated in this commercial subsector. The essential role of commercial farmers in the development process is the production of a surplus of farm commodities to exchange for both consumption and production goods produced in the non-farm sector and on other specialized commercial farms. Resource costs and commodity prices in the commercial farming sector clearly should be subject to and essentially determined by a market which it shares in common with the modernized non-farm sector.

The "transitional" or "surplus population-supporting sector," by contrast, may be considered to embrace that part of the rural population in any country which continues to live off the land, even though as a factor of production it has no claim to be thought of as an integral part of the commercial farming industry. The essential role of this sector in the development process is to contribute substantially to the interim support of any rural population that cannot immediately be absorbed either by commercial farming or by its urban-industrial counterpart without impeding the overall rate of development of either or both of these two interdependent growth point sectors. In most less developed countries the transitional sector may normally be expected to account not only for most of the rural population but quite commonly also for the majority of the entire population of a country. Furthermore, as a by-product both of relatively high rural birth rates and of the limited absorptive capacity for labor of the two growth point sectors, it is a reasonable

assumption that the numbers of people dependent for their survival upon the rural transitional sector will increase in most of these countries for at least several decades to come (Abercrombie 1969; Dovring 1959; Dubey 1963). For this reason, and especially if high priority is given to expanding the land base of the commercial farming sector as one of the conditions of its development, it may be quite critical in many developing countries to give special attention to all ways and means of improving the efficiency of the transitional sector with respect to its unique surplus population-supporting role. In its own way it too needs to be modernized and better integrated into the overall development process. But the process of modernization here should be seen to take a very different path and form to that which is appropriate to the commercial farming sector: it involves the achievement of higher levels of land productivity without any necessary change in its basic orientation to the production of farm products for direct consumption by the dependent households.

Certain persistent myths have tended to inhibit the evolution of developmental policies and related social science research consistent with a two-sector view of the rural economy. One is the idea that in spite of all evidence to the contrary, the degree of population pressure on land resources is not actually very serious. This myth rests in part on the belief that there still exist large unsettled or only sparsely settled areas of land within most countries and that the development of these areas could serve to relieve the pressure on already settled land. For many years, for example, much was made of the possibility of relieving the pressure of population in the Nile Valley by using the waters of the High Dam to expand the area of cultivated land in Egypt. In practice this expectation has proved to be both extremely costly and ephemeral (Owen 1964b). Other examples of similar wishful thinking include the idea of reducing population pressure in Java through transmigration to Indonesia's outer islands (McNicoll 1968, pp. 29-92), and the persistent notion that the densely settled parts of the Latin American continent might be relieved by opening up its jungles and irrigating its dry lands (U.S. Department of State 1969, pp. 4, 26-27).

There are, of course, exceptions and where benefit-cost ratios for alternative developmental investments are appropriate, the extensive margin of land settlement deserves to be further exploited. But taking the world as a whole, the myth of the endless frontier of settlement has too long tended to divert attention and resources from the main issue (Abercrombie 1969, pp. 1-3). The transitional support of surplus population, as defined, has become a matter of such importance in most countries that a substantial portion of the most productive and already occupied land will need to be reserved for this purpose for many decades ahead. Use of additional land at the extensive margin will not do more

than scratch the surface of this problem. The challenge can only be met by turning primarily to the intensive margin of settlement and to what the Egyptians have come to refer to as "vertical expansion" of production on the best land.

A second myth is one that pervades even that part of the literature in which it is recognized that the agriculture-industry, two-sector type of economic growth model is far too aggregative, from the point of view of agriculture. This is the idea that a separately identified rural transitional sector along the lines defined above (Mukhoti 1966; Ruttan 1969, p. 356; Myren 1968, pp. 2-3)<sup>4</sup> can be thought of as being principally transitional to commercial agriculture (Adams and Schulman 1967, p. 281). While this may be true in the very long run for a small part of the land involved, it clearly cannot be expected to serve this purpose for the majority of the households involved. Only a small proportion of these in any country can realistically be expected ever to achieve the status of viable commercial farmers and to this extent only by displacing a larger number of subcommercial farming households from any stake in the land. If the majority of the population concerned is transitional to anything, it can only be to potential non-farming employment opportunities, irrespective of how difficult this potential may be to realize. To view the matter in this way is a necessary intellectual precondition to the formulation of more relevant developmental policies both for this sector and for the commercial farming sector. The following remarks will be mainly devoted to illustrating this point.

#### *Division of Land Between the Two Rural Sectors*

A FIRST MAJOR policy question that emerges within this framework of analysis is how the cultivable land in any country might best be divided between the two rural sectors. It is here proposed that under conditions of heavy population pressure it is a developmental imperative that the land needs of an efficient transitional sector be determined first. This conflicts with the developmental records of such sparsely populated countries as the United States, Canada, and Australia where it was practical to concentrate almost exclusively on the needs of an emerging commercial agriculture and to leave the rest of the rural economy to fend for itself on whatever marginal land was left unoccupied by the commercial farmer. Sheer numbers make this an impractical model to follow in today's densely populated countries. In such circumstances it is also likely to be counter-developmental in its total impact.

This does not mean that in these countries the transitional sector has a valid claim to most of the land. Since the land assigned to this sector is correctly to be viewed as part of the national welfare budget, it de-

serve to be rationed as strictly as funds devoted to other welfare programs, and particularly so in this case since its opportunity cost is quite high: namely, its use value is commercial farming. Correspondingly, an efficient rural transitional sector, from a welfare program point of view—one that insures an acceptable minimum standard of welfare to the maximum number of people at the expense of the smallest amount of land—will release the maximum amount of land to commercial farming and thereby provide a basis for higher overall rates of economic growth in densely populated countries. The common reality in most food deficient countries, by contrast, is for excessive amounts of land, and in many instances also the wrong land, to be tied up in subcommercial or quasi-subsistence farming units at the same time as large numbers of households also are left entirely landless.

The class of land that is incorporated in the transitional sector will partly determine the amount of land involved. Certain policy guidelines are clearly implied. First, insofar as efficient transitional sector farming depends upon the maximum employment of labor per unit of land, this sector needs access to land that is subject to the greatest intensity of use and especially the greatest potential for multiple cropping. That is, in contrast to the common association of the poor farmer with poor soil, the achievement of an efficient transitional sector almost certainly requires that it incorporate some of the more fertile land in the nation concerned. The same can be said for the location of its land; insofar as the ability of households in the transitional sector to subsist on a minimum amount of land will largely depend upon the extent of realizable off-farm employment opportunities, their location in close proximity to existing or potential urban industrial centers deserves very high priority. This suggested planning objective stands in marked contrast to the conventional image of subsistence farming areas, namely, that of peripheral lands essentially bypassed by the process of economic development (Schultz 1950). It likewise contrasts with the tendency in many countries for large private commercial farms and even state farms to usurp lands in closest proximity to cities to the exclusion of the small, part-time farmer (Venzler 1965, p. 11), in spite of the fact that the latter would not only tend to farm the same land more intensively but would likely also combine this with non-farm employment to the benefit of all concerned.

In countries where population pressure is extreme, there would also appear to be considerable merit in separating most transitional sector households from the main commercial farming areas in order to protect the latter from the insidious effects of an excessive proximate supply of underemployed labor. Chief among these is the tendency for the larger farmer in such circumstances to assume the roles of landlord, moneylender, and marketing middleman, instead of specializing in com-

mercial farming. It is reported that in India large farmers hold approximately 60 percent of the farm debt and spend as much time squeezing a surplus from the small farmers as they do creating a market surplus from their own land (Mukhoti 1966, p. 1212). Such a situation was also quite prevalent in Egypt prior to the 1952 revolution; it was and is still widespread in many other countries in the Middle East and elsewhere (Warriner 1957, pp. 59-60). One might reasonably propose the hypothesis that there is a "break-even" point with regard to the numbers of transitional sector households that may be interspersed within commercial farming areas, below which the supply of off-farm labor contributes to the efficiency of commercial farms, and beyond which it merely adds to the intensity of exploitation of such off-farm labor without any positive effect on the efficiency of commercial farms. Accordingly, as a general rule, it is probably preferable for transitional sector labor to experience more of a distance problem in responding to employment opportunities on commercial farms than in responding to employment opportunities in the non-farm, urban-industrial sector. The high degree of mobility displayed by migrating, seasonal farm labor in most countries—both in terms of the distances involved and the ease of its release from the subsistence farming activities which commonly forms its base of origin—is relevant to this point.

Failure to give the transitional sector sufficient status in overall development planning has resulted in subcommercial farmers in most countries being left to fend for themselves in a relatively hostile social and economic environment. These farmers normally constitute a widely scattered and heterogeneous group. As one writer investigating the small holder in Latin America recently stated, "there is, not a single minifundia problem but rather a complex of problems which vary widely from case to case" (Adams and Schulman 1967, p. 275). The same study classified minifundia (farms of less than 3 to 5 hectares, or 7.4 to 12.4 acres) in Colombia into three types: an isolated, self-sufficient type; a latifundia-related type; and an urban-associated type. The problems facing each of these categories of minifundia were found to differ considerably and the economic status and prospects of households falling in the urban-associated class tended to be in advance of the others. This lends support to the preceding claim that transitional sector households analogous to this type of minifundia ought to be promoted at the expense of those analogous to the other two types identified in the above study.

Transitional sector planning deserves to be raised to a central place in public policy formation in the less developed countries, not only in the interest of existing small holders but also in the interest of an agrarian group still further down the ladder of farming opportunities, namely, the landless laborer. A land reform program, such as the Egyptian one, that leaves large numbers of households in the transitional

sector landless would appear to be quite inadequate. As one of the most careful thinkers on the general topic correctly has stated, "a land reform policy aimed at providing subsistence farming opportunities for landless laborers in Asia would probably do more than any other single measure to alleviate the greatest poverty among cultivators at least for a generation or two" (Parsons 1960, p. 304). This laudable objective would appear practical to pursue within the framework of a separately identified rural transitional sector. One of the problems with the two-feddan farm in Egypt (the lower limit in the land redistribution program there) was that it was too large from the point of view of the total supply of landless labor in that country. On the other hand, it was too small to support the land needs of an efficient commercial farmer compatible with Egyptian conditions. It represented an attempt to fit the two rural sectors into a common mold which in fact was far from ideal for either.

There are several other respects in which sharp contrasts can be drawn between the two rural sectors in terms of their differing characteristics and relevant policies. In the next two sections reference will be made to some of these before considering further how the two sectors relate to one another in the development process.

*The Rural Transitional Sector:  
Some Special Features*

OPTIMUM SIZE OF FARMING PLOTS IN THE  
TRANSITIONAL SECTOR

THE PRINCIPAL economic justification for reserving land for the use of households in the transitional sector lies in its comparative advantage as an instrument of social welfare. This arises from a natural tendency for small subsistence households to utilize land more intensively than the commercial farmer by carrying self-employment of family labor well beyond the point of maximum labor commitment on the part of commercial farmers. (Kanel 1967; Khusro 1964, p. 79; Mukhoti 1966, p. 1212). Under conditions of extreme population pressure the intensity of labor use may well reach the point at which the marginal product of labor approaches zero. This potentially greater intensity of labor use in the rural transitional sector, and its rewards in terms of relatively high levels of land productivity (Long 1961, p. 117), tends, by implication, to be an inverse function of the size of the farming plot available to the dependent household.<sup>5</sup> If larger amounts of land or improved farming techniques are made available to the household, leisure will tend to be substituted for extreme applications of labor, and there probably will be an associated reduction in output per acre until farm sizes reach the range of efficient commercial farming operations. Likewise, the development of more extensive off-farm

employment opportunities may be expected to have a similar negative effect on land productivity in the transitional sector.

It follows that, for maximum efficiency in its welfare role, the size of farming plots in this sector must be kept small enough to support a considerably higher intensity of labor input per unit of land than that applying in the commercial farming sector of the same country. It is also implied that the optimum size of farming plots in the transitional sector, in most circumstances, should tend to decrease through time as yield-improving techniques are realized and as off-farm employment opportunities are rendered more widely available to transitional sector households. Given sufficient progress in each of these directions, and especially in the last, small and declining sizes of farm plots in the transitional sector need not be accompanied by the self-defeating type of agricultural involution which Clifford Geertz found to have occurred in Indonesia in prewar times (Geertz 1963, pp. 165-166).

There are two important potential consequences of the fact that high welfare efficiency in the rural transitional sector is dependent upon relatively small farming plots. One is that even in the most densely populated countries it would be possible to provide most, if not all, rural households with access to some land. The other is that in most countries this can be achieved at a cost of only a small fraction of the total cultivable land. It is instructive to note in this connection that the *kolkhozniks* plots, reluctantly provided to peasants by the government of the USSR, in the 1950s averaged only .29 hectares in size and occupied only 3.5 percent of the total crop land. Yet they accounted for about one-third of the gross material production of Russian agriculture. Yields on these small plots were 37 percent higher for maize, 82 percent higher for rye, 80 percent higher for most vegetables, and 95 percent higher for potatoes than on collective and state farms (Newth 1961).

In practice, the mistake of assigning excessively large farming plots to households falling in the transitional sector has probably been at least as common to land reform programs as that of omitting many rural households from any share in redistributed lands. Such was claimed by one scholar to have been an error in the early history of the small holder movement in England,<sup>6</sup> and insofar as the Mexican *ejidal* sector can also be argued in large part to represent a rural welfare sector rather than a commercial farming sector, it too was probably based on excessively liberal-sized plots in a number of cases. An error on the high side would appear a natural outcome of any tendency to view the households concerned as being transitional to commercial agriculture rather than to non-farm employment. Since the principal long-term objective in the development of the transitional sector must be to create additional sources of income to supplement that provided by the land,

little is to be gained by starting with a size of farming plot that gives the households concerned no incentive to seek supplementary employment opportunities, thus relieving governments of the need to help enlarge the dimensions of these opportunities.

#### LAND TENURE IN THE TRANSITIONAL SECTOR

The weight of argument and evidence falls heavily in favor of ownership of land by the cultivator in the rural transitional sector. Subsistence farmers probably value elemental economic security above all else, and for them landownership is probably the most efficient means to this end (Parsons 1954, p. 26). Conversely, landlordism under these conditions almost inevitably diverts the emphasis to exploitation of labor from exploitation of the land itself (Boserup 1965, p. 97). Security of landownership for the cultivator, on the other hand, helps to call forth the labor-intensive effort that makes the small farm a highly efficient, population-supporting institution. Some interesting additional supporting data on this point have been presented recently for the prerevolution period in Iraq by Robert Fernea (Fernea 1969, p. 366). Also relevant is the claim that in Latin America, while "latifundias are 400 times larger than mirifundias on the average, they employ only 15 times more workers" (Thiesenhusen 1969, p. 746). However, such evidence merely lends support to an old adage which was most eloquently stated by the gentleman English farmer Arthur Young, who after his travels in France during the late 1780s coined the familiar words, "the magic of property turns sand to gold—give a man the secure possession of a bleak rock and he will turn it into a garden: give him a nine years' lease of a garden and he will convert it into a desert" (Mill 1936, pp. 278-79). This sentiment has been nowhere better developed than in the two chapters of John Stuart Mill's *Principles* devoted to the economics of peasant proprietors (*ibid.*, pp. 256-301).

More recently, it has been stressed in the same connection that investment on the small farm principally involves family labor in the form of such activities as the building of a fence or a ditch in the cultivator's spare time (Raup 1960, p. 317). Such activity is stimulated under owner-cultivator tenure conditions wherein the cultivator builds principally for himself and not for the benefit of an exploitative landlord. Other potential side effects of ownership rights may be added. One is the gain derived from increasing site value of land in cases where farming plots are located near developing urban-industrial centers. Properly exploited, this could become an effective social subsidy to the households or communities concerned at advanced stages of transition to urban-industrial life and full employment. Another side effect is a possible decrease in the birth rate. In the absence of proof to the contrary, an optimist must remain, with John Stuart Mill, an adherent to the

proposition that a peasant proprietorship system probably tends to propagate natural checks on population (Mill 1936, pp. 289-90). A further possible positive side effect is reflected in a widely held view that the security and improved social status that tend to be concomitant with ownership of productive land tend to produce a general atmosphere conducive to higher rates of investment in education and general community improvement (Dorner 1968, pp. 22-3).

A debatable question is whether or not the families concerned should have unrestricted rights to sell or mortgage their land, that is, whether or not land in the rural transitional sector should be a freely marketable item. The correct answer to this question probably involves both yes and no elements. There are circumstances in which such land must be able to change hands, but there are also reasons to suggest that there should be decided restrictions on the process. By way of illustration, it was probably a sound economic policy in Mexico, all things considered, and especially among the poorer *ejidos*, to deny the *ejidatario* the right to mortgage, rent, or sell his assigned plot (Clement 1968).<sup>7</sup> Fortunately, the bundle of rights involved in the ownership of land can be restricted in this way without destroying its basic significance to the cultivator. The point is that little is to be gained if a household loses its stake in the land and yet remains dependent upon the transitional sector economy.

For those families which make the shift to entire dependence upon commercial agriculture or urban-industrial employment it is a somewhat different matter, but even here certain constraints would seem to be advisable. Thus, forfeiture of the right to a farming plot on the part of any household that ceases to cultivate its own land may be an important device for discouraging excessive migration to the cities. Officially, this has been the rule in the Mexican *ejidos* and, according to informed opinion, the result has been the retention of more labor on the land than might otherwise have been the case (Glade 1963, p. 63).

By the same token it may be argued that it is appropriate for any new owner of a farming plot in a rural transitional sector to have the same general characteristics as existing participating households. To insure this outcome the transference of farm plots in the transitional sector should probably be based more on ascription or nepotism than on economic achievement (*ibid.*, p. 15). For the most part, intrahousehold transfers of land in this sector likely are best left to the inheritance process, although this may need to be supplemented by appropriate local government machinery. Where the right is not retained by continuing transitional sector members of the same family, it seems reasonable that the needs of poorer members of the same village would normally receive priority over outsiders and especially over outsiders of higher economic status (Soemardjan 1969, pp. 41-7).

It is likely also that little would be gained by placing restrictions upon

the subdivision of land in the transitional sector in the process of inheritance or other forms of administrative transfers. Fragmentation of holdings in this sector has an entirely different significance than the same phenomenon under commercial farming conditions. In the transitional sector, especially under conditions of extreme population pressure, fragmentation of holdings may provide the only way all households can continue to participate on more or less equal terms in the economic opportunity represented by the total land available to it. However, as has been emphasized already and will be discussed further in a later section, an objective of planning should be to achieve a sufficient rate of expansion of complementary non-farm employment opportunities to offset pressures favoring agricultural involution in the transitional sector.

#### GROUP AND PUBLIC ACTION IN THE TRANSITIONAL SECTOR

The advocacy of landownership rights for its cultivators in no way implies that group or cooperative action deserves low priority in the transitional sector or that there should be more limited public involvement in the farm production process therein than elsewhere. The very opposite is true—in isolation the transitional sector household has little hope of survival and even less hope of improving its economic well-being. The argument in favor of greater spatial consolidation of most of these households also counts heavily on the additional dimensions of economic opportunity that might then be opened up to dependent households through cooperative action and relevant public policies. Ownership of the land by participating households can help provide them with the measure of social status that is necessary to draw them into an involvement in group action and thereby provide a basis for the democratic formulation of their collective purposes (Penn 1950, pp. 219-233). Organization is essential to economic efficiency and growth under the labor-intensive conditions of production that apply in the transitional sector, but organization under such circumstances, be it in the form of an hacienda, a state farm, or a cooperative, can as easily turn out to be an instrument of exploitation of the poor as it can be a means to their advancement (Clement 1968, p. 205). Through the medium of landownership a measure of economic citizenship and a voice in the determination of their own future can be conferred even upon the very poor (Parsons 1954).

There are many obvious areas for joint or community action in a consolidated rural transitional sector. One of these is the establishment of effective representative machinery for the settlement of the innumerable disputes that tend to arise among people living and working in close quarters at a low standard of living, and which can be quite damaging to the productive process. Much of the competition that occurs

in such conditions appears to be quite sterile, involving the expenditure of much time and energy "upon doing the other fellow out of part of his share for one's own benefit rather than upon increasing the productivity in order to augment the share of each and all" (Holmberg and Dobyms 1969, p. 407). However, an effective basis for community action is needed, not only for the establishment and supervision of the necessary ground rules of group conduct, but also to generate and administer cooperative or public programs in areas such as land development, irrigation and drainage works, land transfer arrangements, marketing and credit facilities, education and extension work, transportation, and local industrial development.

More relevant and effective forms of local government and cooperative organization for consolidated small landholder areas are needed to take fuller advantage of these opportunities. Much is to be learned in this respect from such relevant experiences as those associated with the Egyptian rural cooperatives, the Mexican *ejidos*, and the Sudanese Gezira scheme. Each of these cases, and many others,<sup>b</sup> contain experimental elements developed to assume some of the responsibilities and rights that in earlier times were the province of tribal chiefs or private landlords. The Egyptian cooperative is particularly impressive with respect to its comprehensive impact in the areas of land management, farm mechanization, and credit and marketing facilities (Ghonemy 1968, pp. 68-83; Owen 1964a).

As important as self-help through group action is the need also to establish transitional sector administrative machinery to put to effective use any monetary and other forms of assistance as may be made available to the sector by national governments to supplement the "welfare-in-kind" provided in the form of farming plots. For sound economic reasons, traditional extension services in all countries are heavily biased in favor of the commercial farmer. The costs of dissemination, even of simple, relatively tenure-neutral techniques such as improved seed—for example, the new strains of rice and wheat in Asia—undoubtedly increase steeply per unit of cultivable land as sizes of farms decrease. As has been stated elsewhere, "we especially need a breakthrough in ways of efficiently channeling knowledge, credit, and modern production inputs to a vast number of small farmers" (Myren 1968, p. 6).

This is a problem that should be at least partially solvable by effective local government machinery and the exploitation of modern forms of communication, complemented by more universal education and by research and extensions services directed specifically to the characteristics and problems of transitional sector farmers (*ibid.*). Extension work in this important area might well emulate the Japanese emphasis upon simple tools, double-cropping opportunities, and rural literacy. It should

probably treat the rural transitional household and its land as a joint land-labor resource and the household as a largely undifferentiated unit with respect to the processes of production and consumption (Bottomley 1966, p. 147; Joy 1969, p. 379). It needs to relate government subsidy programs and sources of credit more directly to the adoption of new techniques and community development efforts (Penny 1968, p. 14). The productive potentialities of the small farm, though long recognized, have as yet been barely scratched; they can be fully realized only with concerted and specialized group efforts involving, above all, the people most immediately concerned.

#### TRANSITIONAL SECTOR MARKET OPPORTUNITY AND MARKET INVOLVEMENT

The traditional orientation of land reform movements, namely, an emphasis on wider distribution and greater security of access to land, needs to give place, as economic development proceeds, to an increasing emphasis upon the expansion of market opportunity and security of exchange. However, the application of this principle takes a different direction in the rural transitional sector than in the commercial farming sector. The important opportunity frontier in the former case is *not* market opportunity for farm products. This applies irrespective of the fact that many small farmers in many countries find it advantageous to grow cash crops—for example, cotton in Egypt. The transitional sector is intrinsically a subsistence-type economy. It engages in the production of farm commodities primarily with a view to satisfying as much as possible of its own basic consumption needs, and generally, the more directly it can do this the better it will likely be for it. Its contact with commodity markets through cash sales preferably, in the interest of its own economic security, should be peripheral, seasonal, and even ephemeral and, at any given time, also involve only a small proportion of the total participating households (Castillo 1969, pp. 136–142). Contact with commodity markets may even be expected to decline as a country develops. In this regard it is significant that, in spite of the considerable expansion in productivity on its private plots, there has been a steady fall in the proportion of the output marketed from this subsector of Russian agriculture in recent years (Newth 1961, p. 171).

The principal marketable item of the rural transitional sector is, or should be, labor, not farm products, and the principal potential market for its surplus labor lies outside of agriculture.<sup>9</sup> Concentrating the transitional sector around existing or potential urban industrial areas is consistent with this fact. It can help to bring needed non-farm employment opportunities within range of its households. At the same time it can help to stimulate higher rates of industrial development by making available

to it, and to related public works, the relatively cheap labor supply that tends to be associated with conditions in which the laboring unit does not wholly detach itself from the rural household (Balogh 1961). It stands to be still further stimulated in the degree to which a well-located transitional sector does act as a safety valve with respect to fluctuations in urban employment opportunities or to "errors in official policy and faults in distribution in more tightly planned and controlled economies."<sup>10</sup>

In these and in other ways, not the least of which might be its healthy downward influence on the general level of urban wages, a symbiotic relationship between the country and the city might be established through careful planning of the location and total employment opportunities of a rural transitional sector.<sup>11</sup> To do so should also serve to expose the fact that, in the final analysis, the apparent inefficiency of any transitional sector is a by-product of inefficiencies elsewhere in an economy, and especially with respect to the rate and the pattern of job creation outside of agriculture (Hendrix 1962, p. 528).

Off-farm employment opportunities for households in the transitional sector should preferably be based on money wages rather than on labor service in the medieval manner of the South American *latifundia* (Holmberg and Dobyns 1969, p. 33). Off-farm work should provide the transitional sector household with its principal source of money income and should not serve to render it a satellite to premodern forms of economic organization. The long-term objective is to reach a situation in which most of the productive labor in the transitional sector derives an adequate money income from off-farm employment. As this objective is achieved, the cultivation of transitional farm plots might be expected gradually to become retirement propositions for a passing generation, and thereafter to be absorbed into one of the modernized sectors.

Finally, mention is made of the possibility of planning for the development of cottage and light industries and of promoting general community projects in consolidated transitional sector areas to complement employment opportunities on the land and in established urban centers. It would appear that much more could be done in this respect in most developing countries.<sup>12</sup> Greater emphasis needs to be given also to relatively more labor-intensive industrial developments in these countries. That is, a middle ground of industrial activity and related tertiary services needs to be encouraged wherein more jobs can be created per unit of added output than has become the established pattern under concentrated and heavy industrial development (U.S. Department of State 1969, pp. 3-9). A consolidated rural transitional area treated primarily as an embryonic urban development area is an appropriate arena in which to pursue this objective.

*The Commercial Farming Sector:  
Some Special Features*

OPTIMUM SIZE OF FARMS IN THE COMMERCIAL SECTOR

THE RURAL transitional sector has been given primary and rather detailed treatment because, to the author's knowledge, it has not been previously identified and analyzed in this manner. Most analyses of the economics of agriculture and of the role of land reforms in the development process are based on the assumption that the transitional and commercial sectors are part and parcel of a single integrated farm economy. At the same time, there has been a tendency for social science research to be biased toward commercial farming in well developed countries, and in many less developed countries toward subsistence farming. In total, since most of the literature in economics emanates from the former type countries, it tends to be more relevant to commercial farming than to the transitional sector. The reverse probably holds true for anthropology.

The major proposition presented with regard to the commercial farming sector is that in most countries it is not sufficiently modernized. There are two principal reasons for this—really two sides of the same coin. On the one hand, population pressure in most of the less developed countries tends to impinge upon the opportunity for commercial farming and, as already emphasized, it is this situation that renders priority planning of an efficient rural transitional sector so important. On the other hand, in most of the less developed countries there are too many subcommercial farms that meet neither the efficiency conditions of the transitional sector nor those of the commercial sector, being too large for the former and too small for the latter. At the same time, and frequently in the same country, there often exist farms that are clearly too large for maximum efficiency in the commercial sector. These oversized farms are commonly an inheritance from a feudalistic or colonial past, although, in a number of instances they have also emerged as a product of mistaken notions regarding the economics of scale in agriculture (Bradley 1969, pp. 89–95; Georgescu-Roegen 1960).

The task of achieving an efficient commercial farming sector requires working from the two extremes toward the achievement of more optimum, intermediate-sized, commercial farms. In addition to the problem of the concentration of political power at the extreme represented by farms that are too large, these types of farms have found some defense also in a continuing debate as to whether or not a factory form of production organization, namely, a multiple wage-labor force concentrated within the same operational unit, is as applicable to agriculture as it is to manufacturing. Marxian economic analysis has tended to help

confuse this issue. Karl Marx, knowing little about agriculture, not surprisingly deduced that large-scale operations in agriculture followed the same technological logic as applied in manufacturing, and his followers ever since, as well as others, have been trying at great cost to many countries to prove the point either because the master said so or because it also seems so obvious to them (Bradley 1969, p. 90; Georgescu-Roegen 1960, p. 6; Higbee 1963, pp. 85-94). Even modern Marxist writers, who go so far as to admit that many of the collective farms in Russia are too large and too diversified, still tend to hold firmly to the doctrine that an optimum-sized farm must be considerably larger in terms of total labor input than a family enterprise. To quote one such writer:

Accumulations in small scale production are comparatively small and therefore the process of expanded reproduction proceeds slowly. Agriculture begins to lag more and more behind the development rates of social production as a whole and retards the growth of the national economy—then consequently at a certain stage the socialist transformation of small scale peasant production becomes necessary—first of all they are converted into socialist enterprises; second, they become large scale producers; third, the individual labor of the scattered small producers is converted into labor of a direct social nature. (Venzher 1965, p. 8)

Thus the appeal of factory farming, which Alfred Marshall hoped might be experimented with at some time by some philanthropic gambler, remains strong. It has captured the imagination of leaders in many of the less developed countries as well as in Russia. Superficially, and in sufficiently abstract theory, there are all kinds of arguments as to why it should work; but in practice the results have never turned out to be very different from those of the state farms developed in Ghana during the last two decades.<sup>13</sup> Similar and equally disappointing results have been experienced in experiments with large-scale state farming in Guinea and elsewhere in Africa (Berg 1964).

There are good technological reasons to explain why, even in highly developed countries, diseconomies of scale set in very rapidly in farming when the operational unit requires more than a relatively small number of full-time labor units, i.e., more than the amount (one to three units) that can be supplied by an ordinary-sized farming family (Heady 1969, p. 126; Owen 1966, pp. 50-51). The available empirical evidence in support of this proposition is even more convincing. Perhaps most impressive of all is the fact that in the United States the modernized family farm still retains a clear competitive lead over all other forms of operational units in the main farming areas, even though anyone who believes that a factory type farm is more efficient has always been perfectly free to risk investment in it (Kotlsky 1962; Nikolitch 1965).<sup>14</sup> Further relevant evidence on the same point is also being generated elsewhere,

for example, in Mexico, where the average size of the large private farms is falling as "these farms are gradually becoming family farms to a relatively higher degree than before" (Dovring 1969, p. 17).

The same criticism as has been made of state farms applies, but even with greater merit, to most of the plantations, *latifundia*, and other forms of estate farms on which dependent labor has little or no internal operational independence. These are common phenomena in the less developed countries. In addition to the fact that they frequently are oriented more specifically to social and political objectives than to market efficiency, most of these units constitute centrally controlled farms that are too large for maximum efficiency irrespective of the quality of their management.

For these reasons there is a widespread need for land reforms aimed at the reassignment of land presently incorporated in factory type farms into more optimal-size commercial farms. Leaving aside for a moment the question of how the power of the large traditional landlord should be curtailed or differentiated, there is little doubt that the end result should be a reorganization of most larger-than-family farms into smaller operational units. A possible short-run exception to this exists where it might be claimed that the existence of large, centrally directed farm units provides an essential means to an immediate extraction of capital from the countryside, and where, for the time being, this objective appears more important than increasing farm productivity. Such was the "Stalinist solution" to the agrarian question in Russia in the 1930s, and it also provides a plausible case for temporarily retaining plantations as nationalized enterprises in countries like Indonesia, Egypt, and Cuba (Georgescu-Roegen 1960, p. 9).

The issue of what to do about oversized farms, and especially those controlled by traditional landlords—such a central concern of revolutionary land reform movements in recent times—should not, however, detract attention from the other and generally more important side of the problem. This is the need to move in the direction of larger *family farming units* in most potential commercial farming areas in which this type of farm organization exists. On balance, the modernization of commercial farming is probably impeded more in most countries by inadequate-sized family operational units than by excessive sizes of farms and, indeed, whatever else may be their sins, it should be recognized that some of the more progressive farmers, in most countries, also tend to be large landlords (Kanel 1967, p. 39). For example in Egypt, prior to the revolution, it was the larger farmers who were blazing the trail for commercial agriculture by transferring much of their land to fruit and vegetable production. The revolutionary government, due to the particular formula it adopted for land reallocation and settlement, emerged unduly wedded to the traditional rotation system, a system

adapted as much to the needs of the subsistence farmers as to the market. As such, it may have well underestimated the long-run significance of the innovational contributions of these whose vested interests were attacked in the land reform program (Owen 1964a; 1964b).

The optimum size of farms in the commercial farming sector may be defined as the *maximum amount of land* that a qualified farmer can fully exploit based on the most advanced standards of farm technology compatible with the particular stage of development of the country concerned. Such a standard will normally tend to express itself around a given item of farm power, for example, a donkey, buffalo, small cultivator, or tractor, and in the form of associated cultivating and harvesting equipment and compatible variable inputs. What item of power should set the standard during a particular time period in a country is an important question to be considered in the planning process. However, that it should be expected to change through time is also important, and an upward adjustment in the area size of commercial farms should consequently be anticipated as any country develops. The only question is whether the transition should be gradual or, following the pattern of development in the industrial sector, should involve large discrete technological jumps analogous to the shift from "cottage" industries to "Pittsburgh Steel" industries. The author personally finds it hard to be convinced that a jump from the donkey to the tractor is any less merited in the *commercial farming sectors* of less developed countries than its more dramatic but more widely accepted equivalent in urban-industrial development. On the other hand, following the Japanese example, greater efforts obviously should be made to adapt forms of mechanical power to the needs of small area farms and otherwise to promote labor-intensive in preference to labor-saving technologies consistent with the relative factor endowments that are typical of less developed, densely populated countries (Fei and Ranis 1964; Hayami and Ruttan 1969; Thome 1968).

Recognition of two entirely different optimal conditions with respect to size of farms in the two different rural sectors leads to the important conclusion that there can be little economic justification for the existence of more than a limited number of farms that fail to meet the optimum conditions of either sector. It is presented as a plausible hypothesis that most farm units in most countries fall between, rather than around, the two optima to the detriment of overall economic efficiency.

#### LAND TENURE IN THE COMMERCIAL SECTOR

The need for a continual enlargement of commercial family farms through time to keep step with an increasing optimal size has important implications regarding land tenure policy in this sector. In particular, it

suggests the desirability that a substantial proportion of land in the commercial sector be available to its member farmers on a rental rather than on a purchase basis (Harrison 1965, p. 334). For this and other reasons, the model of the English estate has much to recommend it in this sector over that of the generalized, owner-cultivator type of farming system which developed such a fine reputation for itself in the abundant land environment of the United States and similar New World countries. The limiting factor with the English model, comprised of a number of tenant family operational units within a single landed estate, is the quality of a country's legal framework. In the English case, the necessary legal framework evolved over the greater part of a century in the form of the several agricultural holdings acts which comprise an important part of English legislative history (MacGregor 1955, pp. 360-374). In this legislation the specific rights and responsibilities of both private parties to a tenancy agreement were spelled out, especially those of the landlord or estate manager. Such a system can only evolve with the evolution of government itself, and it is for this reason that, in the early stages of development, full ownership of at least the greater part of the land they farm has such appeal to emerging commercial farmers (Johnson 1966). However, this does not alter the fact that the division of labor and specialization of function between land management and farm management is entirely consistent with the application of these principles to other elements in the production process. At least a substantial part of the land in the commercial sector of all countries needs to be managed in this way, and the sooner the better.

In any differentiation of the "bundle of rights" associated with the ownership of commercial farm land it is really a side issue whether or not the function of land management is performed by the state, or by private landlords or landed corporations subject to appropriate legal controls. The essential condition is a legal framework under which a cultivator who assembles all or part of his land in the rental market is assured the requisite security of tenure, compensation rights for unexhausted improvements at the termination of his lease, and independence in managing his farm. This will free him to concentrate on the job of farming without being saddled unduly with the burden of investment in land (Thompson 1966). Without this dimension, simple "land-to-the-tiller type" land reforms may represent little more than a form of escapism for revolutionary governments incapable of facing up to the more difficult task of effecting needed reforms within a framework of "due process of law" and thereby of molding preexisting interests in land into a more productive relationship, one with the other (Parsons 1960, p. 301). Revolutionary redistributive zeal in this way carries with it the decided risk of eliminating the positive elements along with the negative, with the overall net economic effect, as likely as not, being

negative from the viewpoint of an emerging commercial farming sector. In his study of the Iraqi land reform program, Robert Fernea concluded that, when all was said and done, "it became clear that the mere absence of the landlords was not a solution to the cultivator's problems" (Fernea 1969, p. 358). Perhaps it might be stated as a valid general rule that any government that is unable to reform landlordism in the commercial farming sector without eliminating landlords should be suspected of likely being incompetent to undertake any kind of positive land reform program.

Flexibility of farm size in the commercial sector also depends upon the emergence of an efficient land market in this sector, through which land can become available to the cultivator not only in reasonably small incremental units but also at a rent, or a purchase price, closely related to the productivity of the land. The commercial farmer correctly should be treated as a full citizen of an exchange economy whereby he must assume its obligations at the same time as he gains access to its higher degrees of freedom. Therein, in contrast to the subsistence orientation of the farming component of the transitional sector, "the test of land *needs* must be replaced by a test of land *use*. The ability to buy and sell land must freely rest on the assumption that the value of land reflects, in rough measure, the use to which the land can best be put," and the market must give "the buyer access to land for those economic purposes which are consistent with the price which he has to pay for it and ensure to the seller the opportunity to dispose of land which he is unable to utilize adequately in relation to the price which it will fetch."<sup>15</sup>

It follows that whereas there is a case in land reform programs for distributing land to households in the transitional sector without charge—since it represents a welfare-in-kind payment—there is no good economic case for distributing land free or cheaply to commercial farmers. This would appear to have been a serious mistake in the Egyptian land reform program. By definition a commercial farmer is one who can pay the true market price for land and still make a decent living according to the standards prevailing in the modernized sectors of an economy. Furthermore, the appropriate rule of commercial farming is that the farmer continuously be required to prove himself on this basis. A leading commercial farmer is one who can also make a profit at the full market price for land and thereby help to keep himself in the vanguard of technological progress, including the realization of such economies of scale as the process opens up to him.

#### MARKET OPPORTUNITY AND THE COMMERCIAL FARMER

The point that the commercial farmer is oriented to production to satisfy the demand of others, rather than to the direct consumption needs of his household, deserves to be pursued further. The achieve-

ment of a high degree of involvement in the process of exchange is an evolutionary phenomenon and during the intermediate stages in the emergence of an efficient commercial farming sector, most of its farmers will rely on self-support for a substantial part of their security. However, a forward looking land tenure policy will encourage a developing commercial farming sector continually to move toward a situation in which its source of economic security will stem principally from security of exchange rather than from landownership. That is, the farmer needs increasing assurance that a specialized product or set of products can be continuously exchanged for a diversified set of both consumption and producer goods, including land. As development proceeds, land becomes relatively less strategic in the total input picture even though the absolute quantity needed per efficient commercial farm normally will tend to increase (Schultz 1960, chapter 2). Probably because of this, many people have come to prefer the term "agrarian reform" to "land reform" in recognition of the fact that, as a basis for agricultural development, the latter can prove too restrictive and even antidevelopmental in its impact.

Land tenure policy should aim to facilitate and not inhibit access to the wider dimensions of agricultural economic progress. Among the more important dimensions is the channeling of more and different kinds of capital to commercial agriculture, which in turn means involving more interests in the farm production process and in the control of the land. Other important directions of development include a necessary spatial specialization of different branches of agricultural production in the commercial sector consistent with the principle of comparative advantage; all highly developed countries are characterized by distinct specialized farming areas and each has its own needs when it comes down to the specifics of farm organization and land tenure arrangements. This point is particularly relevant in the Middle East with its wide range of climatic conditions and heavy dependence upon both of the extreme forms of land use represented by irrigated agriculture and extensive pastoral activities. Not only do the countries in this region need to move in the direction of greater area specialization in land use, but commercial agriculture needs to displace subsistence farming to a greater extent in its more arid and remote areas than in its higher rainfall and irrigated areas. The idea of applying the subsistence-oriented, Nile Valley model of land use and farm organization on a wider scale is questionable on the same general grounds (Owen 1964a, p. 72).

In the commercial sector a continuing differentiation of the total process of farm production is to be anticipated. Some functions can be more efficiently performed off the farm—such as the production of power and fertilizer and the processing and marketing of farm products—just as other functions will retain continuing comparative advantage on residual, specialized farms (Davis and Goldberg 1957). An appropriate land

tenure policy for the commercial farming sector will promote and facilitate this developing structural interrelatedness between a modernized farm sector and its industrial counterpart. This can only emerge where it is recognized that such transformation carries with it a basic change in the pattern of interests in the land itself, that is, a change which relegates not only the traditional landlord but also the self-sufficient subsistence farmer to the history books as far as the commercial farming sector is concerned.

The test of an efficient land tenure system for the commercial farming sector also rests in part upon the degree to which it benefits other sectors by providing new dimensions of market opportunity and by contributing to the capital accumulation process. Over and above its superior record in production, a family farming system also has special advantages from these two points of view. It has been convincingly argued that a system involving small independent farmers tends to stimulate a more balanced and developmentally significant pattern of farm sector demand than is likely to evolve under the concentrated pattern of income distribution that typically is associated with plantation and *latifundia* systems (Baldwin 1956; see also Clark 1963; Thiesenhusen 1969, pp. 740-46; Dörner 1968, p. 8). This may be expected to be truer the closer a family farming system generally approximates the optimum farm size for a given country at any particular time. An efficient family farming system, operating as it does on a basis more or less equivalent to the pure competitive model, has the additional advantage of tending automatically to produce a positive contribution to capital accumulation both internally and externally (Owen 1966).<sup>10</sup> While undoubtedly being an efficient instrument for the short-run expropriation of a commodity surplus from agriculture, along the lines demonstrated in recent decades in Russia and certain Eastern European countries, the collective farm model has not proved itself to be anywhere near as efficient as a competitive family farming system in continuing to build a base of improving farm productivity in the interest of long-run economic development (Siro 1967; Bradley 1969; Georgescu-Roegen 1960).

To the extent that the commercial farming sector incorporates a landlord-tenant component, the landlord may also play a special role in the overall process of capital accumulation and investment. On the one hand, the landlord is responsible for the long-term investment program for his farms as "going concerns." On the other hand, he may be viewed as an agent of society through which part of the capital accumulated in the agricultural sector in the form of rent might be funneled to the support of non-farm investment. There is a strong case for using the power of taxation as well as regulation to influence landlords to assume the role of dualistic landlords in the Fei and Ranis sense (Fei and

Ranis 1964). To do so, in the final analysis, represents a possible alternative to the nationalization of the land, especially in the early stages of development.

#### GOVERNMENT INVOLVEMENT IN THE COMMERCIAL SECTOR

Only a very brief reference will be made to this important topic in this context. From what has already been said, it follows that perhaps the most important role government can play in the commercial farming sector is the promotion and protection of an open, national marketing and exchange process. Most fundamental in this regard is its role in the modification of the traditional legal framework to provide the security of exchange necessary for the commercially oriented farmers to take full advantage of any developing urban-industrial sector market opportunity and to be rendered viable customers for its products.

This primary task needs to be complemented by selective public support for land and water development projects and for the extension of transportation, communications, and storage facilities designed respectively to enlarge the land resource base and to otherwise improve the marketing system. Many of these projects, at the same time, can serve to create additional off-farm employment opportunities for rural transitional sector labor.

The direct involvement of government in the management and operation of commercial farms appears to have very little to recommend it on the basis of the historical record. However, government intervention can help to stimulate productive activity on commercial farms through selective price support programs, the promotion of better rural credit facilities, and perhaps most important of all, through investment in agricultural research and extension. As is now well known, such investment can have a tremendous payoff under family farming conditions in the form of a large market surplus of farm products supplied at a declining real cost to the urban-industrial sector (Owen 1966, pp. 53-7).

#### *Interrelations Between the Two Rural Sectors*

ONE OF THE most obvious possible criticisms of the preceding analysis is that the separation of the rural economy into the suggested two subsectors, while perhaps conceptually sound, is impractical, for both economic and political reasons. On the economic side, it can be argued that it would likely be impossible to prevent cheap labor from the rural transitional sector from flowing into the commercial farming sector and that the availability of this cheap labor destroys the case for any significant degree of mechanization of production in the commercial sector. It might also be argued that a concentration of low-income

households in identifiable transitional sector areas, and especially around urban areas, would be overtly discriminatory, socially distasteful, and politically explosive.

These are indeed challenging questions, but upon reflection it becomes clear that they identify problems to be resolved in any systematic implementation of the type of development policy proposed, rather than proof of its irrelevance or impracticability. Most of these problems already exist and are not to be solved merely by sweeping them under the rug of an assumed undifferentiated rural economy. In reality rural households in all countries are already divided between rich and poor in an even more discriminatory and socially distasteful manner than is herein proposed. The dualism in the rural economy of Indonesia described by Geertz thus represents not a unique situation but rather a particular case of a far more general phenomenon. For example, in Latin America over 75 percent of farm households occupy under 10 percent of the cultivable land (Thome 1968, p. 1); in India 86 percent of the farm households occupy only 36 percent of the land (Dubey 1963, p. 700); in the United States over 60 percent of its farmers cultivate under 24 percent of the land (U.S. Department of Commerce 1954, 1964); and in Russia 25 percent of the rural manpower utilizes only 4 percent of the cultivable land (Newth 1961). Furthermore, besides there being a majority of farming families with only minority rights in farm land, there are also in many countries large numbers of landless laborers. The rest of the land is concentrated in the hands of a relatively small proportion of the rural populations of these countries. In many countries most of the larger landholders are much more efficient exploiters of the subsistence farmers around them than they are efficient exploiters of the land they control. What has been proposed herein merely involves a step toward the economic rationalization of what already exists.

It might also be argued that developments like those represented by the Egyptian land reform program offer a possible alternate model to the physical separation of the two sectors. This is to claim that it might be possible to devise new forms of organization of agriculture in densely populated countries in which a system of smaller farms than might otherwise be justified are overlaid by cooperative group responsibilities with respect to a wider area of land. Conceivably this could confer on the total group certain benefits of scale realizable with respect to the management of irrigation and drainage works, mechanical aids, and credit and marketing facilities. The Egyptian innovations in this regard have been most interesting (Georgescu-Roegan 1960, p. 13), as also those represented by the *ejido* in Mexico. However, the difficulty with such approaches is that they tend to represent purely agrarian

solutions to a problem which has much wider dimensions. On the basis of experience they tend not to go far enough in the interest of landless rural labor, or in their effort to meet the minimum standards of efficiency with respect to commercial agriculture.

The challenge to development planning does not lie in the area of commercial farming where the main ingredients of an efficient system have been widely demonstrated. Rather it centers upon the need to devise more efficient forms of organization and development programs for the rural transitional sector without confusing this in any way with the commercial farming sector or sacrificing the latter in the process. To see the challenge in this way will also help to turn development plans for the transitional sector in the proper direction, namely, in the direction of seeking complementarities between it and the urban-industrial sector in place of the prevailing tendency to view it as being inextricably and eternally bound up with the fortunes of agriculture.

#### *Concluding Comment*

AN ATTEMPT has been made in this paper to outline a general framework of analysis that may be helpful to the understanding of economic and social change in the Middle East as well as elsewhere. It is offered as being particularly relevant to the problems facing densely populated countries like Egypt, but to a considerable degree the basic argument would appear to apply quite generally. To the extent that it is sound it has obvious and important implications both in the policy area and for social science research.

The point that most deserves to be reiterated is that many problems arise from the tendency to treat the subsistence farmer as if he were a member of an exchange economy to a much greater degree than he really is, and from the tendency also to treat the commercial farmer as if he were still entitled to the securities and way of life of a subsistence economy. A big step forward can be taken both analytically and in terms of practical policy by recognizing how little the two rural sectors really have in common. On the other hand, a modernized commercial farming sector has a great deal in common with a modernized urban-industrial sector. These two interrelated sectors together constitute the essential embryo of economic growth, and nothing is more critical to the latter than the need for this combined growth point to be protected and nurtured, especially under the condition of overpopulation that is "the plague of most underdeveloped agrarian economies" (Ghosemy 1968; Owen 1964a). This needed protection, it has here been argued, might best be realized through the incorporation of a relatively long-run, rural-based welfare program in development planning, directed to the task of providing an interim means of support to

a substantial part of the remainder of the population which, from any practical viewpoint, cannot immediately be absorbed by either of the two growth point sectors.

What is called for is a program that not only holds the line against poverty and excessive rural-urban migration in the manner of the pioneering Poor Laws of England, but also provides greater degrees of both security and hope to the people concerned, and especially to the younger generation among them. Particularly important for the implementation of such a program is the redistribution of relatively small amounts of appropriately located land. But this social welfare potential inherent in land reform programs (Hill 1955, pp. 300-03) should not be confused with the equally important objective of freeing most of the land for commercial agriculture wherein not equity nor privilege, but market efficiency, is the appropriate principle upon which land distribution should be based.

The program should also not be limited to the redistribution of land. In the transitional sector this needs to be reinforced by efforts aimed at creating a wider horizon of economic opportunity for the households concerned in the form of complementary non-farm activities, wherein lies their only hope for an ultimate escape from the vicious cycle of poverty.

For planning and policy purposes, the rural transitional sector deserves to be viewed as a unique environment of economic and social change, separate and distinct from the commercial farming sector and the conventional urban-industrial sector. This in turn needs to be supported by a reorientation of relevant research in the social sciences to provide for a more explicit recognition of the reality and developmental significance of the two distinct rural sectors.

#### NOTES

1. The existence and extent of this special burden on the farm sector first became apparent to the author during a visit to Egypt in 1962. (See Owen 1964a, pp. 71-2.) Egypt also illustrates a blatant type of technological featherbedding in agriculture in the form of large numbers of peasants who continue to spend a major part of their time pumping water from canals to the surface of the land with the most primitive aids. This seemingly endless activity has been generated by the irrigation engineers who, for historical but no longer very valid technical or economic reasons, continue to deliver water to the farms below the surface of the land under the free flow of gravity. (See Owen 1964b, pp. 291-93.) The prospect of releasing the labor concerned from its "busy work" through the modernization of irrigation understandably is a matter of considerable concern to many Egyptians. It represents an interesting case in the implications of automation.

2. This proposition was introduced by the author in a previous article

in which further background to the argument is provided. (See Owen 1966, p. 64.)

3. In the United States they also represent only a small proportion of the rural population therein classified as "commercial farms." in contrast to the definition given above, the United States Bureau of Census in 1964 included among "commercial farmers" any farm operator under 65 years of age who worked off his farm for less than 100 days per year and marketed in excess of \$2500 of farm products during the year. (See U.S. Department of Commerce 1954, 1964.) in 1964, however, only 40 percent of these farmers marketed more than \$10,000 of farm products and accordingly only a small proportion of these would meet the definitional requirements of commercial farmers in the United States as the term is used in this treatment.

4. Myren has proposed a three-way division into subsistence agriculture, transitional agriculture, and modern agriculture and suggests that in Mexico, farming families fall into these three categories in the proportions of approximately 20, 45, and 35 percent respectively.

5. The term "farming plot" is more appropriate than "farm" for land units in the transitional welfare sector, since it implies smallness of size and is compatible with the idea that it should normally represent only a part-time employment opportunity.

6. While Russia's private plots deserve special recognition as a present-day rural welfare sector, probably the first deliberately planned rural welfare sector of note was established under the Poor Laws in England. It is also significant to this discourse that after many years of experience with poor-rate payments to displaced farm labor and with the organization of this labor into work gangs for the benefit of the emerging commercial farmer, and into other forms of work programs associated with the Poor Houses, there developed in the latter part of the nineteenth century in England the alternative approach of making farm allotments available to such labor. In a short time it was observed that "the field garden has, no doubt, become a formidable rival of the public house." (See Garnier 1908, p. 352.)

7. For a more condensed version see Clement 1970.

8. It can be argued that certain major movements in developing countries, such as African Socialism, pivot around the dilemma of what forms of group action are likely to be the more viable under small holder, subsistence conditions. (See Parsons 1966, p. 1191.)

9. This main market opportunity may be supplemented somewhat by wage labor opportunities, particularly of a seasonal nature, in the commercial farming sector. However, for reasons discussed earlier, the latter should be approached as a secondary opportunity and one that is far too easily oversaturated.

10. Concerning fluctuations in urban employment opportunities see Murakami and Kubo 1964; concerning private plots in Russia see Newth 1961.

11. The concept of "Agrindus" as discussed by Halperin (1963) is relevant to this possible planning objective.

12. One of the surprising things about the otherwise impressive development record of rural Mexico is the dearth of such activity in most *ejidal* villages. There could be many reasons for this, but high among them must be the limited priority given by the government in Mexico to the development of this dimension of *ejidal* life. It should also be noted that insofar as *ejidos* are widely scattered, only an extremely decentralized and expensive associated industrialization program could be effective. The role of the *ejidos* in inhibiting the movement of populations to urban-industrial centers

has probably been a more important immediate achievement, and this, it can be argued, was accomplished more cheaply by providing relatively large *ejidal* plots and imposing restrictions on absentee ownership rights in these plots. Many of the *ejidal* lands in Mexico in fact represent a special labor-intensive commercial farming subsector, which to date has proved itself to be relatively competitive with the more mechanized, modern commercial sector of larger private farms. (See Doving 1969, pp. 16-19.) It is only the poorer *ejidos*, characterized by very small plots of poor land, and the very small private holdings outside the *ejidos* that strictly speaking represent a transitional rural welfare sector in Mexico. Unfortunately the households dependent thereon, for reasons of their location and the concentration of Mexican industrial development, are for the most part limited to off-farm employment opportunities within agriculture or in distant urban centers.

13. Concerning these, the authors of a recent evaluative study could only conclude that, "if the government of Ghana had used the same amount of money and organizational talent that were expended on the state farm program to develop techniques and provide incentives for small farmers, there would probably have been a far greater increase in domestic food production." Miracle and Seidman 1968, p. 46.

14. There is a tendency in the United States to confuse "corporation farming" with "factory farming." It should be emphasized, therefore, that a large landholding which is farmed in multiple units by several different tenant farm families is not organized on the factory principle as here defined.

15. *East Africa Royal Commission 1953-55 Report*, Command Paper 9475 (London: Her Majesty's Stationary Office 1955-1958), p. 49.

16. It is suggested that in principle the rural transitional welfare sector should be at worst self-supporting and preferably a net importer of capital, whereas the commercial farm sector should tend to be a net exporter of capital in the interest of overall economic development.

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