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**A.I.D. SPRING REVIEW OF LAND REFORM, JUNE 1970**  
**Second Edition, Volume XII**

# **BACKGROUND PAPERS**



**AGENCY FOR INTERNATIONAL DEVELOPMENT**  
**DEPARTMENT OF STATE**  
**WASHINGTON, D.C. 20523**

**A.I.D.**  
**Reference Center**  
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AGENCY FOR INTERNATIONAL DEVELOPMENT

SPRING REVIEW OF LAND REFORM

BACKGROUND PAPER 1

USAID REPORTS:

A.I.D. SUPPORT FOR LAND REFORM

assembled  
June, 1970

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USAID REPORTS:

A.I.D. SUPPORT FOR LAND REFORM

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Chile  
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Note: US A.I.D. Missions were asked to describe briefly U.S. official aid activities in support of the land reform programs in their countries -- the programs discussed in the Country Papers. Not all Missions responded in time to be included in this unedited reprinting.

On the next page a table is presented showing summarily the extent of U.S. assistance to land reform programs in the thirty countries included in the Review. It puts in perspective A.I.D. and predecessor agencies' world-wide commitment as well as the representativeness of the few reports reprinted here.

Table:

A. Gayoso  
EA/PPC  
5/29/70

U.S. OFFICIAL ASSISTANCE TO LAND REFORM PROGRAMS

<u>Countries</u>	<u>Years (Implementation)</u>	<u>Extent of U.S. Assistance*</u>			
		<u>None</u>	<u>Little</u>	<u>Considerable</u>	<u>Substantial</u>
Mexico	1915 -	None			
Cuba	1959 -	None			
Guatemala	1952-54	None			
	1954 -				Substantial
Venezuela	1960 -		Little		
Colombia	1961 -				Substantial
Ecuador	1964 -		Little		
Peru	1964/1970		Little		
Bolivia	1953	None			
Chile	1966 -		Little		
Brazil	1960 -	None			
Hungary	1920 & 1945	None			
Yugoslavia	1919 & 1943/1953	None			
Italy	1950			Considerable	
Algeria	1963 -	None			
Tunisia	1956 -	None			
Nigeria	1960 -	None			
Kenya	1961 -	None			
UAR	1952 -	None			
Iran	1961/62		Little		
Iraq	1958 -	None			
India	1948 -	None			
Japan	1868-1945	None			
	1945 -				Substantial
South Korea	1949 -				Substantial
Taiwan	1949 -				Substantial
Philippines	1955/63			Considerable	
North Vietnam	1953 -	None			
South Vietnam	1955-1962		Little		
	1970				Substantial
Turkey	1945 -	None			
Pakistan	1959 -	None			
Indonesia	1962 -	None			

\* Capital and/or technical aid, excluding Peace Corps, directly to land reform programs. Classification does not suggest extent of land reform program. For example, U.S. may have extensively assisted a limited program.

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FROM RIO DE JANEIRO  
SUBJECT SPRING REVIEW OF LAND REFORM  
REFERENCE AIDTO CIRC A-875

**I. INTRODUCTION**

BRAZILIAN EFFORTS IN LAND REFORM, IN THE SENSE OF LAND REDISTRIBUTION IN AREAS OF HIGH POPULATION DENSITY, HAVE BEEN MODEST. USAID'S POSITION HAS BEEN TO ENCOURAGE INCREASED BRAZILIAN ATTENTION TO THIS SUBJECT AND TO SUPPORT, INDEED IN SOME CASES TO STIMULATE, THE EMERGENCE OF INSTITUTIONS ACTIVE IN THIS AREA. A VARIETY OF U. S. EFFORTS, CHIEFLY TECHNICAL ASSISTANCE AND PRIMARILY IN THE NORTHEAST, WERE UNDERTAKEN. BUT OTHER GOB PRIORITIES, ALONG WITH BRAZIL'S HESITANCY IN THIS SECTOR AND LIMITED RESULTS WHERE PROGRAMS WERE INITIATED, MILITATED AGAINST MAJOR U. S. INVOLVEMENT. USAID'S CURRENT POSITION COMBINES TECHNICAL ASSISTANCE AND COLLABORATION IN THE PREPARATION OF POSSIBLE CAPITAL AND FOOD ASSISTANCE PROJECTS IN THE NORTHEAST, WITH ENCOURAGEMENT AT THE MINISTERIAL AND REGIONAL LEVEL TO THE GOB TO ACCELERATE LAND REFORM PROGRAMS - PRINCIPALLY GERAN - WHICH WE HAVE INDICATED A READINESS TO SUPPORT.

**II. POLICY**

FOLLOWING USAID'S STIMULUS IN 1965 AND MAJOR USAID (LARGELY BEHIND-THE SCENES) ASSISTANCE ON POLICY FORMULATION, RESEARCH ANALYSIS AND DRAFTING, SEVERAL BRAZILIAN AGENCIES LED BY SUDENE CREATED THE POLICY, PROGRAM AND STATUTORY FRAMEWORK FOR THE ESTABLISHMENT OF A LAND REFORM AGENCY IN THE NORTHEAST (GERAN) IN 1966. ASSORTED DIFFICULTIES INCLUDING ORGANIZATIONAL PROBLEMS, LIMITED STAFF AND UNCERTAIN SUPPORT AND FINANCING PREVENTED GERAN FROM FUNCTIONING EFFECTIVELY UNTIL IT WAS RESTRUCTURED AND STRENGTHENED IN DECEMBER 1968. ALTHOUGH ITS SUPPORT AND EFFECTIVENESS IS STILL NOT ASSURED, GIVEN GERAN'S SOMEWHAT MORE HOPEFUL PRESENT PROSPECTS, USAID'S CURRENT EFFORTS FOCUS ON TECHNICAL ASSISTANCE (POLICY, PROGRAM AND OPERATIONS) TO GERAN AND ON COLLABORATIVE PROGRAM AND PROJECT DEVELOPMENT.

OTHER AGENCY

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DRAFTED BY NEAO	OFFICE NEAO	PHONE NO. 407	DATE 5/12/1970	APPROVED BY ROBERT J. BALLANTYNE, A/DOA
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AID AND OTHER CLEARANCES

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W. GELBERT, ADPR (IN DRAFT)  
W. RODGERS, ARDO (IN DRAFT)

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OCCASIONAL HIGH LEVEL, LOW KEY USG ENCOURAGEMENT HAS BEEN OFFERED TO THE GOB TO PROMOTE IT TO SUPPORT GERAN AND LAND REFORM IN THE NORTHEAST. THE USG READINESS TO CONSIDER SUBSTANTIAL ASSISTANCE HAS BEEN MADE CLEAR, WITH IMPLEMENTATION DEPENDING UPON EVIDENCE OF MEANINGFUL GOB SUPPORT OF THIS PROGRAM. IN GENERAL, THE USG HAS NOT ATTEMPTED TO USE PL-480, SUGAR SUBSIDY, SECTOR LOANS OR OTHER POTENTIAL INSTRUMENTS OF INFLUENCE TO PERSUADE THE GOB TO GIVE PRIORITY TO LAND REFORM. HOWEVER FOR SOME TIME SOME PROGRAM LOAN COUNTERPART WAS ALLOCATED FOR GERAN BUT NOT RELEASED FOR LACK OF GOB CONSENSUS ON ITS USE.

### III. MANAGEMENT

ONLY AT THE REGIONAL LEVEL IN THE NORTHEAST IS USAID CURRENTLY PROVIDING ADVISORY ASSISTANCE IN THE MANAGEMENT OF PROGRAMS. THIS ASSISTANCE TAKES SEVERAL FORMS: FOR EXAMPLE, TRAINING TRIPS FOR GERAN PERSONNEL; FULL TIME ADVICE ON AGRICULTURAL AND VOCATIONAL TRAINING; TOP LEVEL DISCUSSIONS ON PROGRAM MANAGEMENT; A CONTRACT TEAM ON MANAGEMENT, PLANNING AND PROGRAM MATTERS. TECHNICAL ASSISTANCE WAS ALSO PROVIDED SUDENE A FEW YEARS AGO ON LAND SETTLEMENT AND COLONIZATION.

### IV. TECHNICAL ASSISTANCE

CALENDAR YEAR EXPENDITURES INCLUDE COSTS ASSOCIATED WITH THE USE OF USAID STAFF, CONSULTANTS, PASA STAFF AND AID CONTRACTORS, WHO PROVIDED ADVISORY ASSISTANCE TO PROGRAMS, RESEARCH PERFORMED AND EVALUATION STUDIES, AND GAVE DIRECT TECHNICAL ASSISTANCE TO GERAN AND IBRA (BRAZIL'S NATIONAL LAND REFORM AGENCY). ASSISTANCE TO IBRA COVERED CADASTRAL SURVEYS, LAND TAXATION AND TITLING. EXCEPT FOR THIS ONE MAN-YEAR WITH IBRA IN 1967, TECHNICAL ASSISTANCE WAS CONCENTRATED IN THE NORTHEAST AND LARGELY INCLUDED SHORT TERM INPUTS BY VARIOUS INDIVIDUALS. IN ADDITION, SEVERAL TRAINING TOURS, INCLUDING ENGLISH LANGUAGE PREPARATION, WAS PROVIDED LARGELY TO GERAN STAFF AND COSTS ARE FOUND IN THE ATTACHED TABLE.

### V. CAPITAL ASSISTANCE

A. NO SUPPORT HAS BEEN GIVEN FOR COMPENSATION OF LANDLORDS.

B. LOCAL CURRENCY FUNDING THROUGH CONTAP (BRAZILIAN-OWNED COUNTERPART AND BUDGETARY FUNDS FOR SUPPLEMENTARY SUPPORT OF TC PROJECTS) HAS BEEN PROVIDED FOR RECONNAISSANCE SOIL SURVEYS IN THE NORTHEAST, THROUGH THE MINISTRY OF AGRICULTURE, OF WHICH IT IS ESTIMATED THAT NCR\$7,500 IN 1969 AND NCR\$ 5,000 IN 1970 INDIRECTLY CONTRIBUTED TO LOCAL SOIL CLASSIFICATION AND EVALUATION IN AREAS UNDER CONSIDERATION FOR LAND REFORM PROGRAM. AGREEMENT FOR RELEASE OF NCR\$ 2,200,000 IN PL-480 LOCAL CURRENCY FOR AERIAL PHOTOGRAPHY IN THE AREA OF GERAN ~~XXXXXXXXXXXXXXXXXXXXXXXXXXXX~~ WAS SIGNED BY GOB AND USAID

ON APRIL 30, 1970  
C. SEE E AND F BELOW.

D. APPROXIMATELY US\$25,968 IN MATERIALS HAS BEEN GIVEN GERAN (LOAN AND GRANT-IN-AID) IN CY 1969, PRINCIPALLY OFFICE EQUIPMENT TO ENABLE GERAN III TO SET UP SHOP AND EXPAND STAFF RAPIDLY.

E. THE PINDORAMA COLONY AND COOPERATIVE, ALAGOAS, RECEIVED THE EQUIVALENT OF US\$209,400 IN U. S. FOOD FOR PEACE GRANTS BETWEEN CY 1965 AND CY 1969, AND

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NCR\$100,000 UNDER PL-400 GRANT IN CY 1966.

F. THE STATE OF PERNAMBUCO COLONIZATION AGENCY (CRC) RECEIVED NCR\$350,000 THROUGH PL-400 GRANT TO SUPPORT THE ESTABLISHMENT OF THREE COLONIZATION PROJECTS FROM CY 1962 TO CY 1965. THE STATE OF BAHIA RECEIVED NCR\$73,332 IN CY 1969 AND NCR\$30,263 IN CY 1970 THROUGH CONTAP FUNDING TO ASSIST THE DEVELOPMENT OF TWO COLONIZATION PROJECTS.

#### VI. PROSPECTIVE ASSISTANCE

ACROSS-THE-BOARD TECHNICAL ASSISTANCE TO GERAN, USING DIRECT HIRE, CONTRACT AND PASA PERSONNEL IS EXPECTED TO CONTINUE. FOOD FOR DEVELOPMENT WILL LIKELY BE EMPLOYED IN VARIOUS ASPECTS OF GERAN'S PROGRAMS. DOLLAR LOANS FOR EDUCATION RELATED TO GERAN'S ACTIVITIES AND FOR SUGAR MODERNIZATION AND OTHER EQUIPMENT, ARE ALSO POSSIBILITIES. SMALL AMOUNTS OF FFD WILL BE USED TO ASSIST A VOLUNTARY AGENCY'S LAND SETTLEMENT PROJECT IN THE NORTHEAST. ADDITIONALLY NCR\$3 MILLION IN PL 400 COUNTERPART WILL BE AVAILABLE TO GERAN FOR AGRICULTURAL CREDIT THROUGH GECCI.

(GERAN HAS REQUESTED 80 PEACE CORPS VOLUNTEERS FOR SERVICE IN THE SUGAR ZONE TO WORK ON PROJECTS RELATED TO LAND REFORM)

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**USAID SUPPORT FOR LAND REFORM IN BRAZIL**  
(CALENDAR YEARS; MONEY FIGURES IN THOUSANDS)

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u> (ESTIMATED)
<b>I - TECHNICAL ASSISTANCE (EXC. TRAINING)</b>						
<u>MAN YEARS</u>	5.2	5.3	2.6	1.5	2.2	2.7
<u>FINANCIAL OUTLAYS</u>						
DOLLARS	270.6	133.2	111.0	46.0	72.1	127.3
CRUZEIROS	11.0	11.0	11.0	11.0	57.0	259.4
\$ EQUIVALENT OF NCR\$	5.3	5.0	4.1	3.4	14.5	59.0
<b>II-TRAINING</b>						
PARTICIPANTS	-	7.0	4.0	5.0	34.0	43.0
MAN YEARS	-	0.9	0.5	1.7	17.0	22.1
COSTS: DOLLARS	-	16.0	10.1	5.9	-	19.3
CRUZEIROS	-	22.0	6.7	3.3	120.2	221.5
\$ EQUIVALENT OF NCR\$	-	10.0	2.5	1.3	30.0	50.3
<b>III-CAPITAL ASSISTANCE</b>						
<u>SUPPORT FOR CLASSIFICATION, IDENTIFICATION AND TITLING</u>						
CRUZEIROS	-	-	-	-	7.5	2,205.0
\$ EQUIVALENT OF NCR\$	-	-	-	-	1.9	501.0
<u>SURPLUS COMMODITIES (\$)</u>	-	-	-	23.0	-	-
<u>FEEDER ROAD CONST EQUIPMENT</u>						
CRUZEIROS	-	2,000.0	3,000.0	-	-	-
\$ EQUIVALENT OF NCR\$	-	909.9	1,111.1	-	-	-
<u>OFFICE EQUIPMENT (\$)</u>	-	-	-	-	26.0	-
<u>SUPPORT TO EXISTING COLONY</u>						
FOOD FOR PEACE (\$)	42.0	42.0	42.0	42.0	42.0	-
CRUZEIROS	-	100.0	-	-	-	-
\$ EQUIVALENT OF NCR\$	-	45.0	-	-	-	-
<u>SUPPORT TO NEW COLONIES</u>						
CRUZEIROS	30.0	-	-	-	73.3	30.3
\$ EQUIVALENT OF NCR\$	47.4	-	-	-	18.3	6.9
<b>IV - TOTAL COSTS IN DOLLARS</b>	<u>335.5</u>	<u>\$1,161.18</u>	<u>230.3</u>	<u>3125.4</u>	<u>3210.8</u>	<u>\$ 835.8</u>

A/ TOTALS INCLUDE BRAZILIAN-OWNED COUNTERPART CRUZEIROS (PROGRAM LOAN, CONTAP, PL-400, TRUST FUND). FOR EXAMPLE, THE FEEDER ROAD EQUIPMENT IN 1966 AND 1967 WAS FUNDED BY PROGRAM LOAN CRUZEIROS TO THE RIO GRANDE DO SUL AGRARIAN REFORM AGENCY. THE OTHER MAJOR CRUZEIRO ITEM IS FOR AN AERIAL-PHOTOGRAMMETRIC SURVEY FOR GERAN -- 2,200,000 NEW (PL 400) CRUZEIROS WHICH IS EXPECTED WILL BE LIBERATED THIS YEAR.

NOTE: EXCHANGE RATES USED, CRUZEIROS TO THE DOLLAR: 1965 - 1.9; 1966 - 2.2; 1967 - 2.7; 1968 - 3.2; 1969 - 4.0; 1970 - 4.4.

## AID SUPPORT FOR AGRARIAN REFORM IN CHILE

### I. Introduction

An agrarian reform program was one of the most important planks in President Eduardo FREI's 1964 campaign platform and has been a central element in his administration's agricultural policy. The Agrarian Reform Law (No. 16.040) of July 1967 dealt not only with expropriation and distribution of land, but with water rights and reorganization of the agricultural public sector. It significantly strengthened an earlier law passed in 1963. Moreover, Chile's Rural Unionization Law of April 1967 legalized campesino as well as employers' unions. In Chile, these two laws provide the primary legal authority for what is usually referred to as the "Agrarian Reform Program". The term "agrarian reform" rather than "land reform" is used in this summary in order to reflect the comprehensive effort which the present administration has made (and which AID has supported) in attempting to resolve this difficult aspect of Chile's agrarian problems.

AID's direct support for the Chilean Agrarian Reform began with the 1963 Program Loan and continued in the 1965 and 1966 Program Loans (see Section V of this paper). A \$23 million Agricultural Sector Loan, signed in 1967, also provided support to the reform program. The sector approach was an innovation in AID's programming, singling out a critical area of the economy for comprehensive AID support to a government's overall program. Approximately 38 percent of the 1967 Agricultural Sector Loan's funds was earmarked for Chile's Agrarian Reform Corporation (CORA).

### II. Policy

AID's general policy of agriculture assistance in Chile in recent years has thus been to support the sector as a whole, considering agrarian reform as one of the principal activities of the sector which would benefit thereby. As can be seen from Section V, however, specific assistance to CORA has been provided by allocation of local currency generated under program loans and of dollar credits under the sector loan for imports destined for that organization. By and large, such direct assistance has been addressed to increased production by asentamientos once established. Given the extreme sensitivity of land reform as a political issue, AID has carefully refrained, since the passage of the Agrarian Reform Law of 1967, from involvement in the preasentimiento or other legal aspects of the program except as noted under III below.

### III. Management

The Chilean Government has not requested any direct, specific assistance by AID in the general planning and management of the agrarian

reform program. Given the intense political sensitivity of this subject in Chile, AID has not considered direct advisory assistance to the program politically feasible or economically useful.

#### IV. Technical Assistance

While AID has not provided direct technical assistance to CORA, for reasons noted above, our current technical assistance program does include activities directly benefitting agrarian reform as defined in Section I. Examples include a grant to IDF described in Section V, a contract with Catholic University to analyze this situation regarding land titling for small farmers, a cost of production study also with Catholic University, a U. S. U. technician working with the Agricultural Research Institute in water management research, and an expert from the University of California working on solutions for the grape root disease problem of the country. In addition the USAID's large technical assistance programs in the past have helped provide a basis of trained personnel and an improved institutional framework fundamental to effective realization of Chilean agrarian reform.

On a regional basis, the University of Wisconsin's Land Tenure Center for studies of the reform process has worked directly in this area. Other important external assistance has been provided by both FAO and IDB.

#### V. Capital Assistance

##### A. Local Currency

AID's direct local currency support for the Chilean Agrarian Reform Corporation (CORA) generated by sale of imports made under various Program Loans is summarized below:

<u>Year</u>	<u>Purpose</u>	<u>Amount \$ 000</u>
1963	Land Subdivision	\$1,389
1965	Production and Operative Credits to Asentamientos	2,153
1966	Infrastructure Credits to Asentamientos	<u>1,739</u>
	Total	\$5,281

CORA has also benefited indirectly from local currency generations by imports made under the current sector loan which go into a special account for uses designed to benefit the entire agricultural sector. To date a total of approximately E<sup>o</sup> 63 million have been allocated for activities such as fertilizer subsidies, construction of milk plants, special studies, etc. Proceeds in the amount of approximately E<sup>o</sup> 35 million from sales of imports under the Seventh PL 480 Agreement (December 1967) have also been allocated to activities within the Agricultural Sector from which the agrarian reform movement benefits (e.g., slaughter houses).

B. Sector Loan

An agricultural Sector Loan was signed in October 1967 for \$23 million, primarily for agricultural input imports from the United States. The loan's major objectives were to increase returns to all farmers and to improve farmers' incentives to increase production. The loan encouraged the GOC to increase agricultural prices, specifically wheat, and to reduce input prices, especially fertilizer.

The utilization of the loan funds was as follows:

<u>Recipient Agency</u>	<u>Cattle</u>	<u>Fert.</u>	<u>Mach. &amp; Equip.</u>	<u>Seeds &amp; Pests</u>	<u>Tech. Asst.</u>	<u>Drought Emergency Drilling</u>		<u>TOTAL</u>
						<u>Silos</u>	<u>Rigs</u>	
Banco del Estado		1.94						1.94
CORA		2.23	5.85	.60				8.68
CORFO	3.00						2.15	5.15
INDAP			.30	.10				.40
SAG		.07	1.51	.20				1.78
INSUCOOP		.65						.65
GOC		3.72						3.72
ECA						.35		.35
ODEPA	—	—	.13	—	.20	—	—	.33
TOTAL	3.00	8.61	7.79	.90	.20	.35	2.15	23.00

NOTE: All figures are in millions of US\$

Thus CORA received direct credit allocation of \$8.68 million for importation of fertilizer, machinery, etc., for use by agrarian reform settlements (asentamientos). It also benefitted from imports by other agencies' participation under the loan. For example, approximately one-third of the three million dollars worth of cattle imported by CORFO were distributed to asentamientos and SAG (the National Extension Service) and other sector institutions provide various services and assistance to CORA or the asentamientos.

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**SUBJECT:** AID Support for Land Reform in Ecuador -  
Supplementary Materials for Spring Review of  
Land Reform.

**REFERENCE:** AIDIO CIRCULAR A-875 (Appendix C)

1. From time to time AID has provided support for the Government of Ecuador's land reform program and related activities. The following table reflects PL-480 support to IERAC from January 1964 to December 1967:

PL-480 Loans to IERAC and Predecessor Organizations for  
Colonization and Agrarian Reform

		<u>Sucres</u>
1/6/64	Colonization Esmeraldas	2,662,500
1/4/64	" Santo Domingo	6,926,200
4/27/64	Training of Technical Personnel	426,300
4/29/64	Roads and bridge construction	565,000
7/9/64	Cooperatives	1,000,000
12/17/64	Colonization Pesillo	6,050,000
3/18/66	" San Vicente de Pusir	5,505,100
6/10/66	" Pesillo	6,500,000
12/29/67	Investigation Center	1,500,000
12/29/67	Cooperatives	<u>1,000,000</u>
		<u>31,955,100</u>

**SOURCE:** USAID Controller's Office.

In addition to the foregoing, small amounts of grant funds were provided to support various IERAC activities.

2. In general, it might be said that at the time IERAC was receiving support from the Government of Ecuador, significant additional AID support was not necessary, given the limited capacity of the new organization to absorb more funds, and once the government's support was withdrawn, no amount of AID support would have been meaningful. More recently, a 1968 Inter-American Development Bank loan to IERAC was deauthorized because of the Ecuadorian Government's failure to provide agreed-upon counterpart funds. It seems likely that any AID effort along these lines would have met a similar fate. In short, while AID has always supported the principle of land reform, the forces at work have been beyond AID's capacity to influence significantly.

3. Other activities of AID in the past have contributed to land distribution, although until recently programs have not focused on land acquisition as such. Mission programs having a relation to agricultural land redistribution include the agriculture cooperative project, support for the Cooperative Bank, and other programs tending to strengthen the institutional structure of the agricultural sector.

4. In 1969, the AID Mission developed a new pilot project funded with a \$3.6 million loan to facilitate land distribution through private market mechanisms. The project is an outgrowth of the Mission's concern with the problem of land distribution and discouragement over the near-term prospects for the Ecuadorian Government's agrarian reform program.

5. Agrarian reform is ordinarily considered an effort requiring the expropriation of lands and massive government intervention in order to achieve the desired results of land redistribution. There surely is little doubt that when a government land reform program with solid political backing and adequate financing can be carried out, such an approach provides the most efficient vehicle for achieving land redistribution objectives. But such conditions do not presently exist in Ecuador, and it seems unlikely that they will at any time in the near future. In the view of the Ecuador AID Mission, there is a middle ground between the absence of any land redistribution and a fully developed, government-sponsored program. In the belief that useful results can be achieved by facilitating private purchases of land, the Mission addressed itself to developing a project which would be responsive to the need for land reform while taking fully into account the practical constraints of the current political situation.

6. The purpose of the project is to facilitate the private sale of agricultural lands to cooperatives capable of carrying out effective farming enterprise given access to land, production credit and technical assistance, but which are unable under present conditions to secure necessary credit on reasonable terms. The philosophy underlying the program is that appropriately assisted, free-market, private-enterprise activities can be the basis for reform of the land tenure structure, thus eliminating politically traumatic recourse to expropriation or other nonconsensual forms of land title transfer. The project provides a mechanism under which campesino cooperatives can purchase land and obtain credit and technical assistance in a "package" subproject similar to a supervised agricultural credit operation. The Central Bank of Ecuador will control financing operations through a trust fund and will coordinate the program. A farm plan will be developed for each subproject, setting out all the requirements of an effective economic enterprise. In accordance with the farm plan, land will be purchased, with payment guaranteed to the seller, production credit will be provided, by the trust fund through participating financial institutions (PFI) and technical assistance will be provided by Ecuadorian extension personnel directly responsible to the Central Bank's project coordinator.

7. Land purchase will be accomplished through a three-party arrangement under which the seller transfers title to the cooperative, the cooperative agrees to pay the purchase price less downpayment to the PFI over a period of 5 to 10 years and the PFI agrees to pay the seller on the basis of the amortization schedule of the payment of the obligation by the cooperative to PFI. In this fashion, the seller finances the transaction in exchange for a bank obligation to pay on the agreed terms rather than the cooperative's obligation. In the event that a cooperative defaults on its obligation to pay the PFI for land purchased under the program, the PFI will have the right to claim against the trust fund for the amount paid by the PFI to the seller of the land in accordance with the contract between the seller and the PFI, provided USAID is satisfied that the PFI has, in good faith, made all efforts appropriate under the circumstances to realize on available security.

8. Production credit will be provided through the PFI in an amount consistent with the farm plan. Ecuadorian technical personnel will provide, and the cooperative will agree to utilize, technical assistance in accordance with arrangements set out in the farm plan.

9. Responsibility for the formation and qualification of cooperatives will lie in the first instance with USAID through

its CLUSA contract, but every effort will be made to involve Ecuadorian organizations in the cooperative formation effort so that AID involvement can be phased out shortly. The loan will also provide commodities required by the Ministry of Agriculture in carrying out its technical assistance responsibilities under the program and a revolving fund for technical assistance costs to be replenished by user charges.

10. The project will be maintained in so far as possible as a self-financing operation.

11. USAID/E considers this pilot project to be a rather interesting departure in AID efforts relating to land redistribution. It is hoped that the progress of this project will be closely watched and that useful experience will be obtained on the basis of which the project can be expanded within Ecuador and hopefully adapted for use in other countries as well.

# AID Support for Land Reform in

## Guatemala

### A Summary

#### I. Introduction

Between 1955 and 1964 AID provided about \$5.2 million in capital and technical assistance grants to help the Government in its resettlement program. 4,100 families were to be resettled. The funds were provided for land clearing and preparation; the establishment of credit facilities; construction of health and educational facilities; and construction of access roads and bridges, rural housing and potable water facilities and irrigation systems.

#### II. Policy

AID's program meshed extremely well with that of the 1954-1957 post-Revolutionary Government of Castillo Armas. AID and the rightist regime were deeply opposed to the previous land reform, which they felt had been run by communists, and were convinced that a resettlement program on vacant lands in the South Coast area was the most effective ideologically acceptable way to overcome the influence that communism had attained in that area. However, all Guatemalan Governments have been bedeviled by serious revenue problems and the post-Revolutionary regimes, even with massive assistance from AID, were not able to finance what turned out to be extraordinarily expensive programs. The Ydigoras regime from 1958 - 1963 was not only hard hit by financial shortages in the wake of disastrous falls in the price of coffee but also lacked Castillo's commitment to develop a meaningful counter to the earlier land reform and was too internally corrupt to carry out a worthwhile program in any case.

#### III. Program Details

AID/Guatemala files covering the period of our activities in this program area have been sent to storage in Washington. We are unable to provide any details beyond the generalized summary of paragraph I above.

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A. Cohen  
USAID/Guatemala

May 5, 1970

## AID SUPPORT FOR LAND REFORM IN INDIA

### I. Introduction

USAID and predecessor agencies have never had an official project directed specifically to land reforms. U.S. role in Indian land reform has been limited, consisting principally of assistance programs for community development, extension service, cooperative programs, university development, etc. designed to assist farmers generally (including the beneficiaries of land reform measures) to increase their agricultural output and productivity. It has supported limited field investigations of India's rural social problems including land tenure conditions. In the early 1960's one of its staff economists, previously involved in the Japanese post World War II land reform program, undertook study of Indian land tenure and land reform measures.

The promise of far-reaching land reform measures was used by India's Congress Party for a decade or more before Independence to rally support for the Freedom Movement. Following Independence, the Congress then strongly entrenched as the ruling party in the government of both Center and States, moved rapidly to achieve the enactment of State legislation to abolish intermediaries, fix rents, limit the size of holdings, and provide increased security of tenure to tenant farmers. There was strong political support for such land reforms long before the start of U.S. assistance programs in India. Hence U.S. assistance for generating interest in such problems was not needed.

U.S. assistance agencies have not been involved in implementation of land reform measures for several reasons. Foremost among these have been the following:

1. There have been no GOI requests for such assistance;
2. In the course of implementation, land reform measures have become matters of prolonged court litigations and increasingly heated political problems into which it has seemed unwise for the U.S. to become involved; and
3. Approaches to land reform have been dictated by largely political considerations and have been highly doctrinaire vis-a-vis pragmatic approaches based upon careful study and analysis of practicable alternatives and their probable means - consequence relationships.

Heavy emphasis has been placed on abolishing "landlordism" by the abolition of intermediaries for revenue collection who possessed essentially ownership rights, the break-up of large land holdings, and ceilings on rents and other measures to increase the security of tenure of tenant farmers. Legislation was enacted to achieve these objectives without much prior consideration of administrative requirements, budgetary costs, need for improved cadastral surveys and land records, or analysis of the probable means - consequence relations needed to provide for an intelligent choice of alternative land reform measures.

II. Policy

Because of the above considerations, U.S. assistance agencies instead of direct involvement in Indian land reform programs have directed their attention to improving the supply bases of Indian agricultural production. This has seemed to be the wiser course of action for both political and economic reasons.

III. Management

Not applicable in view of non-involvement of U.S. assistance agencies.

IV. Technical Assistance

None provided.

V. Capital Assistance

None provided for implementation of land reform measures.

May 5, 1970

CRITIQUE OF INDIAN LAND REFORM PAPERS  
BY WUNDERLICH, NEALE AND JANNUZI

By

William E. Hendrix  
Chief, Agricultural Economics  
Division, USAID/New Delhi

These papers present well-informed and well-balanced treatments of India land tenure systems and reform measures.

Wunderlich's review of the evolution of existing land tenure systems is a particularly outstanding contribution to literature in this area. Neale's paper, while equally valuable, is in large measure a recapitulation of his earlier excellent publications. Jannuzi's paper deals with land problems in a state having a large complex of problems, political, economic and social, all of which are closely related to its land problems.

Wunderlich's recommendation for U.S. technical assistance in improving Indian land record systems is worthy of careful consideration. Before offering to provide such assistance, however, careful study needs to be made of the problems that U.S. agencies have encountered in efforts to provide such assistance in other countries, particularly in Latin America.

Jannuzi in principle condones the use of AID assistance as a lever for land reform but appears to be aware of the limitations of so using U.S. assistance in India. His recommendation for "regionalizing AID's approach" has been considered by USAID in respect to other problems, but has been viewed askance mainly because U.S. assistance is necessarily channelled through the Central Government rather than directly by USAID through state governmental agencies.

There is some question here also as to the need for regionalizing the administration of USAID activities. For the disbursement of U.S. assistance, the Center has always placed large emphasis on balanced growth among regions, hence the benefits of U.S. assistance have been widely distributed among regions and states. As an example of such wide distribution of USAID efforts, one of its Agricultural Production Promotion teams is located in Bihar where it works closely with state agricultural officials.

Emphasis by Jannuzi on the need for more research on the production problems of small farms and disadvantaged areas is well placed. During recent months, the Indian Council of Agricultural Research has begun to assign high priority to research on dry-land farm problems. Problems of small farmers are being attacked on an experimental basis in various parts of India, including one district in Bihar, as part of the program of GOI's newly established Small Farm Development Agency. There are no foreseeable simple solutions to the problems of either dry-land areas or small farms. Rather, increasing production in dry-land areas will require much research on improving adaptable varieties, agronomic practices and management systems as well as large new investments in the development of land and water resources, electric power facilities, and other infrastructure features. The problems of small farmers are less ones of developing adaptable technologies than of providing them credit and technical assistance. The provision of credit for farmers who produce primarily for their own consumption rather than for market, as do India's smaller farm operators, is a near insoluble problem without heavy emphasis upon subsidized forms of credit. Shifts to more labor intensive enterprises, like fruits, vegetables, poultry and dairying hold promise but only over time as a response to growth in demand for such commodities. Employment on larger farms and in non-farm activities to supplement their income from farming are additional possibilities to which the Green Revolution is contributing.

Neale's paper contains no specific recommendations for USAID involvement in Indian land reform programs.

There appears to be nothing in any of the three reports that is likely to prove objectionable or embarrassing to either Indian readers or USAID.

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FROM - **DIKARTA**

SUBJECT - **Spring Review of Land Reform**

REFERENCE - **AIDTO CIRCULAR A-875**

DATE SENT

*5/8/1970*

1. USAID has never been involved in nor been requested to assist in any land reform activities.

2. While there have been some problems relating to land tenure such as, fragmentation of holdings, small holdings uneconomical for extensive or mechanized agriculture and absentee ownership, they have received only nominal attention from GOI. A land reform act was passed in 1967. However, the government has been preoccupied with attaining self-sufficiency in food production under the prevailing system and has accorded it a low priority. The Mission views this as an important long subject but agrees with the GOI that it does not pose an important deterrent to increased agriculture production under existing conditions. It probably will be dealt with as a second generation problem as programs are initiated that will tend to relieve population pressures on the land.

3. The Mission is forwarding as attachments for AID/W information and use related statistical information of the most recent date.

**GALBRAITH**

**Enclosure:**

Statistical charts: (13)

*QA to AAPC 5-20*

PAGE 1 OF 1 PAGES

DRAFTED BY <b>ANBenshaw:jm</b>	OFFICE <b>AGR</b>	PHONE NO. <b>340</b>	DATE <b>5-7-70</b>	APPROVED BY: <b>Francis J. LeDess</b>
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# AID SUPPORT FOR LAND REFORM IN THE PHILIPPINES

## A SUMMARY

### I. INTRODUCTION

AID involvement with the Land Reform Program was aggressive, intimate, and substantial in 1951-1957, indirect and limited from 1958 to 1963, close and appreciable in 1963-1965 and minor in 1966-1969.

The Bell Mission was sent from the United States to the Philippines in 1950 to study the economic and political circumstances which had brought the government of the Philippines to the brink of overthrow by armed rebellion. It recommended, among other tax and financial reforms, a program of land reform. When the recommendations were accepted by President Quirino, an AID mission was established. One of its early projects was the Land Tenure Project (92-14-008)\* of 1952. Robert S. Hardie, who had participated in the land reform programs of Japan and Taiwan, arrived in August. His principal contribution was a report on land tenure reform, a hard-hitting brief for extensive and radical changes in land tenure.

Under the Land Development Project (92-12-055)\*, other technicians assisted in developing land reform plans and legislation. Following the election of President Magsaysay in November 1953 on a "land for the landless" program, the AID Mission increased its efforts. Four pieces of legislation (covering resettlement, tenancy, a land reform agency and a court of agrarian relations) were developed with help of the Mission and became part of Magsaysay's legislative program. This legislation met with bitter opposition in the Congress but was finally passed after much pressure by President Magsaysay.

Magsaysay's program failed. Landlords had saddled the legislation with amendments which limited its effectiveness and permitted evasion. Politically conceived as a counter to Huk recruitment among landless peasants, it put unqualified persons on the land, and failed to provide the technical services required to create a class of self-reliant and productive farmers. The AID Mission, particularly after the hitherto highly successful Magsaysay-inspired cooperatives collapsed in fraud and mismanagement, withdrew from active support of the land reform.

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\*These two projects were consolidated on July 1, 1957 as the Land Tenure and Development Project (92-12-097).

Under President Macapagal in 1963, new and well prepared legislation was prepared and passed without crippling amendments. It was soundly conceived, with emphasis on the technical and financial assistance required by the farmers and with what seemed to be workable formulae for changing tenure. AID officials sat in on Land Bank meetings, provided training and photogrammetry services and loaned local currency to strengthen land reform and agricultural credit agencies. When the program's focus shifted in 1965 to primarily political objectives, AID reduced its support and limited its technical assistance primarily to rice culture. In 1966-69, political aspects of the land reform program were given still greater emphasis, administrative structure was weakened and its financial support reduced. AID therefore resisted appeals to supply resources for the perpetuation of what it felt to be a misdirected program with which association could only be damaging.

## II. POLICY

In the period 1951-1957, AID supported the program's policy formulation. The publication and wide circulation of the Hardie and other reports on rural development focused attention on the injustices and economically counter-productive features of the prevailing system of land tenure, while individual AID representatives provided encouragement to President Magsaysay and advice to government personnel.

Subsequently, influence was only occasionally exerted on government officials. Nearly always, it was exercised in an effort to divert officials from focusing on political impact and in the direction of economic effectiveness and productivity. On the whole, such influence, in the absence of financial commitments which it seemed imprudent to offer, was ineffective.

## III. MANAGEMENT

(See I)

## IV. TECHNICAL ASSISTANCE

### U. S. Technicians Assigned to Land Tenure and Development

Robert S. Hardie Land Tenure	August 1951 - August 1953
Robert T. McMillan Rural Life	1952
Ray E. Davis Land Settlement, Homesteading	November 1952 - February 1957

25

Joe R. Motheral  
Agricultural Tenancy Commission

September 1954 - September 1955

Frate Bull

December 1955 - April 1958

Eddie Daniel

August 1958 - September 1960

This listing understates the number of man-years worked by technicians in support of the program. Others attached to more general programs of agricultural and economic development put in much of their time on land reform. The work of John L. Cooper, Agricultural Credit Specialist, is a case in point. Food For Peace also supported projects related to land reform.

V. CAPITAL ASSISTANCE

The U. S. direct contribution to the Philippine Land Reform Program has included \$1.3 million, ₱4,440 million, excess property and food donations. Indirect contributions have amounted to over ₱15 million plus significant amounts of dollar purchase commodities.

A. Pre-1963 Proclamation: Contribution - \$1.3 million

Six or more U. S. advisors were assigned to work on problems of land tenure and development during this period and served a total of 12 man-years at a cost to the U.S. Government of upwards of \$210,000.

Commodities for the teaching and demonstration of good land tenure practices and land development to the personnel of GOP agencies concerned with land reform were procured at a cost of \$1,025,000.

Training abroad was provided to 39 technicians in land reform activities at a total cost of \$65,000.

B. Post Proclamation

1. Land Resources Inventory - ₱1.5 Million Loan

The Land Authority required aerial photographs in order to prepare a land resources inventory (land use and land capability) to delineate tenant farm plots in land reform priority areas (provisional cadastral surveys). During FY 1965, in support of this activity, USAID released ₱1.5 million to the NEC under the Provisions of PL 480, Title I, Sec. 104(g). 3.2 million hectares in Central Luzon were photographed.

2. ACA - Land Reform Loaning Program: - ₱1,622 Million Loan

In FY 1965, a project agreement was signed between USAID and the NEC which provided funds for a loan of ₱1,622 million to the ACA, for the purpose of stepping up lending operations to farmers and farmer cooperatives included in the Land Reform Program.

3. ACA - Second District of Pampanga Loan Program - ₱500,000

In order to support the land reform program in the first large area proclaimed, NEC-USAID funds in the amount of ₱500,000 was made available in January 1967 for Land Reform credit assistance to Pampanga.

4. Land Bank Project - ₱600,000

In FY 1968, ₱600,000 of U.S.-owned currency was made available to the Land Bank of the Philippines to assist the Bank in its effort to enhance the demand for land bonds.

5. Pre-Investment Survey - ₱220,335

₱220,335 of U.S.-owned currency was granted to the RCA to pay for a feasibility study for large scale plantation rice farming in an unused and underdeveloped section of Palawan. The objective was to prepare the area for large scale production which could be "swapped" for actual land holdings in Central Luzon. These in turn would be sold to their tenants.

6. Other Land Reform Activities

A number of Food-For-Work projects related to Land Reform have been carried out utilizing U.S. food donations. Excess property from the military bases has also been made available to land reform agencies for project activities.

7. Related Activities

A number of other activities which have received USAID support have contributed much to the land reform program although they were not strictly confined to proclaimed land reform areas. Most significant activities include the following:

a) Agriculture Guarantee and Loan Fund (AGLF) - ₱5,000,000

NEC/USAID provided ₱5 million for the establishment of the AGLF which provides non-collateral production loans to small farmers through private Rural Banks. The fund has now expanded to ₱34 million. Much of the loaning takes place in land reform areas and eases the credit burden of the government in these areas.

b) ACA - FaCoMa Lending - ₱6,000,000

₱6 million was made available to ACA to expand the marketing, supply and credit activities of five leading cooperatives (FaCoMas). The funds usually supplied by ACA to these FaCoMas is being used to supplement the funds given to five other leading FaCoMas. Most of these cooperatives are in proclaimed land reform areas.

c) Grain Marketing Cooperative of the Philippines (GRAMACOP) - ₱4 Million

This loan to ACA provides financing for the GRAMACOP, enabling it to buy palay and rice from member cooperatives and to transport, process and sell through the consumer markets. This organization substantially benefits member cooperatives, many of which serve land reform areas.

d) Other Activities

USAID has financed the equipment needed to establish three (3) seed test laboratories (one in the land reform area) and to upgrade several BPI experimental stations (including one in the land reform area). In addition, USAID is financing equipment for a seed processing plant to be established in Nueva Ecija. These activities will assure that a sufficient quantity of quality seeds will be available to Philippine farmers.

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FROM - **SEOUL**

SUBJECT - **Spring Review of Land Reform**

REFERENCE - **AIDTO CIRC A-875**

The Korean land tenure reforms were carried out before the U.S. had a separate overseas technical assistance agency such as AID. The U.S. Government, through the military government organization in Korea, was, however, deeply involved in initial policy issues and the management of the distribution of vested lands, i.e. those lands which were formerly owned by Japanese. The degree of involvement was substantial. It was also a rather unique situation because developed land was available for distribution under the authority which existed for the U.S. in Korea from late in 1945 until 1948. The first land reform set the stage for further reforms which were carried out by the Korean Government.

The U.S. involvement in policy is described in the draft country paper in the section on land reform implementation. In reference to the initial disposal of vested lands, Dr. Clyde Mitchell describes the situation in terms of U.S. involvement in management of the program as follows:

"The Americans in charge of the land-sale were former employees of the U.S. Department of Agriculture, and had worked with tenant-purchase programs, rural rehabilitation, and other problems of low-income farmers. They spent nearly three years planning the land-sale, much of it in the preparation of millions of forms and documents and the schooling of 7,000

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PAGE	PAGES
1	OF 2

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employees of the National Land Administration and related agencies. The farms had previously been surveyed and assessed; on each day of the sale, the Administration transferred more than 10,000 parcels of land. Sales were made only to the tenants who had been farming the land, and no favoritism or "screening" of the purchasers was allowed."

Dr. Mitchell also pointed out some of the inevitable administrative problems connected with transfers of many parcels of valuable land. He also mentioned the general honesty and dispatch with which the program was carried out, and implies that this is of major importance in carrying out a successful program.

The point of general interest is that there is a great deal of detailed and time-consuming work necessary for a large program, <sup>and</sup> that U.S. technical assistance can be a significant input to the success of land reform. While the Korean experience in distribution of vested lands was one where U.S. citizens had direct authority, the value of the technical assistance would apply equally to a nation sincere in its desire to carry out reform and willing to accept external assistance.

Subsequent to the second land tenure reform carried out by the Korean Government, there has been considerable technical and capital assistance to the Korean agriculture sector. It can not, however, be considered an integral part of land tenure reform but has been a contributing factor in general agriculture development. It is our judgement that the effectiveness of this aid has been enhanced because of the land tenure reform which preceded this assistance.

There is no readily available breakdown of assistance by specific functional categories within agriculture, but the total dollar value of assistance to the agricultural sector from FY 1955 through FY 1969 has been 27.5 million dollars, this does not include PL480 food aided rural projects or local currency generated by PL480 commodity sales which were subsequently invested in the agriculture sector.

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FROM : Amembassy TAIPEI

DATE: May 7, 1970

SUBJECT : AID/W Spring Review of Land Reform, Country

REF : Paper on Taiwan  
AIDTO CIRCULAR A-875

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SUGGESTED DISTRIBUTION

1. The reference airgram requested the Embassy to furnish a summary of AID's principal contributions to the land reform program on Taiwan.

2. The agricultural assistance rendered to the GRC by AID and its predecessor agencies passed through a unique channel - the Joint Commission on Rural Reconstruction (JCRR). This body was created in 1948 and had three Chinese and two American commissioners appointed by the presidents of their respective countries. The Commission performed, in fact, both as the Ministry of Agriculture of the Chinese central government and as the agricultural division of the various U.S. economic assistance missions to China. A standard reference book states that "The preponderance of all /U.S. agricultural/ assistance was aid-generated local currency, expended through the programs of the Joint Commission." (Jacoby, Neil H., U.S. Aid to Taiwan, A Study of Foreign Aid, Self-Help and Development, Praeger, 1966, page 180.)

3. The land reform program was initiated and carried out by the GRC. JCRR played a major role in the planning and execution of the program, and it was through JCRR that the influence of the American commissioners and of

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the AID and other American advisors (notably Wolf Ladejinsky) was exercised. Jacoby's account states on pages 171-2:

"To build support and acceptance of its rule, and to deter Communist penetration of rural areas, the Nationalist Government initiated a comprehensive land reform program in 1949 under the direction of the late Chen Cheng, then Governor of Taiwan. Although Chen Cheng is known as the 'Father of Land Reform' and was its prime mover, the Chinese and American personnel of the Joint Commission on Rural Reconstruction assisted in the planning of the program and supervised its implementation. They gave extensive technical and financial assistance to the crucial field work, such as organization of farm tenancy committees and land ownership classification. Without doubt, Chinese will and knowledge meshed well with U.S. support to carry off a revolutionary program with great success.

"There existed in rural Taiwan of 1965 a gathering agrarian movement, grounded on the rapid growth of rural organizations. The role of the Joint Commission in this movement was a vital one, because a high percentage of these organizations were subsidized, technically assisted, and guided by it. For example, the Joint Commission played the predominant role in the revitalization and expansion of the farmers' associations. The recommendations of its American technicians provided the basis for their reorganization in the early 1950's.

"The key to the Joint Commission's contribution was its policy of receiving project requests directly from rural organizations without the intermediation of the government bureaucracy. The Joint Commission succeeded in placing management responsibilities for its projects upon the organizations themselves, 'thus providing incentives to local initiative in a form rarely encountered in government programs.'

"The Joint Commission helped to develop grass roots leaders, generat~~ed~~ rural attitudes and capabilities removed from the politics of the central government, and provided democratic experiences to rural people. The social effects of U.S. assistance to the rural development of Taiwan, directed by this unusual binational agency, were of great importance. Probably, they will become even more important in the years to come."

4. During the 15 years of U.S. assistance to Taiwan (1951-1965) American agricultural advisors were an integral part of the JCRR staff, in part to assist on matters of land reform, but principally to provide assistance in the essential extension work which followed land reform and which derived practical benefits from it. U.S. capital assistance to all agricultural projects totalled \$213 million, representing 59 percent of the net domestic capital formation in Taiwan's agriculture during the 1951-1965 period.

5. The Embassy assumes that AID/W also has available another exhaustive treatment of this topic published in October, 1954 by JCRR, entitled "Land Reform in Free China", by Tang Hui-sun, who was then Chief, Land Reform Division, JCRR. This 335-page book went into a second printing in September, 1965.

~~XXXXXXXXXXXX~~

McConaughy





Department of State

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AIDAC

SUBJECT: SPRING REVIEW OF LAND REFORM

REF: AIDTO CIRC A-875

1. WE FIND TEXT SIMMONS REPORT INTERESTING BUT CONTAINING SOME OVERSIMPLIFICATIONS. RE SIMMONS REFERENCE (PG 66), COST BENEFIT STUDIES OUED NEBAANA WERE PERFORMED AS PART FEASIBILITY SURVEYS PREPARATORY TO APPROVAL U.S. LOAN.

2. RE SIMMONS REFERENCE (PAGE 60) ON USAID POLICY TOWARDS LAND REFORM USAID HAS RECOGNIZED THIS TO BE COMPLEX FIELD SUSCEPTIBLE TO IMPLEMTNATION DIFFICULTIES. WE THEREFORE HAVE FAVORED CONSIDERATION OF LAND REFORM BUT HAVE CONTINUALLY ARGUED AGAINST OVEREMPHASIS PROGRAM CALLED "COOPERATIVIZATION" REALLY STATE MANAGEMENT AND CONTROL. IN FACT, ACCELERATION OF THIS PROGRAM JAN-SEPT 1969 RESULTED IN INCREASED ECONOMIC/SOCIAL DISRUPTION. RATHER, MISSION HAS TAKEN POSITIVE APPROACH SERVICE COOPS AS FREE INSTITUTIONS AND ENCOURAGED DEVELOPMENT EFFICIENT PRIVATE AGRICULTURAL SECTOR. IN ADDITION HAVE ENCOURAGED GOT TO MAKE AVAILABLE STATE-OWNED LANDS TO NEW YOUNG FARMERS/ TECHNICIANS EITHER AS MANAGERS AND/OR OWNERS. GOT NOW BEGINNING PROMOTE THIS POLICY.

3. IN VIEW PARA 2 ABOVE USAID HAS NOT PROVIDED PROJECT ASSISTANCE TO GOT LAND REFORM. INSTEAD USAID HAS STRESSED AGRICULTURAL PRODUCTION, BY SUCH MEANS AS WATER RESOURCE DEVELOPMENT, TECHNICAL ASPECTS OF SOIL CONSERVATION INCLUDING EXTENSIVE PARTICIPANT TRAINING,

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**TELEGRAM**

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PAGE 02 TUNIS 02585 211325Z

ACCELERATED DEVELOPMENT OF SELECTED AGRICULTURAL COMMODITIES,  
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IFICATION FOR MEDJERDA VALLEY PROJECT, AND OUED NEBAANA  
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AIDAC

ATTENTION: E.B. RICE PPC/POL/ES

SUBJECT: SPRING REVIEW OF LAND REFORM

REF: AIDTO CIRC A-875

1. USAID/V GIVES FULL APPROVAL DRAFT PAPER WRITTEN BY HENRY E. WING JR ON LAND REFORM IN VENEZUELA. SUGGEST POSSIBILITY UPDATING INFORMATION ON 1969 ACCOMPLISHMENTS. THROUGH 1969 TOTAL FAMILIES SETTLED 170,738 ON 4,656,833 HECTARES ON LAND; TOTAL GOV INVESTMENT IN PURCHASE AND IMPROVEMENT OF LAND PLUS SETTLEMENT OF FAMILIES EXCEEDS \$250 MILLION BUT EXACT AMOUNT NOT AVAILABLE. DESERTION OF FAMILIES IN PROGRAM APPROXIMATELY 29 PERCENT FOR WIDE VARIETY OF REASONS.

2. AID HAS HAD NO DIRECT INVOLVEMENT IN LAND REFORM. INDIRECTLY, SUPERVISED CREDIT LOAN HAS ASSISTED LAND REFORM PROGRAM. HOWEVER, NO USAID IDENTIFICATION INVOLVED IN POLICY FORMULATION, MANAGEMENT OR ADVISORY ASSISTANCE.

3. MISSION BELIEVES LAND REFORM PROGRAM, ALTHOUGH EXPENSIVE, IS GENERALLY WELL ADMINISTERED AND FULFILLING OBJECTIVES.  
HERRON

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AGENCY FOR INTERNATIONAL DEVELOPMENT

SPRING REVIEW OF LAND REFORM

BACKGROUND PAPER 2

VIEWS OF THE LATIN AMERICAN A.I.D. MISSIONS  
on  
LAND REFORM

reprinted  
June, 1970

SR/LR/B - 2

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Views of the Latin American  
A.I.D. Missions on Land Reform

by

Jerome T. French  
PPC/AID/Washington

first distributed  
February, 1970

NOTE:

Jerome T. French's paper summarizes and interprets responses to an action airgram circulated to USAID Missions in Latin America. Attached to the airgram was a copy of a report by Peter Dorner of the Wisconsin Land Tenure Center, a report entitled The Land Tenure Center Research and Training Program, 1962-69 dated February 1969. The airgram solicited Mission reactions to the issues raised in the report. Reproduced here are the airgram (AIDTO CIRC. A-2151 (10/9/69)) and Dr. French's paper. Dr. Dorner's report is not included, but his conclusions are discernable in the other two documents.

**AIRGRAM**

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**TO - AIDTO CIRCULAR A 2151**

**FROM - A.I.D./W**

**SUBJECT - U.S. and Host Government Strategies for Agricultural Development in Latin America.**

**REFERENCE -**

**DATE SENT**

1 9-69

Attached is a report of findings presented to A.I.D. by the Wisconsin Land Tenure Center (LTC) which, since 1962, has operated an A.I.D. sponsored program of extensive research and training on land tenure, programs of agrarian reform, and related agricultural development problems in Latin America.

In 1960, at the OAS conference at Bogota it was announced that Alliance for Progress assistance would be tied to the introduction of land reform. The LTC was subsequently established to develop a knowledge base and to train both North and South Americans who would implement and advise on implementation of the reforms anticipated.

Now after some years of research and training, the LTC concludes that by and large these reforms have not been forthcoming. It further suggests that they are not in fact viewed in many Latin American governments as a necessary or even appropriate vehicle for ~~stimulating~~ stimulating agricultural development. It is instead that Latin American government policies in the agricultural sector have emphasized increased production through modernization of large farms, and that such policies are likely to adversely affect long-range overall national development as well as agricultural development by increasing income disparities and unemployment.

Some of the LTC findings have been challenged by Latin American agricultural specialists within A.I.D./W. Nevertheless we feel the report raises serious

Attachment: Land Tenure Center Report

PAGE 1 OF 3 PAGES

DRAFTED BY	OFFICE	PHONE NO.	DATE	APPROVED BY
<i>CJF</i> Jerome C. French	FPG/POL/TI/D	26167	9/25/69	<i>JR</i> AA/IA, James R. Fowler
AID AND OTHER CLEARANCES				
WOH/ARDS, R. McMillan draft LA/OPNS, R. Newberg draft FPG/ROD, P. Lyman draft				
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## CONTINUATION

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		UNCLASSIFIED	2	OF

questions regarding the rationale for future U.S. agricultural assistance strategy in Latin America which must be dealt with, particularly in the light of the increased emphasis in several LA countries on agriculture loans specifically intended to benefit small farmers.

On one hand the LTC report says that little broadly meaningful progress in Latin American agriculture can be expected in the absence of significant land redistribution. On the other hand it seems clear from experience over the past decade that there is little likelihood that many LA governments will at this stage of their evolution, be ideologically inclined or politically able to undertake agrarian reform programs of the level and scope the LTC feels is needed involving large scale expropriation and redistribution.

It seems equally clear that many A.I.D. instruments, at least as presently applied are not an effective means for encouraging such reforms and may in some respects serve as a negative inducement.

Two basic and related policy questions emerge:

- (1) Are host government policies and programs and associated U.S. agricultural assistance advancing or inhibiting broad based change and development within the local society?
- (2) Is there an irreconcilable gap between ~~our~~ our stated goals and our ability to accomplish them?

These questions are of particular significance in the case of countries which are now achieving satisfactory rates of economic growth and in which the primary rationale for foreign aid is shifting from promoting growth per se to broadening the base on which it depends by expanding the degree of popular participation in it. Missions which are programming loans aimed at improving the situation of small farmers and other low income groups in the rural sector will need to take the LTC findings into account in preparing their strategies.

A.I.D./W plans to hold discussions with the LTC to clarify differences which seem to exist concerning reality of the agricultural situation in Latin America and what the U.S. assistance strategy should be and how the LTC might contribute more effectively to this. Before doing so, we would like Mission comments on the LTC reports. Questions which Missions should address in their replies to help resolve the above issues and to aid in new policy and program formulations if needed are:

~~Back~~

- (1) Do the LTC findings generally apply in your country and, if so, to which category of countries (as listed in the concluding comments of the LTC report) does it belong?

CONTINUATION

POST	NO.	CLASSIFICATION	PAGE
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(2) Do the LTC's recommendations for host government and U.S. policy make sense for your situation and if so, what are the prospects for applying them and the results which might be realistically anticipated?

(3) If the LTC findings and recommendations are not accepted, in what areas and degrees do you disagree and on what grounds?

If you do not support advocacy of land redistribution to the degree recommended by the LTC what alternatives do you feel are realistic and feasible policies for the U.S. to follow? How can the conflicts between increased agricultural production and more equitable income and land distribution be overcome?

(4) A new 211d grant has just been awarded to the University of Wisconsin which extends and broadens the work of the Land Tenure Center in behalf of A.I.D. both as to subject and geographic coverage. What suggestions do you have concerning the new directions research and training activities of the center should take?

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Replies are requested by 1/November.

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Jerome T. French  
PFC/PDA/CP

Views of the Latin American  
A.I.D. Missions on Land Reform

Attachment A is a summary of responses from various Latin American A.I.D. Missions to questions contained in the circular airgram transmitting copies of a report furnished to A.I.D. in January 1969 by the University of Wisconsin Land Tenure Center. In summarizing statements by the Missions I have tried to avoid misinterpretation, however readers interested in specific countries are urged to study the full text of the airgram reply in each case.

In my own view the most salient point which emerges from the replies as a whole is that while many Missions agree with the LTC's general characterization of the Land Tenure situation in their countries, most do not see the same consequences ensuing therefrom.

The LTC Report projects land tenure patterns in Latin America as a controlling variable in the development process and suggests rather strongly that broad scale, rapid and sustained development and modernization is not possible in Latin America in the absence of basic and widely implemented land reform, including land redistribution. In their replies most Missions tended to ignore this premise or to speak to it only indirectly. It was not seen as a critical variable in their program strategies.

The Brazil Mission, whose reply was prepared in its Recife Regional Office, came closest to endorsing the total LTC

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position. Guatemala is the only other Mission which joined Brazil in agreeing with the LTC's argument that past US agricultural assistance has, to a degree at least, been more inhibitive than conducive to changes beneficial to small farmers. However the Guatemala Mission sees no immediate prospect that the US can do anything directly to promote significant redistribution of land in the face of the strong domestic political opposition which exists. Most other Missions which land tenure patterns are considered a basic problem tend to agree on this point. However the Colombia Mission feels greater progress is being made by the Colombian government than the LTC gives it credit for. The Ecuador Mission disputes what it views as an LTC premise that land redistribution can only be achieved by drastic government action, and cites its land sale guarantee program as an alternate strategy.

The Paraguay Mission took the position that on balance US programs may be neither advancing or inhibiting change. A position well supported by its accompanying assessment of the Paraguayan agricultural situation. The Argentina and Uruguay Missions see land tenure as not a significant problem for development in their countries because of basic differences in the agricultural sector as opposed to other LA countries. The Bolivia and Jamaica Missions both feel that land tenure reform itself is an accomplished fact although many ensuing problems and consequences remain. Attachment B is a rough categorization of countries in terms of Mission reactions to the LTC findings.

Most significantly no Mission, with the possible exception of Brazil, sees land tenure patterns as a basic and controlling impediment to development which unless changed calls into question the country's basic development prospects. Most Missions did not discuss this aspect of the LTC Report in their replies. Those who did dismissed it by suggesting that the LTC tends to put too much stress on land reform as an end in itself.

While it is true that the LTC places heavy stress on land reform, it takes a very broad view of the implications. While the LTC is careful to state in its report that land redistribution is by itself no panacea it does argue quite firmly that land reform, including redistribution, is an essential if not a sufficient prerequisite to broader development. It argues this along essentially two parallel lines. First the debilitating effects on development of the existing tenure patterns and their extension into other aspects of the economic, social and political life of the country and, secondly, the magnification of economic dislocations in both the rural and urban sectors resulting from efforts to accomplish development without basic reforms.\*

\* These arguments set forth more fully in other documents referred to in the LTC Report transmitted to the field, particularly the report prepared by the LTC for the US Senate, entitled "Survey of the Alliance for Progress, Problems of Agriculture". A study prepared at the request of the Subcommittee on American Republic Affairs of the Committee on Foreign Relations, U.S. Senate, USGPO Wash. D.C., December 22, 1967.

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Whether or not the LTC analysis is correct, it would have been useful from a policy standpoint if the Missions had discussed this critical issue. There are several possible explanations implied in the responses for why they failed to do so: (1) Most replies were prepared by agricultural specialists who may have felt uncomfortable with this broad interpretation and felt they should limit themselves to commenting on technical agricultural aspects only; (2) Missions do not see or else discount inter-relationships of political, social and economic variables and their extension across different sectors of the country's economy and society; (3) Missions do not feel they can resolve the problem and therefore see no point in discussing it.

Whatever the reasons, the effect is to leave the challenge to US country assistance strategies posed by the LTC premise unreconciled.

Another interesting feature of the replies is the absence of any indication of significant change taking place. For the most part the Mission replies describe a rather static situation in the non-reform countries and in two of the "post-reform" countries (Bolivia and Jamaica) as well. This latter facet lends weight to the proposition that land reform is not a sufficient condition in itself for progress. However, in the case of the other responding post-reform country (Venezuela) the Mission notes that production in the sector benefitting from agrarian reform doubled as a percentage of total agricultural production over the past five years and more than tripled in value.

There seems to be a clear disparity between the situations described in the Mission replies and the descriptions of social ferment and change in Latin American one reads elsewhere. Only the Dominican Republic and El Salvador Missions indicated that their governments were being forced towards greater action on land reform by domestic pressures. Neither indicated that such pressures would result in significantly different policies at least over the immediate future. This suggests that either the situation in Latin America is being grossly misrepresented by many observers or our Missions are insulated from changes already occurring or on the horizon.

The LTC alluded in its report to contradictions inherent in our close relationship to governments dominated by elites who have a vested interest in maintaining existing tenure patterns, and the need to alter those patterns and to strengthen the position of the small farmer. As noted above only the Guatemalan and Brazilian Missions of those replying agreed that this was a basic problem. Others either dismissed it entirely or stated they felt the LTC had exaggerated the situation. Only the Ecuador Mission proposed a direct approach by A.I.D. to helping the small farmer as opposed to working through host government channels, however several other Missions stressed problems in getting inputs into the hands of small farmers and effectively utilized by them.

Appendix A - Answers To Circular Airgram 2150

Note- These are condensed and paraphrased from the longer airgram responses. The individual country replies are grouped under each of the four questions which were listed at the end of the out-going airgram. Some general comments which did not fit under the specific questions are listed as Appendix C.

- Question 1.
- Do the LTC findings apply? If so, to which category does your country belong? (Categories are):  
1. Land redistribution is not a current policy issue but an accomplished fact. (LTC places Mexico, Bolivia and to a lesser extent Venezuela in this category). 2. LR continues to be object of controversy and national debate but there is strong official commitment to reform and already some record of accomplishment. 3. Countries with little or no commitment or intent to carry out meaningful reforms.
- Argentina** - Judged not applicable on basis declining population in agriculture and ability industrial development to absorb employment pressure from rural areas.
- Brazil** - With qualifications Brazil's position approximates ~~first~~<sup>second</sup> category - laws, agencies and organizations but little end result.
- Government policy promotes commercialization. Colonization has been costly and failed to achieve objectives.
- GERAN Program may signal new era.
- Colombia** - No. Mission believes Colombia should be category one country rather than two or three where LTC puts it. Feels there is little need for exhortation of virtues of LR in Colombia since firm commitment exists and "substantial progress" has been made. LTC silence on Colombia raises questions about validity of data and analysis on which policy recommendations are based.
- Bolivia** - Land Reform already accomplished. Following specific comments made in regard to:
- Progressively managed large farms (cane and cotton) - "current government policy does not preclude assistance."
  - Traditionally managed farms - N/A.
  - Existing small farms - economics and mechanics of assisting are extremely demanding and there is little willingness by farmers to organize for T/A, credit, commercialization, etc.
  - Land reform created farms - increasing minifundia problems created by the reform but "land titling should provide ground-work for solution through natural evolution."
- Basic Bolivian policy is to modernize through yield increasing technology, particularly better seeds and fertilizer, however credit needed is virtually impossible to obtain.

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- Guatemala - Opinion divided on how Guatemala should be classified. Some feel it belongs in second category with qualifications. Others feel Guatemala belongs in third category i.e., little actual official commitment. Overall view is that GOG action to significantly affect existing land distribution patterns is unlikely in near future. LTC findings do apply.
- Peru - Not quite. Peru falls somewhere between first two categories.
- DR - GODR attitude is evolving in direction greater recognition of need for LR but more on political than agricultural development grounds. Mission view is that broad scale LR is economically unwise but socially and politically desirable. Mission notes administrative capacity of government is inadequate even for present small LR program. For moment at least Mission strategy, while not unalterable, seems to favor long-term policy of moving subsistence farmers out of agriculture.
- Nicaragua - GON emphasis is on land titling and colonization. LTC report fails to provide for category of traditionally managed small farms. In Mission's view important issue is need to introduce new techniques and improved farm management irregardless of size since in Nicaragua almost all agriculture is traditional.
- Guyana - Yes but with exceptions. See reply for details. In regard to rice and sugar, Guyana belongs in third category. Most of remaining land belongs to government.
- Jamaica - No. Jamaica is in post-reform situation but "massive land redistribution has not offered a panacea. Problem in Jamaica is micro-fundia not latifundia. Small farmers have received great deal of government assistance but with little result.
- Uruguay - Yes in terms of land concentration and degree of traditionalism but no in terms of impact because of low percentage of population in agriculture and low population growth rates.
- Panama - Yes. Mission does not say which category country belongs in.
- Honduras - Generally yes. Honduras belongs in third group but unfair to say nothing at all happening. Since 1967 when present Director of Agrarian Reform Institute (ARI) appointed, 2,000 families have been settled and 7,000 small farmers given tenure security. ARI is (a) aggressively assisting in titling of campesinos settling on government owned lands; (b) aiding efforts to bring small farms into commercial sector (c) supporting policies to make it easier for peasants and agricultural workers to organize; (d) colonization and resettlement of small farmers.

- Ecuador - In general yes, but disagree on some specifics. Mission feels Ecuador probably falls in third category of countries but disagrees with system of categories established and policy implications which flow there from.
- Chile - Yes, with reservations. Chile clearly falls in first category. Mission notes that Frei government will probably only reach 25% or less of its goal of resettling 100,000 families during its administration. As of 30 September, 67 approximately 14% of all irrigated land and 6.8% of all arable land in Chile had been expropriated. Pattern in Chile has been to operate expropriated properties as same unit as previously rather than parcelizing. This may be due to belief in economies of scale but also reflects short range advantage of continuing operations suitable to existing equipment. Mission feels supervised credit is more effective instrument than LTC indicates and questions LTC findings re credit effectiveness in Chile case. GOC not presently doing much on land titling for small farmers outside agrarian reform program but Mission is attempting to focus attention in this area. Farmer organizations are relatively well advanced in Chile and are effective. The government seems aware of post-reform problems and is diverting most of its available TA to help small farmer but need is almost overwhelming and far from being met.
- El Sal -- In general with certain qualifications El Salvador belongs in second category but with only moderate, but growing, commitment to land reform: Growing pressure on land is narrowing opposition to only those who would be directly and adversely effected.
- Institute of Rural Colonization (ICR) has authority to purchase land for redistribution but program has been minuscule compared to need. Honduras conflict last July has been impetus for reform. President has committed government to "firm and gradual" reform.
- Paraguay - Yes in regard to skewed land tenure pattern, 37% of total land area held by 182 individuals, 19% by State, leaving 44% for rest of 2.3 million population.
- No in terms of duality of export vs. subsistence farming -- there are practically no large modernized, specialized farms producing for export. Practically all crop exports come from small farm. Duality does exist in livestock production.
- Yes as to latifundia vs. minifundia but practically no dependent minifundia as elsewhere in Latin America. There is enough land in minifundia area for about 25 hectares per family, but largely subsistence nature of farming does not require more than 2-3 hectares per family.

Paraguay - There is duality with respect to land titles in favor of large holders.  
(cont.) -

Yes re preference for colonization over redistribution. Agrarian reform laws on books but not implemented. Present rate of improvement in land tenure through colonization is too slow to make significant contribution to development in less than one or two generations.

Mission feels Paraguay does not fit neatly into any of the three classes, but from discussion it seems to fit fairly well into category three.

Question 2. - Do the LTC recommendations make sense? What are the prospects for applying and results to be anticipated?

Argentina - Not applicable.

Brazil - LTC recommendations represent fair approximation of GOB policy except in case of recommendation for sub-division of traditionally managed large holdings. Legislative provisions exist for this but are not being implemented.

Colombia - Yes. GOC and US A.I.D. have "initiated and vigorously supported them."

Bolivia - Yes for specific activities, but no in case of general land distribution system advocated - "questionable in short run and very expensive in long run." LTC ignores limiting human factors and does not take account of economic consequences. In Bolivia farmers still not organized 16 years after reform. No rural tax system to pay for rural needs. Marketing system developed in 1953 but "supplementary system" only now being developed. Lack of management talent in rural areas precludes cooperative development and limits service industry development.

Guatemala - Yes. Particularly "Systems approach."

Peru - Hard to discern - but answer appears to be yes in general but no as to specifics.

DR - LTC recommendations for host government policy make sense in economic terms, except that distinction between progressive and traditionally managed large farms is too sharply drawn. In political terms LTC tends to discount difficulties for host government in shifting political base from traditional landholder interests to those groups advocating reform, particularly where latter are unorganized.

LTC recommendations for U.S. government policy defective in two respects: (1) fails to consider LR as not necessarily end in itself and that alternative programs exist which may meet broader purpose of better life for rural poor as well or better; (2) U.S. bears responsibility, not mentioned in LTC recommendations of determining possible development strategies, identifying what LR program would then be appropriate and then influencing host government to adopt package.

Nicaragua - No. Mission does not believe GON has talent or resources to effect a meaningful land distribution program. Hence recommendations could not be applied and results would not be as indicated by LTC if they were. LTC report is descriptive rather than policy oriented and assumes ceteris parabus environment.

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- Uruguay - No. Mission feels problem is more lack of incentives inherent in GOU overall agricultural policies and that there must be more stimulus to increase investment and production irregardless of size of farm holdings. Opportunity costs of diverting resources to land redistribution from other programs is too high.
- Guyana - Yes with qualifications. Results will not be change in basic structure of ownership and whether improvement in lot of "average man" will occur is difficult to say.
- Jamaica - No because they relate to different ecological and cultural environment.
- Panama - Yes. Mission notes it has provided loans for Cadastral Survey and Natural Resources project and small Farmer Improvement. A Sector Analysis is under development which will provide a basis for improving agriculture development policy.
- Honduras - Yes - Mission feels intended results are beginning to be achieved and forsees rapidly expanding activities during next 5 years that could bring up to 40,000 rural families more effectively into economy of country.
- Ecuador - No. Mission does not accept major premise that social objectives of land reform can only be achieved by drastic government action.
- Chile - Yes, however problem of small farmer is complicated by fact that effective demand for agricultural products in Chile is largely in area of extensive agricultural crops such as wheat and beef. Mission feels more study is needed as potential for transforming existing small farms into small and medium size commercial farms. GOC has created organization (INDAP) for this purpose but Mission feels its effectiveness can be improved.
- El Sal - In general yes, but rapid or massive change in land tenure patterns through redistribution is not a political reality. Reportedly some traditional land owners are willing to sell but potential buyers lack credit.

Most pertinent recommendations are for encouragement of increased intensification by shifts to higher income crops and higher output per acre through use of yield increasing technology. Mission notes that while these policies can be applied to large as well as small farms, GOES is giving increased attention to assistance to small operators, both owners and renters.

- Paraguay - Yes but with recognition to divergence from more common patterns in Paraguay's case i.e., land availability not a limiting factor (however there is a demand for land). Prospects for implementation of meaningful or dramatic reforms seem slim.

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Question 3. - If LTC recommendations are not accepted what alternatives do you propose and why?

Argentina - Large inefficient holdings are being broken up and sold as result of taxation and "pull" of other investment opportunities. Marginal uneconomic agricultural operations being attacked by government sponsored colonization.

Brazil (Recife) - Major reason for non-application is lack of conviction that reform is a pre-condition to agricultural development. Reasons for lack of conviction are:

- a) Record of production increases w/o land reform.
- b) Lack of comparative cost/benefit data in outcome of present strategies vis-a-vis land reform.
- c) Lack of models of successful agrarian reform.
- d) General tendency to look to developed countries for suitable agricultural models to follow.
- e) Concern (unfounded in Mission's view) that large scale land reform would be disruptive to production.

Other reasons are lack of personnel and finances for nation-wide program of scope envisioned by LTC, lack of access other inputs by small farmers, high cost of capital and wide range of ecological conditions.

Mission endorses LTC recommendation for U.S. policy to provide direct financial and moral support for land redistribution. Feels Mission's past policy has been ambiguous and that unequivocal directives from AID/W needed.

Colombia - Mission feels LTC places excessive emphasis on LR per se. Mission emphasizes access roads and credit. Suggest proposition that "officially imposed land redistribution should only slightly exceed ability to deliver essential services" is preferable to large scale redistribution inevitably followed by long delays in capability to provide credit, inputs, services and infrastructure.

Bolivia - Despite above problems no preferable alternative. Slower methods don't work. U.S. should advocate rapid land distribution with emphasis on rural vocational education and crop production/marketing support activities in lieu of past emphasis on institution-building.

Guatemala - In view of current GOG attitude on redistribution U.S. should encourage other reforms which viewed as necessary but not sufficient to incorporate minifundistas into commercial economy.

Peru a) U.S. T/A should stay out of politics and deal only with "technically researchable" questions.

b) Greater emphasis on \_\_\_\_\_ to agricultural input and output marketing infrastructure.

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- c) More attention to goal of improved income distribution (which the author feels the LTC has ignored).
- d) More attention to factors for shifting land base other than expropriation - redistribution e.g., creating a viable and accessible land market; 2) private parcellations, 3) incentive - disincentive policies for guiding landowners' investment, labor and land decisions.

- DR - Mission feels much of what LTC recommends is applicable to D.R. but on basis present knowledge opts for more gradual approach and offsetting increases in non-agricultural production.
- Nicaragua - Not clearly indicated but reference made to existing programs of titling, colonization and credit to low/middle income farmer.
- Uruguay - Government is presently applying productivity taxes as pressure on large holders to either more fully utilize their holdings, sell or distribute them.
- Guyana - LTC hypotheses accepted but projected economic cost/benefits are questioned in view of importance of production for export which places emphasis of low cost/high efficiency production. In case of rice farmers producing for domestic consumption (80% of total) emphasis is being put on modernization of existing farms and their organization for bargaining purposes and movement into new crops. Thus presently preferred alternative to land redistribution is partnership between small farmer and government with farmer applying modern land technology and government providing and managing capital inputs. Results anticipated are pessimistic over short or intermediate term.
- Jamaica - In general, objective for Jamaica should be to move away from welfare agriculture and to encourage business enterprise with government participation and expert management. An agri-business approach is the only solution to problem of production and only one that would enable Jamaican government to increase its revenue, thus creating resources for welfare and to make farmer more productive which is ultimately best contribution to his livelihood.
- Honduras - Since land redistribution is contentious issue, determination of legitimate ownership and efficient titling of rightful owners may be of more immediate relevance, Mission feels GOH has adequately reconciled potential conflict between increased agricultural production and more equitable income and land distribution by excluding commercial type intensively farmed units from underutilized tracts lacking in infrastructure where land distribution would probably result in both productivity and income distribution benefits.
- Ecuador - Mission believes there is a middle ground between absence of land reform and seizure of land without fair compensation. At least in some circumstances reforms can be achieved by campesino land purchases if latter are provided access to sufficient production credit and technical assistance to be able to carry out viable economic purchases on land purchased.

- Ecuador (cont.) - Mission sees no inherent conflict between increased productivity and more equitable income and land distribution except where sweeping changes are effected which result in breakdown in marketing and distribution, e.g., Bolivia. Mission believes LR supported by production credit and TA should result in agricultural production increases fairly promptly.
- Chile - Accept recommendations in general but disagree on findings as follows:
- 1) Emphasis on large farms does not apply to Chile
  - 2) No change in early AFP emphasis on land redistribution in Chile and unaware of any change in general although this "could appear" to be case in certain other LA countries.  
include as much land distribution as possible
- El Sal - Since large-scale redistribution is out alternatives are necessary but should/through normal private land market channels, drainage and irrigation districts, and land purchases for redistribution by the Rural Colonization Institute. Ways should be sought to promote private sales to small farmers including subsidization. Attention should be given to leased land and shared crop arrangements which are not addressed in LTC paper but common in El Salvador. LTC criticism of supervised credit as a means of helping small farmers is challengeable.
- Paraguay - Mission recommends pursuance of LTC recommended strategy for category three countries plus continued support to the colonization alternative.

Question 4. - What suggestions do you have for further research and training?

Argentina - Not answered.

Brazil - a) Research on improving administration, planning and implementation functions of Agrarian Reform agencies.

- b) Research on all aspects of economies of LR including:

(1) C/B analysis of alternative programs.

(2) Taxation policies and procedures.

(3) Financial arrangements for L/R participants.

c) Research on expropriation and compensation procedures and other measures to induce land release.

d) Research on small farm management.

Colombia - a) Assemble substantive findings, from studies done by LTC and others that support, refute, or modify generalizations advanced in the report.

b) Following this give attention to specific countries to help accomplish ends of agrarian reform within country's own legal-economic context - namely "dynamic process of resource allocation receptive to improved technology with benefits shared among greatest number."

Bolivia - Shift emphasis from research to improving field operation ability.

Guatemala - Emphasis on transformation of traditional minifundia agriculture without redistribution; particularly lower cost administration of programs aimed at this purpose.

Peru - Research on:

a) Optimum farm sizes analyzed from standpoint of variable management and capital inputs, population, market structures, land saving and labor intensive technologies.

b) Most effective use of credit in relation to farmer change capability, change agent input capabilities and needs, and infrastructure adjustment requirements.

c) Social responses to imposed changes in human to human and human to resource relationships.

d) Exploration alternatives which avoid direct confrontation with vested interests. State intervention in hereditary transfers and encouragement of private reform are suggested.

e) On indirect means of inducing land-saving rather than labor-saving modernization.

- DR - LTC should direct future research to examining Land Tenure Programs from point of view of total development strategy for particular countries and not just impact on agricultural production.
- Nicaragua - More research on specific country situations, more attention to cost as well as benefits of LR, investigation of means of stimulating private land transfers particularly through credit availability.
- Uruguay - None offered.
- Guyana - Should key to question "how should agriculture best be organized in order to maintain both production and employment" since this permits analyzer to examine alternative organizations in context of markets and commodities which are actually the controlling variables. Within this context LTC should research (1) alternative partnership arrangements and (2) productivity/emp. as these relate to different methods managing leases.
- Jamaica - No new research projects for Jamaica recommended until result of past research absorbed which will take some time.
- Panama - Correlation studies pertaining to income groups, farm size and production per hectare in relation to food crops, export crops and livestock ranches.
- Honduras - No suggestions - G.O.H. has not taken advantage of LTC training, research and consulting capability in past but should be able to do so in future.
- Chile - Increased emphasis should be given to type of research specifically desired by operating agencies of host countries, supervised credit should be examined more closely to see whether it is most effective and efficient approach for combining TA and credit for small farmers despite high administrative costs.
- El Sal - Research on ways to carry out more successfully alternative approaches suggested in three above and others which might be identified.
- Paraguay - Mission recommends study of:
- a) Present structure of land ownership in Paraguay.
  - b) Land tax administration
  - c) Probable effects of title clearance and consolidation of small units minifundia area.

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Paraguay - Extent to which farm units could be provided in the minifundia area (sic).  
(cont.)

Attachment B

A.	B.	C.	D.
LTC findings inapplicable	Reform is not an issue because: (a) already accomplished (b) in process satisfactorily	Findings accepted and U.S. aid to redistribution programs recommended	Findings generally apply but alternate strategies recommended
Argentina Uruguay	Bolivia Jamaica	Brazil Ecuador	Dom. Rep. Guyana
	Colombia Venezuela Chile Peru		
		E.	
		Findings apply but only ancillary approaches feasible	
		Paraguay Guatemala El Salvador Honduras Nicaragua Panama	

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Appendix C - General Comments  
(Not covered in A & B)

- Colombia - LTC should recheck its conclusion about conservatism of national power elite and US A.I.D. personnel. Mission agrees it exists but probably not so ubiquitous as report implies.
- Bolivia - Phrase concerning relationship of U.S. Representatives and conservative elements in national politics is misleading. Work with those in power as practical matter does not imply approval or disapproval.
- Current GOB policy on land distribution not as fixed (or positive) as LTC indicates. Without A.I.D. initiative and financial support to land titling progress would be less. Economic growth slow in reform area as opposed to other areas. Greatest production on large farms and ranches which exist at sufferance GOB.
- Peru - On basis its experience over past eight years with three different regimes and three different laws Mission has concluded:
- a) legal structure adopted for expropriating and redistributing land is not necessarily a deciding factor in realizing the objectives of (a) increased productivity, (b) improved income distribution and increased per capita incomes.
  - b) Expropriation-redistribution route is not itself necessarily an important instrument for achieving above objectives. "Carry through" programs such as credit and farm level technical assistance are more vital than redistribution itself.
- Chile - Director notes airgram should not be construed as CT policy statement since "little consideration given to crucial aspects of and sensitivities surrounding LR issues."

AGENCY FOR INTERNATIONAL DEVELOPMENT  
SPRING REVIEW OF LAND REFORM

BACKGROUND PAPER 3

THE ECONOMICS OF LAND REFORM  
IN LATIN AMERICA AND  
THE ROLE OF AID AGENCIES

A.I.D. Discussion Paper No. 21  
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DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D. C.

Office of Program and Policy Coordination

A.I.D. Discussion Paper No. 21

THE ECONOMICS OF LAND REFORM IN LATIN AMERICA AND THE  
ROLE OF AID AGENCIES

Dale W Adams

A.I.D. Discussion Papers are circulated for the information of the addressees and their staffs. These papers are intended to serve several functions: to improve knowledge of analytical studies, research results and assistance policies among Agency personnel; to encourage the careful recording and analysis of Agency experience and problems by persons currently engaged in them; and to share such experience and ideas with interested persons outside the Agency. These papers are designed to stimulate and serve as background for discussion. They represent the views of the authors and are not intended as statements of Agency policy.

August, 1969

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NOTE

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The Economics of Land Reform in Latin America  
and The Role of Aid Agencies

I. Introduction

The "Alliance for Progress" at inception was aimed at a broad range of pressing problems in Latin America. With the assistance of various aid agencies some progress has been made. A number of Latin American countries, for example, now have significant industrial capacity, and most consumer goods can be produced in the region. Output of electricity is up more than 50 percent since 1961. Although shock absorbers still suffer, roads in Latin America have been substantially expanded and improved during the 1960's. Malaria and yellow fever are now practically eliminated, and the supply of drinking water vastly improved. Progress has also been made in regional economic integration and trade diversification. Big steps forward have been made in higher education, and the professional capacity of Latin American governments to manage their economies has also materially improved.

On the negative side, much less progress has been made in improving the lot of rural poor. There are, for example, 10 to 20 percent more children (ages 5-14) in rural areas not attending schools in 1969 than in 1960.<sup>1/</sup> There has also been an increase in the number of rural poor of from 15 to 20 percent during the 1960's.<sup>2/</sup> Despite massive migration to cities and colonization areas since 1960, 12 to 15 million more rural people in 1969 do not have access to a reasonable amount of farm land. Although some progress has been made in increasing total output, little or no improvement has been made on income distribution. In most of Latin America 10 percent of the landowners receive 1/3 to 2/3 of the total agricultural income.<sup>3/</sup> Little change in this structure of income distribution has occurred during the 1960's.

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<sup>1/</sup> Estimated from U.S. House of Representatives, Committee on Government Operations, A Review of Alliance for Progress Goals, U.S. Government Printing Office, Washington, D.C. 1969, p. 38.

<sup>2/</sup> Estimated from data in Inter-American Development Bank (IDB) Social Progress Trust Fund Eighth Annual Report--1968 (Washington, D. C.: IDB, 1969) pp. 333-380.

<sup>3/</sup> United Nations, Economic Commission for Latin America (ECLA), "Agricultural Development in Latin America," E/CN.12/829, 12 February 1969, pp. 17-18.

Initially, a number of people assumed that land reform would be the policy cornerstone for easing rural poverty in Latin America.<sup>4/</sup> Despite this early emphasis results have been disappointing. Parcelization of privately held land has only inched forward in areas where landownership problems are most pressing: Brazil, Central America, Chile, Colombia, The Dominican Republic, Ecuador, Paraguay and Peru.<sup>5/</sup>

In spite of the stress placed on land reform by the Alliance, aid agencies (A.I.D., Foundations and other international agencies) have done little to encourage redistribution of landed property rights. A survey of A.I.D. activities, for example, shows a dearth of pressure in loan programs toward this end, little or no insistence on use of counterpart for land reform activities, only a trickle of technical assistance, and few U.S. funds allocated for this

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<sup>4/</sup> In the following discussion the meaning of land reform will be restricted to the redistribution of property rights in land--mostly privately owned--in areas where a good deal of infrastructure exists; and where such redistribution may result in parcelization, or joint ownership among small farm operators or landless workers. Colonization and land settlement, on the other hand, will denote settlement on lands which are usually public domain where little or no infrastructure exists.

<sup>5/</sup> In Colombia, for example, most of the 66,511 titles to land given by the Agrarian Reform Institute (INCCRA) from 1962 to 1967 were on public lands, or de facto recognition of legal claims to land held by squatters. Recent activities in Chile, Colombia, and Peru may have somewhat brightened the outlook for land reform in Latin America.

purpose. From the late 1950's to mid-1968 A.I.D. and predecessor agencies have granted or loaned approximately 100 million dollars in the very general area of colonization and land reform in Latin America: roughly 30 percent for penetration roads into colonization areas; an additional 20 percent directly for colonization; another 30 percent for agricultural credit which has at least partially supported colonization or parcelization activities; and 20 percent for mapping, land titling, and land tenure research.<sup>6/</sup> It appears that something over 70 million dollars of A.I.D. assistance has gone into support for colonization, and less than 30 million dollars into programs which might be interpreted as support for land reform.

Up until the first of 1969 the Inter-American Development Bank (IDB), through the U.S.-funded Social Progress Trust Fund, loaned approximately 30 million dollars in this general area, almost entirely for colonization. Even by combining A.I.D. and IDB financial commitments, the total outlay by the U.S. for colonization and especially land reform has been modest. The World Bank has also done little in this area.

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<sup>6/</sup> These figures do not include program loan counterpart funds which have gone into general budget support for agrarian reform activities. This has been significant in Chile and Colombia.

Why international agencies have shied from land reform is not entirely clear, but one frequently verbalized feeling is that parcelization cannot be economically justified. This paper will be concentrated on this topic, and as a result a number of other important issues will not be covered. For example, the vital role which land reform can play in socio-political development is not treated.<sup>7/</sup> The possibility that the lack of interest in land reform is due to a "philosophical hang-up" (that private land-ownership is inviolable) is also not explored. Nor, is an attempt made to present comprehensive economic arguments for land reform. Rather, the following discussion will focus on the merits of several economic arguments often cited against land reform: (1) it decreases production, (2) urbanization is more practical than parcelization, and (3) colonization is more feasible than land reform. These criticisms are often used as justification for directing attention toward other development tools.

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<sup>7/</sup> For example, see Edward J. Mitchell, The Huk Rebellion in the Philippines: An Econometric Study, ARPA Order No. 189-1, The Rand Corporation, Santa Monica, California, January 1969. This study suggests that the Huk movement has been most successful among tenants, farm laborers, and migrant workers in the Philippines.

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## II. Does Land Reform Cause Production Decreases?

It is repeatedly asserted that land reform is synonymous with decreases in production.<sup>8/</sup> Three types of arguments regularly surface in support of this assertion: (1) historical evidence based on the experience of countries such as Bolivia, Italy, and Mexico where land reform has occurred; (2) a priori assumptions about farm operating efficiencies following land reform; and (3) predictions that parcelization will block future modernization of agriculture.

### A. Historical evidence

Recent studies of land reform and agricultural growth do not provide evidence that land reform has caused decreases in agricultural production. In Bolivia, for example, Clark reports that the "apparent decline" in agricultural output following land reform in 1952 was due to increased home consumption by farmers, disruption of marketing and transportation facilities due to the social

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<sup>8/</sup> E.g., P.B. Diebold, "How Planners Should View Land Reform," Development Digest, Oct. 1966, pp. 98-102; Montague Yudelman, Agricultural Development in Latin America: Current Status and Prospects (Washington, D.C.: Inter-American Development Bank, 1966) pp. 66-67; and Lawrence H. Berlin, "A New Agricultural Strategy in Latin America," International Development Review, Sept. 1967, p. 13.

upheaval, and the unseasonably dry weather experienced for several years following the reform.<sup>9/</sup>

Even more positive results of land reform are reported in recent studies of Mexico by Dovring, Eckstein and Flores.<sup>10/</sup> Most of the changes in landownership in Mexico took place during 1927 to 1939. Yet, as Dovring points out, in the 1934-38 to 1962-65 period, Mexican agricultural production more than tripled. He concludes that, "It would be difficult to show any other country, with acceptable agricultural statistics, that has maintained a similar rate of growth over a comparable stretch of years in modern time," and that it is very doubtful if agricultural output fell, even temporarily, in the 1925 to 1939 period. In addition, a recent ECLA study showed

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9/ Ronald J. Clark, "Land Reform and Peasant Market Participation in the North Highlands of Bolivia," Land Economics, May 1968, pp. 153-172, also University of Wisconsin, Land Tenure Center Reprint No. 42. Imports to Bolivia of agricultural commodities were stimulated during 1953-55 by favorable exchange rates and price policy. Some of these imported commodities, especially wheat, were reexported: United Nations, Economic Commission for Latin America (ECLA), Economic Bulletin for Latin America, Oct. 1967, p. 79.

10/ Folke Dovring, "Land Reform and Productivity: The Mexican Case" Unpublished Manuscript, Dept. of Agricultural Economics, University of Illinois, Nov. 1966; Salamón Eckstein, El Marco Macroeconomico Del Problema Agrario Mexicano (Washington, D.C.: Pan American Union, 1969); Edmundo Flores, "Land Reform and The Alliance for Progress," Woodrow Wilson School of Public and International Affairs, Center of International Studies, Princeton University, Policy Memorandum No. 27, May 1963.

that rates of growth in agricultural production between 1950-65 in Bolivia, Mexico and Venezuela--countries which have carried out extensive land reform--substantially exceeded the average for Latin America.<sup>11/</sup>

For Italy, Barbero and Shearer both report increases in agricultural production and rural employment following land reform.<sup>12/</sup> In Venezuela during the first four years (1960-1964) following initiating of land reform activities farm output--excluding coffee and cacao--grew at an average rate of 6.3 percent annually, compared with a 3.8 percent yearly average during the preceding decade.<sup>13/</sup> Additional studies have also indicated increases in agricultural output following land reform activities

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11/ United Nations, Economic Commission for Latin America (ECLA), "Agricultural Development in Latin America," cited previously.

12/ G. Barbero, Land Reform in Italy: Achievements and Perspectives (Rome: FAO, 1961), p. 5; and Eric B. Shearer, "Italian Land Reform Re-Appraised," Land Economics, Feb. 1968, pp. 100-106.

13/ Eric B. Shearer, "Letter to the Editor," New York Times, September 10, 1967.

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in Nepal, Taiwan, Japan, Yugoslavia, Egypt, Korea and Kenya.<sup>14/</sup>

B. A priori assumptions

Those who argue on a priori grounds that land reform will decrease output often extend their argument on the following: that land reform (1) substitutes a lower quality management factor; (2) may reduce farmer access to credit, markets, and transportation; and (3) may reduce participants' access to new inputs.

A strong argument for land reform in Latin America, in my opinion, is that it can replace inefficient absentee management. Recent Comité Interamericano de Desarrollo Agrícola (CIDA) studies suggest that up to three-quarters of Latin America's best agricultural lands are operated by absentee owners.<sup>15/</sup> A study

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<sup>14/</sup> Quentin W. Lindsey, "Budabari Panchayat: The Second Year After Reform," Land Reform in Nepal, published by Nepal Land Reform Department, May 1966; Raymond P. Christensen, Taiwan's Agricultural Development: Its Relevance for Developing Countries, USDA, ERS, Foreign Agricultural Economic Report No. 39, April 1968; Takekazu Ogura, (ed.) Agricultural Development in Modern Japan (Tokyo: Japan FAO Association, 1963); A.H.E. Nasharty, "Agrarian Reform in the United Arab Republic," Rome, Italy, World Land Reform Conference, United Nations, FAO, June 20-July 2, 1966; V. Stipetić and B. Milosavljević, "Agrarian Reform and Economic Development: Yugoslav Case Study," Rome, Italy, World Land Reform Conference, United Nations, FAO, June 20-July 2, 1966; J.A.E. Hong Cho, "Land Reform and Their Consequences in South Korea," unpublished Ph.D. Dissertation Indiana University 1964; Hans Ruthenberg, African Agricultural Production Development Policy in Kenya 1952-1965 (Berlin: Springer-Verlag, 1966).

<sup>15/</sup> A summary of these studies is given in S.L. Barraclough and A.L. Domike, "Agrarian Structure in Seven Latin American Countries," Land Economics, Nov. 1966, pp. 391-424, also University of Wisconsin, Land Tenure Center Reprint No. 25.

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of absentee landownership in one Colombian area, for example, showed that approximately this proportion of the cultivable lands are managed by part-time operators.<sup>16/</sup> Much of the land in this area is owned by bankers, lawyers, merchants, priests, government employees, etc. Few of these people depend on agriculture for a major part of their income. Moreover, many hold the land primarily as an inflationary hedge, or for income tax evasion. Most owners spend only a small fraction of their time managing the farm operation. Few of the mayordomos hired to administer the farms are qualified to do more than guard the livestock, crops, and property. Landowners warp their production toward activities that can produce some net return under this weak management system. Similar conditions can be found throughout the rest of Latin America.

Some improvement in land utilization can result from share-tenant arrangements, but the inefficiencies in this system are also apparent: serious disincentives regarding long-term investments in land, insecurity, overutilization of labor, and economic blocks to use of variable inputs.

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<sup>16/</sup> D. W Adams and S. Schulman, "Minifundia in Agrarian Reform: A Colombian Example," Land Economics, August 1967, pp. 274-283, also University of Wisconsin, Land Tenure Center Reprint No. 47.

While some large farming units in Latin America are operated in a socially efficient manner, they are few in number. In many cases simply transferring landownership to share-tenants will substantially improve the quality of on-farm economic decisions. In other cases some training and supervision of new operators will be necessary. This assistance can and is being provided by current land reform programs. A review of available empirical studies on specific parcelization projects in Latin America fails to yield a single case where a change in management through land reform led to actual decreases in production.<sup>17/</sup> In most cases employment increased, farmers' incomes went up, and production also expanded.

Transfer of landownership is not a panacea for rural ills in Latin America; in a few cases land reform can disrupt credit, irrigation systems, marketing and transportation channels formerly provided for or by the large landowner. Nevertheless, a review of the parcelization projects evaluated to date shows that these services can be very satisfactorily replaced and improved along with land reform.

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<sup>17/</sup> See, for example: Food and Agricultural Organization (FAO), and Instituto de Capacitación e Investigaciones En Reforma Agraria (ICIRA) Evaluación Preliminar de los Asentamientos de la Reforma Agraria de Chile, (Santiago, Chile: ICIRA, 1967); D. W Adams and L. E. Montero, "Land Parcelization in Agrarian Reform: A Colombian Example," Inter-American Economic Affairs, Winter 1965, pp. 67-71, also University of Wisconsin, Land Tenure Center Reprint No. 16; W. C. Thiesenhusen, Chile's Experiments in Agrarian Reform (Madison: University of Wisconsin Press, 1966), and a number of land reform case studies which are in process of publication by Inter-American Committee on Agricultural Development (CIDA) and the Land Tenure Center.

C. Does parcelization block modernization?

Additional arguments have emphasized that even if parcelization does not decrease near-term output, it will in the future seriously hinder agricultural modernization. It is further argued that large farms are more efficient than small units, potential economies of scale will not be realized if large units are parcelized, and additional fragmentation of parcelized units will follow.

Information assembled for A.I.D.'s "Spring Review of the New Cereal Varieties" held in Washington, D.C. in May 1969 showed that large numbers of small farm operators have been rapidly adopting new technology. These farmers have been quick to use new high yielding varieties of rice in Viet Nam and the Philippines. Likewise, small farmers have been the major factor in Thailand's and Kenya's recent sharp increase in corn production. The experiences in Japan and Taiwan have also been widely noted and documented. This evidence suggests that given assessibility and profitability smallness need not be a block to modernization or commercialization. As Long points out, large farms are usually only more "efficient" with respect to use of labor.<sup>18/</sup> That is, output per unit of labor is high. In most LDC's when the opportunity

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<sup>18/</sup> Erven J. Long, "The Economic Basis of Land Reform in Underdeveloped Economies," Land Economics, May 1961, pp. 113-123.

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costs of land, capital, and labor are considered it becomes obvious that output per unit of land, or per unit of capital are more relevant indications of "efficiency" than labor output.

In most cases mechanization, land, labor, and management are divisible inputs in agriculture. Currently, it is the exception rather than the rule that indivisibilities lead to substantial economies of scale on Latin American farms.<sup>19/</sup> Where indivisibilities do occur, they often need not entail large landholdings. Cooperative landownership, contract rentals, joint land operation, cooperatives, and separation of the indivisibility from landownership are but a few of the ways of getting around this problem.

There is little doubt that over the next century many of the parcels currently resulting from land reform will be recombined by the market into larger units. Hopefully a large number of the second and third generation rural residents will have been sufficiently "capitalized" by that time to successfully integrate into the urban economy. In a number of cases land reform is the only policy tool available for helping to speed this human capitalization process.

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<sup>19/</sup> For example refer to: William R. Cline, "Prediction of A Land Reform's Effect on Agricultural Production: The Brazilian Case," Discussion Paper No. 9, Woodrow Wilson School of Public and International Affairs, Princeton University, May 1969, and Lester Schmid, "Relation of Size of Farm to Productivity" manuscript in process of publication, Land Tenure Center, University of Wisconsin. Contrast this with the opposite view held by David E. Lilienthal, "Postwar Development in Viet Nam," Foreign Affairs, January 1969, p 328.

In summary there appears to be little reason why land reform should block future increases in production if appropriate collateral programs are also undertaken. There is also little evidence to prove the fable that land reform decreases production. Rather, it appears that carefully carried out parcelization can result in substantial increases in production. This can be expected for several reasons: (1) former share-tenants have incentives as landowners to apply more variable inputs, especially labor; (2) participants in land reform may have more incentives to improve their land resources than original owners;<sup>20/</sup> and (3) new operators may use criteria for making production decisions which result in more output than was the case with part-time absentee operators.

In addition, land reform can substantially improve the distribution of rural incomes. This, in turn, can create more effective demand for industrial goods as well as agricultural commodities, draw rural people into the marketing system where economic policy can influence actions, and facilitate the human capitalization process in rural areas. One of the major restraints on further industrial growth in Latin America is the lack of purchasing power in the hands of rural poor.

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<sup>20/</sup> See Philip M. Raup, "Land Reform and Agricultural Development," in H.M. Southworth and B.F. Johnston (eds.) Agricultural Development and Economic Growth (Ithaca, Cornell University Press, 1967) pp. 267-314, for further discussion of this topic.



### III. Is Urbanization A Viable Alternative to Land Reform?

The make-up of development programs in Latin America indicate a good deal of frustration with regard to what-to-do about rural poverty. As suggested earlier land reform has been largely bypassed as an alternative solution. Most A.I.D. programs, for example, imply urbanization as the major means of resolving rural poverty. Some emphasis has also been placed on modernization of agriculture without structural change, with hopes that benefits will filter down to rural poor.<sup>21/</sup>

A number of students of development have argued in favor of urbanization as the best solution to rural poverty, e.g., Currie, Higgins, Berlin.<sup>22/</sup> In many respects Currie's views are representative and include many of the attitudes held by officials of international agencies. He proposes that agrarian problems be resolved by placing more emphasis on urbanization, industrialization, rural to urban migration, land consolidation and farm mechanization.

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<sup>21/</sup> For a review of the agricultural policy of the Alliance see: W. Thiesenhusen and Marion Brown, Survey of The Alliance for Progress: Problems of Agriculture, a study prepared for the Subcommittee on American Republic Affairs of the Committee on Foreign Relations U.S. Senate, Dec. 22, 1967, also University of Wisconsin, Land Tenure Center Reprint No. 35.

<sup>22/</sup> Lauchlin Currie, Accelerating Development (New York: McGraw Hill, 1966); Benjamin Higgins, "The City and Economic Development," in The Urban Explosion in Latin America: A Continent in Process of Modernization, ed. Glenn H. Beyer (Ithaca, Cornell Univ. Press, 1967). pp. 117-155; and Lawrence H. Berlin, in article cited previously.

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Unlike many critics of land reform who associate parcelization with decreases in production, he assumes that small farm operators can substantially increase output. He argues that the following problems confront agriculture in many less developed countries (LDCs): (1) the sector faces a price inelastic aggregate demand schedule for its commodities, (2) there is a lack of effective demand for agricultural production; underconsumption rather than lack of production is the major problem, (3) there are too many human resources in agriculture, (4) agricultural incomes are low and poverty is widespread in rural areas, and (5) small farmers are unable to compete with large operators in dynamic commercial markets. Thus, agricultural development programs which substantially increase production in LDCs will decrease total farm income, and the poor in agriculture will be no better off, and most likely worse off after additional production has forced prices down. He therefore places little faith in stimulation of agricultural output as a means of eliminating rural poverty.

As an answer to these problems he proposes that LDCs emulate the experience of the developed countries such as the U.S., where massive rural to urban migration, increases in farm size, and substitution of mechanization for labor have characterized agricultural changes. He

goes on to suggest that LDCs focus their agricultural development policy on telescoping this experience into a short time period. He concludes that an anti-parcelization program is necessary: movement of large numbers of "marginal farmers" to the city, combining their small parcels into larger units, and fully mechanizing agriculture.

It seems to me that this type of analysis includes a number of questionable assumptions.

A. Will incomes decrease with increased output?

Will an increase in agricultural output necessarily result in decreases in net farm income? Although this has generally been true in the U.S., a number of rather important qualifications should be included when analyzing LDCs. Some of these qualifications are: (1) a major portion of the rural population in LDCs is seriously under-nourished. A substantial increase in output can be consumed by producers without affecting market price. (2) Additional production for export would have little or no impact on the domestic price levels. (3) Likewise, increasing production of certain agricultural goods which can substitute for imported products will have little impact on prices. As an aside, Chile and Colombia are both major importers of

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agricultural goods which they also produce. In total, Latin America imports more than one-half billion dollars worth of agricultural products from third countries.<sup>23/</sup> (4) Although the aggregate demand schedule for agricultural commodities in LDCs is price inelastic, some important products have relatively high price elasticities of demand. Some of these products are labor intensive, and can receive early developmental emphasis on small farms: milk, various other animal products, fibers, vegetables, fruits, edible oils, tobacco, and sugar. In a short time major increases in production of commodities such as these can be absorbed without significant changes in market price.

In addition, although most observers would agree that aggregate demand schedules for agricultural commodities in LDCs and DCs are both price inelastic, there are substantial differences in their magnitudes. Unfortunately, estimates of price elasticities are generally not available. Estimates of income elasticities are available, however. Since income elasticities for necessities such as agricultural products are closely related to the absolute values of price elasticities (where the overall substitution effects are small) they do give some indication of the relative magnitudes of price elasticities. In the U.S., for

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<sup>23/</sup> United Nations, Economic Commission for Latin America (ECLA), "Agricultural Development in Latin America," cited previously, p. 21.

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example, income elasticities for basic agricultural commodities cluster around .2 or less.<sup>24/</sup> In contrast similar elasticities in many LDCs cluster around .6 or more. This is suggestive that the aggregate price elasticities may be of the same order. What this means is that, other things equal, a given percentage increase in agricultural output in LDCs will have much less impact on price and thus on gross farm income than would be true in DCs.

Output increases will also have less price impact due to the fact that the demand schedule in most LDCs for agricultural commodities, although price inelastic, is shifting rapidly to the right. This is, of course, caused by (1) the population explosion, (2) high average and marginal income elasticities of demand for agricultural commodities among a large part of the population, and (3) rapid growth of industries requiring raw materials from agriculture. It had been estimated that the demand for agricultural commodities in Latin America will be 80 percent higher in 1980 over 1968 levels without any improvements in income distribution.<sup>25/</sup>

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<sup>24/</sup> United Nations, Food and Agricultural Organization (FAO), Agricultural Commodity Projections For 1975 and 1985, Vol II. (Rome: FAO, 1967).

<sup>25/</sup> Inter-American Development Bank, (IDB) Agricultural Development In Latin America: The Next Decade (Washington, D.C.: I.D.B., 1968), p.59.

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It is also necessary to focus on net farm income rather than gross income. For example, it is plausible to assume that aggregate agricultural prices may be lowered somewhat by increases in output, and that gross farm income might not increase, yet have farmers realize more net income because of lower costs of production. The crux of agricultural development is reducing costs of production through structural changes, development of new technology, better combinations of inputs, and improving general operating efficiencies so that farmers can realize more net income despite lower relative prices.

With well planned development programs there is a greater capacity percentage wise for farmers in LDCs to tolerate decreases in agricultural prices than is true in DCs. That is, conditions are such that a greater proportional decrease in the average costs of production of agricultural goods can be realized in LDCs than is possible in DCs.

From the above analysis it does not appear to necessarily follow that increasing agricultural output in LDCs would necessarily result in lower net incomes to farmers. On the contrary, given the nature of the aggregate demand schedule in LDCs, its movement to the right, and the potential for major improvements in cost decreasing techniques, it is likely that net incomes of small farmers can be substantially increased. This in turn will cause rural people to eat more, have better diets, and spend more money on products produced by domestic industry.

B. Should urbanization be accelerated?

Some studies have suggested that the rural-to-urban migration in LDCs is quite selective, that a large proportion of the "best quality" human resources are already flowing into the cities, and that the so-called "marginal farm family" does not make up an important segment of this flow. Aside from programs of coercion aimed at forcing people out of rural areas, could the migration process be substantially accelerated in LDCs without sharply lowering the quality of individuals entering the urban area? Could an illiterate small farm operator of advanced age, and poor health make an economic contribution in an urban center? Also, what adverse effects would the loss of still more of the better quality people have on the agricultural sector?

In addition, can a Latin American country finance both urbanization and farm mechanization? Each of these activities require a large foreign exchange component. This need alone would likely strangle a large scale urbanization program. Most Latin American countries find themselves strained to more than capacity to provide foreign exchange needed for current modest rates of industrialization.

Some people are also too optimistic about the capacity of the industrial sector in Latin America to absorb rural labor. Only between

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10 and 15 percent of the work force in Latin America is currently occupied in manufacturing.<sup>26/</sup> Over the 1948-61 period industrial employment only expanded at two percent per year.<sup>27/</sup> As Domike points out, factory production in Bolivia was worth twice as much in 1966 as in 1950-54, but industrial employment actually declined over that period.<sup>28/</sup> Even if industrialization in Latin America accelerates it is doubtful if increases in manufacturing employment can be pushed much above an annual rate of one percent of the total labor force. Since training of rural migrants can be very expensive, much of the industrial machinery currently being imported by LDCs requires only small amounts of skilled labor. It is likely that near future industrial labor requirements in Latin America can be met conveniently with only the natural increase in urban population.<sup>29/</sup>

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<sup>26/</sup> United Nations, Economic Commission for Latin America (ECLA), "The Process of Industrialization in Latin America," Statistical Annex, UN, ECLA, January 1966.

<sup>27/</sup> Fred Dziadek, Unemployment in the Less Developed Countries, AID Discussion Paper No. 16, Office of Program and Policy Coordination, June 1967, p. 2.

<sup>28/</sup> Arthur L. Domike, "Industrial and Agricultural Employment Prospects," unpublished manuscript, IDB/FAO, Washington, D.C., Nov. 1967.

<sup>29/</sup> William C. Thiesenhusen, "Population Growth and Agricultural Employment in Latin America with Some U.S. Comparisons," Land Tenure Center, University of Wisconsin, Paper in process of publication; Gunnar Myrdal, "The United Nations, Agriculture, and the World Economic Revolution," Journal of Farm Economics, Nov. 1965, pp. 889-899.

A number of people are also too optimistic about the possibilities of replacing rural labor with machines. Again using Colombia as an example, can substantial increases be made in mechanization of major agricultural exports: coffee, livestock, bananas, sugar cane, tobacco, and even cotton? Aside from the use of automatic cotton pickers, I doubt it. Can much of Colombia's agricultural land which lies along steep mountainsides be mechanized more than presently? Can absentee farm operators be induced to adopt crop enterprises requiring mechanization when their management systems often block this alternative?

It should be obvious that I have serious doubts about accelerated urbanization as a viable solution for agrarian problems in Latin America. Likewise, I have serious reservations about depending on the "filter-down effect" through rapid industrialization for elimination of rural poverty in Latin America. As suggested earlier, this process has not shown much beneficial rural "fallout" to this point. It appears to me that rural poverty must be largely resolved in rural areas, and that urbanization will only offer substantial help in the distant future.

#### IV. Is Colonization An Economic Alternative To Land Reform?

Some have held that colonization of public land is a better economic alternative than land reform in Latin America. It is often argued that abundant "free" land is available, and that its development adds to the production base. A number of Latin American countries have emphasized

colonization in early stages of their agrarian reform. Accordingly, during the late 1950's and early 1960's the U.S. supported this type of activity with loans and technical assistance. A.I.D. Missions in Bolivia, Brazil, Paraguay, Ecuador, Costa Rica, and Colombia have paid a good deal of attention to frontier settlement. Other countries have experimented with new settlements largely on their own impetus. As mentioned earlier, the Inter-American Development Bank has also stressed colonization through loans from the "Social Progress Trust Fund."

Unfortunately, only a few detailed studies have been made of colonization in Latin America.<sup>30/</sup> To some extent the paucity of research indicates the hardships associated with work in these frontier areas. Despite some bright spots, the research done paints a picture of frustration in resettlement projects.<sup>31/</sup> Health conditions, for example, are generally very bad. Transportation is usually a bottleneck

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<sup>30/</sup> A list of some studies on colonization in Latin America can be found in: Special Operations Research Office, The American University, A Selected Inventory of Latin American Agricultural Colonies with Annotated Bibliography, (Washington, D.C.: American University, 1965).

<sup>31/</sup> For example see Ronald Lee Tinnermeier, "New Land Settlement in The Eastern Lowland of Colombia," unpublished Ph.D. Dissertation Department of Agricultural Economics, University of Wisconsin, 1964, also University of Wisconsin, Land Tenure Center Research Paper No. 13: Servicio Técnico Agrícola Colombiana (STACA) Ministerio de Agricultura, A Colonization and Land Utilization Program for Colombia (Bogota: STACA, 1960); Federico Herero, "Costs and Income Levels in Land Distribution and Settlement Projects," paper presented to The Seminar on Land Reform and Economic Development at the Inter-American Development Bank, Washington, D.C. November 3, 1965; Jose Monge Rada, Estudios de Costos de Colonización, USAID La Paz, Sept. 1963; Antonio Giles and others, Contribución al Planeamiento Para La Consolidación de la Colonia Repatriación: Paraguay (Bogotá: Centro Interamericano de Reforma Agraria, 1966); Kelso Lee Wessel, "An Economic Assessment of Pioneer Settlement in The Bolivian Lowlands," unpublished Ph.D. Dissertation, Department of Agricultural Economics, Cornell University, June 1968.

for a number of years after the start of the project. Soils, climate and diseases often sharply limit agro-economic possibilities. Basic infrastructure such as schools, marketing systems, etc. are almost always seriously lacking. A large number of colonists also abandon their parcels. It is very difficult to get technicians to work in these areas, and projects are often administratively abandoned. Settlers usually find that clearing land is very time consuming as well as expensive.

With these types of problems the production and income of settlers increase very slowly, and it is next to impossible for them to repay credit or obtain additional funds and technical help necessary for expanding production. Sketchy information suggests that capital investments in colonization are of at least the same magnitude, and generally larger, than for most parcelization projects when computed on a per family or per hectare basis. Furthermore, many frontier lands are found to be largely settled, or the land is of too poor a quality to be put into crops. These factors have discouraged some decision makers from pushing colonization activities.

A few rural poor in Latin America will continue to settle themselves in spontaneous colonization areas, and at least minimal assistance should be provided to them. It is clear to me, however, that large scale colonization activities will offer little help in

resolving rural poverty.<sup>32/</sup> Better results can be achieved by assisting rural people in their present setting.

## V. Summary and Conclusions

### A. Summary

The preceding discussion has pointed out that land reform was the principal component in the Alliance for Progress aimed at easing rural poverty. Despite this original emphasis little land reform has been carried out, rural poverty continues to grow, and current development activities largely ignore rural poor. The absence of active support for land reform by aid agencies has been an important factor in explaining the slow progress on these issues.

Three economic arguments appear to underlie the lack of encouragement for land reform by aid agencies: (1) land reform is held to be axiomatic with decreases in production, (2) urbanization is thought to be a better alternative for resolving rural poverty than land reform, and (3) it is often felt that colonization is more practical than land reform. The bulk of the paper evaluates these arguments.

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<sup>32/</sup> New jungle clearing machinery recently tested in Peru may be able to alter somewhat the economics of large scale colonization projects. These machines can knock down and crush heavy jungle at the rate of one hectare per hour. Trees up to 5 feet in diameter can be handled. Mechanized clearing would make colonization projects quite capital intensive, but the reduction in production lag time may partially offset this disadvantage.

It was pointed out that there is little empirical evidence to substantiate that land reform causes either short term decreases in production, or lags in long term modernization of agriculture. It has been shown that small farmers will rapidly adopt profitable new technology, and that in a number of cases land reform has been associated with substantial increases in output. A modest amount of appropriate planning and project management can overcome most production-decreasing factors associated with land reform activities.

It was also argued that accelerated urbanization in Latin America offers little hope for rural poor, and that it is not a viable near-future alternative to land reform. It was pointed out that, unlike most developed countries, increased agricultural output in LDCs will, in most cases, improve farm income. Moreover, a policy of urbanization, industrialization and farm mechanization would put intolerable pressure on the scarcest factors in LDCs: foreign exchange, and planning and managerial skills. It is also doubtful if faster industrialization can provide jobs for a large number of rural poor. Policy attention should, therefore be directed at increasing agricultural output and rural income -- with a good deal of attention to income distribution rather than trying to resolve rural poverty in the cities.

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The experience to date with colonization in Latin America strongly suggests that frontier settlement can offer only minimal relief for rural poverty. Colonization projects have been very costly, and colonists often have faced an extended period of wretched living conditions.

B. Conclusions.

The various arguments cited against land reform by personnel in aid agencies can be interpreted as proxies for widely held views that this is a sensitive internal problem which must be treated by the individual countries themselves. Parenthetically, it is not clear that land reform is an issue greatly more sensitive than fiscal policy or foreign exchange management, both of which are importantly influenced by aid agencies. While I readily agree that the impetus for land reform must come from within a country, I also feel that aid agencies can, in many cases, make or break this effort. Lack of commitment by aid agencies to this issue may be almost as important in explaining the stall in land reform in Latin America as landowners' resistance.

An additional reason for aid agencies by-passing land reform is that decision makers have not seen many practical means with which to attack the problem. While this paper does not attempt to detail a complete strategy, the following may be suggestive of ways in which aid agencies might stimulate or assist land reform actions.

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1. Focus more development policy on land reform: In a number of cases aid agencies have indirectly discouraged land reform by promoting competitive activities. This has been especially true of colonization projects, irrigation activities, and some agricultural credit programs. These efforts may divert public attention from land reform, tie up public funds, and also monopolize administrative talents. If land reform is to be accomplished, emphasis on competitive activities must be reduced.

International aid agencies could also assist by more direct tying to land reform of programs which could be complementary. Funds for supervised credit to small farmers, for example, might be largely restricted to land reform participants. In addition, self-help performance in land reform might be one of the points required in order to receive certain foreign assistance.

2. Facilitate land purchase: It has been suggested that aid agencies might play a role in land reform by assisting in the financing of land purchases or expropriation. Most discussion has revolved around providing guarantees for bonds issued as compensation for expropriated or purchased land. This might include a system of value-linking in order to protect

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the purchasing power of the bond's principal against inflation, or it might include guarantees against default by the issuing country.<sup>33/</sup>

These types of activities would make bonds more palatable to the large landowners.

A more direct approach would be to help finance part of the costs of land purchases. This might include use of direct loans, use of special drawing rights, use of counterpart funds generated by non-related foreign loans, and use of Public Law 480 local currencies. It would probably be undesirable for foreign funds to be a major part of the money used to pay for land purchases. Some direct participation might be desirable, however.

3. Improve land tax system: Still another approach would be to focus on substantially improving the land taxation system in countries where land reform is an issue. Effective taxation would decrease the value of holding land for non-productive purposes, and make it a bit easier for governments to acquire land. This, however, should be viewed as a complementary activity rather than a substitute for land reform.

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<sup>33/</sup> For example see Roy L. Prosterman, "Land Reform in Latin America: How To Have A Revolution Without A Revolution," Washington Law Review, Oct. 1966, pp. 189-211; and Stanley Please and L.E. Christoffersen, "Value-Linking of Financial Contracts," unpublished manuscript, International Bank for Reconstruction and Development, Washington, D.C., January 1969.

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4. Provide research and educational inputs: In some cases a period of training will be required in order to assist farm workers to become successful owner-operators. This becomes more important as land reform moves beyond share-renters to assist the landless. There are a number of ways in which aid agencies might help in this training process.

International agencies might also assist with more policy oriented research on land reform topics. This should be tied with periodic conferences where policy-makers and researchers can share information. As an aside, AID has financed some research on land reform, but little attempt has been made to integrate research findings into policy decisions. The International Cooperation Administration (ICA) sponsored a conference in Chile on agrarian reform during the early part of 1961. AID has not followed up with any similar effort. Aside from some attention from FAO, aid agencies have not formally discussed land reform since the "Alliance" began.

If land reform cannot be a major tool in easing rural poverty in Latin America, quick attention must be given to thinking and implementing new approaches to this problem.

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LAND REFORM AND RURAL POVERTY IN INDIA

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## Land Reform and Rural Poverty in India

In a continuing attempt to better understand the problems of rural poverty in India, the Near East South Asia Bureau of A.I.D. sponsored the preparation of three papers on land reform in India, plus a day-long seminar in Washington on April 17 where they were discussed. This seminar came a month and a half before A.I.D.'s Spring Review of (world-wide) land reform issues. While the results of this seminar will be one of the inputs into that broader effort, India is sufficiently important and unique to warrant separate treatment.

The papers covered a general survey of India's land reform program and its effects (Gene Wunderlich, Economics Research Service, U.S. Department of Agriculture, "Land Reforms in India") plus two case studies, one on Uttar Pradesh (Walter C. Neale, Department of Economics, University of Tennessee, "Land Reform in Uttar Pradesh") and one on Bihar (F. Tomasson Jannuzi, Department of Economics, University of Texas, "The Agrarian Structure in Bihar -- Attempts at Change and Some Implications"). Participants included staff members from both A.I.D. and State, plus Raj Krishna, EDI/IBRD and University of Rajasthan, who provided comments on the topic in general. Altogether between 15 and 20 persons attended and participated in what was a provocative, free-wheeling discussion.

The breadth of the discussion, plus the number of issues and conflicting opinions presented, make a straight-forward summary less than completely useful. Instead, the attempt is made herein to use these, plus other materials, to build a reasonably consistent picture, one which is more sustainable than any other we might develop on the basis of the presentations made to us. The reader interested in other viewpoints and more background should turn to the papers themselves.

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Some Introductory Problems

At its core, land reform involves the redistribution of ownership rights to land. But since regulation of arrangements governing the use of land can accomplish similar goals, control of tenancy, share-cropping, rents and wages are often discussed in the same breath. One is also likely to find issues related to the promotion of cooperatives and the distribution of inputs raised under this heading. The term land reform, being a good word in the lexicon of political rhetoric, tends to pick up any and all schemes for rural uplift that are put forward. We will try to stick to its narrower definition and refer to other proposals by name whenever confusion may arise.

The situation is further complicated by the fact that distinctions between landless laborer, tenant, share-cropper and land-owner are easier to draw in principal than in practice. A man may lease in one parcel of land, lease out another and work as a part-time laborer on a third. Furthermore, even when he plays only one role, what he calls himself may be suggested to him by local laws: where tenancy is illegal one finds few tenants but many share-croppers and landless laborers.\* These facts make much of the data collected on land use patterns difficult to interpret, if not outright useless. It also makes it difficult to identify just who it is that

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\* In a study of two Punjabi villages it was found that between 1950 and 1960 the number of tenant families decreased from 27 to 7, the number of cultivating owner families increase from 100 to 116 and the number of landless labor families increased from 26 to 85. Apart from continuing population pressure this shift is related to the tenancy reforms introduced at the beginning of this period. But another unexpected development, also related to the tenancy reforms, was the growth of a new land tenure arrangement known as sanjhee in which, for a share of the crop, hired laborers look after and sometimes manage the whole farm operation for owners, many of whom do not live on the land. Since the sanjhee arrangement is not recognized in law, the revenue records indicate that land under such arrangements is under owner cultivation. See J.S. Uppal, "Implementation of Land Reform Legislation in India - A Study of Two Villages in Punjab," Asian Survey, Vol. IX, No. 5, May 1969, pp. 362-371.

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land reforms are supposed to be helping and to determine whether in fact they have been helped. One is forced to base one's argument on first-hand observations and intuition to a greater extent than is comfortable.

Finally, the situation is enormously complicated by India's diversity, which is especially great in the rural area. This is perhaps the main weakness of the generalizations made in this paper.

#### Expected Effects

Generally, land reform is advocated in the hope that it will (1) reduce social unrest, (2) increase productivity, and (3) increase employment in agriculture. Comments and doubts were raised about each of these expected effects.

1. On social unrest. The argument here is that the inequities of rural life cause social conflict and must be eliminated to reduce such conflict. Typically this argument involves the assertion that discontent among the underprivileged is rising. For some this rise is the result of growing aspirations, caused by the spread of education and the knowledge, thanks to the Green Revolution, that things can be different. For others, actual inequalities are believed to be rising, as a consequence of the unequal spread of the Green Revolution, resumptions of holdings by owners and the growing use of money wages in place of traditional tenancy arrangements. Still others provide examples indicating inroads made for the first time by outside agitators.

But there are no reliable data to prove or disprove such assertions; and equally convincing counter-examples -- where growing inequalities in income and status do not seem to be leading to increasing discontent, where some movement towards reducing such inequalities can be discerned,

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or where rising opportunities for productive enterprise both on and off the farm give one some hope for the future -- can as easily be found. Furthermore, it is not at all certain that social conflict would be reduced or avoided by attempting to impose reforms; those who benefit from the absence of reforms or the lax enforcement of existing legislation are not going to give in easily, particularly when they control the reins of political power at the local level.

Finally, given the numbers involved, it is doubtful that even a thorough-going redistribution could accomplish very much. In a paper presented to USAID/India's Seminar on Employment and Income Distribution, B. Minhas demonstrated that if all land holdings above 20 acres were distributed to owner-cultivators with less than five acres, some 43.3 million acres would be added to the 57 million acres currently held by the latter group; but this would raise their average holdings from 0.31 to only 0.54 acres per capita, still leaving 60-65% of this group below the poverty line and doing nothing to help the plight of the 103 million landless, 40 million of whom are estimated to be below the poverty line.\*

2. On productivity. Here we must distinguish between improvements in tenancy and redistribution of holdings. The productivity effects of the first are extremely difficult to judge since tenancy reform cannot be entered into any objectively-specified production function. It can be shown that a tenant will not apply as much inputs as will an owner, if both maximize their profits. But it can also be demonstrated that if the returns are high enough it is in the interest of the owner to alter

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\* The poverty line for this purpose is defined as annual per capita consumption expenditures of Rs. 240 in 1960/61 prices.

the tenancy arrangement so as to induce the tenant to use additional inputs. This is often forgotten in theoretical discussions which, typically, take such arrangements as given. It would be of interest to determine whether traditional agreements are being altered in areas where the Green Revolution has taken hold; our hunch is that they are.\*

So far as redistribution is concerned, empirical studies in India suggest that, given the same access to inputs and holding soil and water conditions constant, cost per unit of production is not correlated with size of holding. This suggests that there are no economies or diseconomies of scale that would make us favor one size operation rather than another.

A counter to this argument is that the empirical studies were undertaken before modern mechanical inputs were sufficiently prevalent to influence the statistical analysis, and that such inputs introduce significant economies of scale.\*\* If this were the case, on productivity grounds at least, we should prefer larger rather than smaller farms. But it is doubtful whether the use of proper shadow prices in evaluating mechanical inputs would show that all forms of mechanization are socially productive. Where they are not, public policy should inhibit their introduction. For the remainder, sharing and rental arrangements can be introduced, if it does not arise spontaneously, to overcome most economies of scale.

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\* However, if bargaining power is too unequal, such situations could result in serious tensions. Where this is the case some regulation of these changes would be useful. But just how to do so effectively is another question.

\*\* Tractors are often cited as examples, though very small mechanized units that are economical down to 5 acres are available. A better example may be tubewells, which, some claim, are not economical for irrigating less than 15 or 20 acres.

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Obviously the evidence is flimsy and speculative, but what there is certainly does not suggest that a reduction in average farm size would lead to any significant increase in productivity (i.e., decrease in total cost per unit of output).

3. On employment and total output. On the other hand, there is some evidence that output per acre increases as size of farm diminishes, again holding access to inputs, soil and water constant. If costs per unit of output are not lower, this must be because more intensive use is made of labor on smaller farms. It should be noted that this may mean less underemployment rather than more laborers per acre on smaller farms. But more important, this effect is unlikely to be significant. As Neale pointed out, the situation in India is unlike that in other parts of the world where unequal distribution of ownership implies unequal distribution of men on the land; here, men already are distributed fairly evenly and at reasonably high density levels. Furthermore, the portion of land already under crop is amongst the highest in the world. In contrast to Latin America and Africa there is little room left in India to transfer land from extensive to intensive users.

This situation is likely to continue so long as the supply of labor-saving farm machinery is small. But if it increases on larger farms, the distribution of men on the land could be come much less equal. This raises perhaps the strongest argument in favor of smaller land holdings, namely that it makes some forms of mechanization less economical, thereby reducing the incentive to substitute capital for labor. But land reform is a rather unwieldy instrument for this purpose. Land ceiling legislation

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has been notoriously difficult to enforce; and politically, a far easier way to accomplish the same end would be to use fiscal devices to make labor-saving capital more expensive.

All this is not to say that land reform would not be desirable on equity grounds, or that output and employment might not go up somewhat, given a larger number of small, owner-occupied holdings. But it strongly suggests that land reform is no panacea for the ills of rural India, especially those faced by landless laborers who would hardly be affected at all.

#### The Program and Its Effects

Scarcity of data, strong interests in obfuscation and evasion, the fact that land reform is a state subject under the constitution, and the enormous diversity of India with regard to land use arrangements make generalization from India's experience with land reform difficult if not impossible. This summary is no substitute for the set of papers presented to us, particularly the case studies of U.P. and Bihar, which come close to spanning the range of experiences from the most to the least thorough-going reforms.

In brief, the legislation enacted during the decade following independence in 1947 dealt with abolition of intermediaries (e.g., zamindari abolition), regulation of rents and tenant purchase, consolidation of fragmented holdings, ceilings on current holdings and future acquisition, and various provisions relating to agricultural workers, cooperative farming and state management. Implementation has been deliberately slow in most places, with considerable time taken in untying legal knots and in appellate proceedings.

The results to date have been mixed, but on balance modestly favorable. In general, the middle classes in the rural hierarchy -- tenants with exproprietary, occupancy or hereditary rights prior to reforms -- appear to have benefited at the expense of the upper classes -- the largest landlords and zamindars. The lowest classes who worked the land as "permanent servants", hired labor or share-croppers without rights, appear on balance not to have been significantly affected (though examples indicating that some benefited and others lost can be found). Modest increases in productivity and employment have been recorded since land reforms were initiated, but it is virtually impossible to demonstrate that land reform played any causal role. Some land consolidation has taken place, but it has been painfully slow. Attempts to regulate rents, wages, and tenancy arrangements have met either with resistance or a combination of acquiescence and evasion.

Also during this period peasant participation -- principally by the rural middle classes -- in the processes of government and planning increased significantly. While this is largely connected with the introduction of universal suffrage and elected local governments, it may also be related to land reforms insofar as they increased social and economic equality within the landholding castes. But this improvement may in the end cause more social conflict than it puts to rest, as it slowly moves rural society from a multi-class, hierarchical structure to a polarized, two-class system. As Neale, writing mainly about U.P., put it,

Before the reforms the complex ladder of rights in land had made it difficult to differentiate people on one rung from the people on the rungs immediately above and below, but after the land reforms it was possible to differentiate clearly between the man

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who was a landholder -- bhumindhar or sirdar -- and the man who was totally landless. Thus a complex hierarchy was not reduced to democratic egalitarian relationships but instead was changed in the direction of a two tier class system, with the middle caste landholding groups forming a more homogeneous upper class and the landless forming a more homogeneous lower class, with both now far more in conflict with each other than the different levels of the hierarchy had been before reforms.

In retrospect, these modest results are easily explained. While the rhetoric of land reform had intellectual roots in nineteenth and twentieth century egalitarian philosophy, it was implemented by practical politicians at the state level. In the years immediately preceding and following independence, effective power shifted from those who held privileged positions under the British to the middle classes in the rural hierarchy, and the latter used land reform as a means of consolidating their newly-won position of power. The lower classes played only a passive role in this political game. Viewed thusly, land reform was a consequence of the shift in power, not its cause. Moreover, and again despite the rhetoric, land reform was never more than a subsidiary element in India's modernization strategy. Issues regarding universal suffrage, local self-government, the raising of revenues, the allocation of public funds between heavy industries, defense, power and irrigation, the building of industries to produce modern agricultural inputs, the regulation of agricultural markets and prices -- all these and related issues have been far more important than land reform in explaining Indian economic history since independence. Land reform was used as an instrument for the consolidation of political power and social status, not as a principle strategy for the solution of India's rural problems.\*

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\* So far, this pattern appears to be independent of which political party is in office at the state level. Even the Communists in Kerala and West Bengal have been unable -- or perhaps unwilling, for the same reasons as other parties -- to push land reforms much further than they have already gone.

Underlying these political realities is the continuous growth in population, a large part of which must be absorbed on the land. With no alternative open to him and many others eager to take his place, the individual agricultural laborer seldom displays any more interest in the enforcement of existing legislation on rents, wages and tenancy arrangements than does the landlord.

#### Policy Implications and Recommendations for the Government of India

Few explicit policy recommendations were made by members of the seminar, but from these plus the above analysis, a range of recommendations can be considered.

1. Don't waste additional efforts on land reforms, more explicitly, on attempts to redistribute ownership rights and regulate tenancy arrangements. It follows from much that was said above that the benefits of such redistribution and regulation cannot be great in the Indian context; and the costs especially in terms of political disruptions of trying to impose them would be high.\*

For those areas where significant agricultural progress seems to be occurring, as well as for the most backward areas where aspirations and political awareness of the lowest castes in the rural hierarchy are not rising appreciably, this conclusion appears fully justified. Where productivity is improving or where at least some movement towards greater

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\* A qualification regarding regulation of tenancy arrangements should be entered. In the process of technical change, traditional arrangements will have to change. Depending on the distribution of bargaining power and how it is exercised, serious tensions could result in the process of this adjustment. The benefits of regulation in these cases could be considerable -- if we knew what specific regulations would help and, especially, how they could be effectively implemented. As much of the above discussion suggests this knowledge is not available.

equality of social, political and economic status is occurring anyway, land reform may be more disruptive than helpful. In such places the barriers to more rapid progress arise primarily from resource and technological limitations rather than from patterns of land ownership and use. This is not to say that a correction in factor-price relationships, which make the displacement of labor by machines appear profitable on larger holdings, is not absolutely necessary. Nor is it meant to suggest that political leaders should cease to talk about the need for land reform, an action that may have its own set of political costs. But to go beyond a correction in factor prices and rhetoric in those areas where there are no serious political disruptions associated with land tenure is unlikely to represent a good allocation of political capital.

There are, however, other places where aspirations and political awareness on the part of the lower classes are growing at a much faster rate than improvements in productivity and equity. In these areas something by way of redistribution -- if not of land, then of income or of political and economic status -- must be done to alleviate growing discontent with the status quo. The remaining recommendations deal with ways of doing this.

2. Modify the environment so as to make enforcement of existing legislation harder to resist -- or more acceptable -- to entrenched political forces.

Two recommendations were made in this direction, the first involving improved records of land occupancy and tenancy conditions, and the second involving research to obtain more accurate information on the extent of income disparities, the degree of exploitation actually present and so on.

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While local politicians would not initiate such actions, they may not realize the subtle impact such seemingly innocuous programs can have, or, more likely, even if they do, may find it difficult openly to oppose them.

The ability to pull the wool over the eyes of local politicians on these issues can be seriously doubted, especially when land records are involved. In an agrarian society, land is a prime object of political power, just as credit institutions and industrial licenses are in other societies; the ability to manipulate these records is something which all political groupings understand and wish to control in their own interests. Nevertheless, a careful exploration of this general manner of attacking the problem may be worthwhile exploring. To do so, effectively, however, would require a far more intimate knowledge of the situation than anyone who does not live within the system is likely to have.

3. Redistribute inputs other than land. Ultimately, what we want to do is redistribute value added. Since the elasticity of substitution between land and non-land inputs is reasonably high (e.g., consider the extent to which paddy output per acre has been pushed in Taiwan and Japan), a redistribution of inputs could accomplish as much as a redistribution of land that might in practice be acquired for redistribution. Such a redistribution of inputs might be brought about by a two-price system in which farmers with more than e.g., five acres (adjusted for quality) would be required to purchase inputs in the open market and those with less would be subsidized (perhaps through the provision of subsidized credit).

Apart from the administrative difficulties this proposal would raise -- which might on closer examination be solvable -- it was criticized on two grounds. First, it was argued that the simplest and cheapest way to provide

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inputs to the small farmers is to concentrate on increasing their supplies as fast as possible; in effect, one should satisfy the needs of the larger farmers as quickly as possible so that something is left over for the smaller, rather than attempting to redistribute existing supplies. This appears, at least temporarily, to be happening in the fertilizer market, for example. If this can be done quickly, so that the price of food does not fall and the large farmer does not buy out the smaller in the interim, it has merit; but one can seriously question whether this condition can be met in a scarcity economy such as India.

Second, it was argued that it is likely to prove politically as difficult to redistribute inputs as it is to redistribute land, at least so long as these inputs remain very scarce. This argument can be questioned on two grounds, first, that new inputs involve fewer direct challenge to traditional rights, and second, that no one would be denied access, everybody would be able to get something. But more importantly, Raj Krishna, who made this proposal, recognized the political difficulties involved and took them into account by making the following proposal as well.

4. Alter the rural balance of power by promoting militant trade unionism among the landless (presumably including share-croppers and tenants as well) through Central Government subsidies. The cost of organizing peasants has been a serious obstacle to the spontaneous growth of peasant organizations in the past; a precedent for such a policy is present in public promotion and support of trade unions in industry; and in the long run this may be the only way to bring about any real redistribution, even of inputs other than land.

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Obviously, whether such a policy is feasible and whether its consequences could be contained and channeled in constructive directions are open questions. The history of the Kisan Sabha, started in the late 30's by Congress, taken over in Bengal and Kerala in the late 40's by the Communists, and currently in these two states the object of fights between the CFI and the CPM, does not offer an attractive pattern to emulate. Nor does this history of the industrial trade union movement which, by driving up wages and increasing managerial problems, may be encouraging the replacement of men by machines. But where such organizations begin to develop anyway, it would be prudent to try to direct them along constructive paths.

5. Relieve pressure on the land by policies that absorb labor elsewhere. No matter which strategy for dealing with redistributive problems is accepted, it was recognized that it would have to be combined with efforts to develop productive non-farm jobs at a faster rate than has hitherto been the case, through promotion of more rapid industrialization and also, probably, through public works programs. This line of attack was not pursued as it moves too far afield from our principal topic.

But it is noteworthy in passing that a theme running through the whole discussion was the need to consider the interconnectedness of the Indian society, in order to treat any problem effectively. Just as politics cannot be separated from economics, agriculture strategy cannot be considered in isolation from strategies for other sectors. Nor can any of these problems be separated from the problems and policies related to population growth and rural-urban migration.

Policy Implications for Aid Donors

The above discussion should make it painfully clear that the Central Government has little room within which to maneuver to help the under-privileged rural classes of India. Much of the recent political posturing on this subject must be considered little more than just that. Obviously, there is even less room for a foreign aid donor to maneuver.

If land reforms are needed at all, they are needed only in some areas and then primarily for their impact on inequities rather than on productivity and employment. The judgment as to where and when they should be used is one that can only be made by the principal actors in the political arena, certainly not by foreign aid donors who, no matter how well-intentioned, cannot understand the subtle political relationships that must be paid their due if social conflict is to be held in check.

One useful thing a foreign donor can do, of course, is to offer technical services and advice. This does not necessarily imply taking a passive role especially insofar as research and analysis is concerned. What are the dynamics of the relationship between distribution and the technical changes being introduced; can we say anything about how and where and when distributional considerations will change over time? Can subtle social processes leading in the direction of equity be fostered and other forces be inhibited without directly confronting entrenched political interests? Can a practical proposal for redistributing inputs, perhaps through a two-price system, be developed? Can a practical means of double-checking on land records be developed, so as to keep local politicians honest? If answers to such questions were developed and put forward by the right people and in the right spirit, they could be very helpful and even perhaps influential.

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Secondly, foreign donors can help by insisting that the employment effects of projects they help support are taken into account. The best way to do so would be to utilize prices that correctly reflect true factor scarcities in evaluating investment projects. If this were done many projects involving the production or importation of labor-displacing farm machinery might not get funded.

But when all is said and done, the best strategy is still, as it has always been, to provide economically productive resources. The final solution to rural poverty in India must include the provision of off-farm jobs. This requires increased supplies of complementary inputs with which labor can work and wage goods, especially food, with which it can be paid. Except where serious social unrest is imminent, all else is tinkering in comparison to the urgency of this task. And this is an obvious area where foreign donors can be of help.

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RESEARCH ISSUES IN AGRICULTURAL  
DEVELOPMENT POLICY

by  
Peter Dorner

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## RESEARCH ISSUES IN AGRICULTURAL DEVELOPMENT POLICY

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Much of the economic literature identifies development with the average rate of increase in real output per capita. A wide range of research issues grow out of this conception. However, new questions arise if the concept is broadened to include the reduction of mass unemployment and poverty, and the more equal distribution of improved income earning opportunities.<sup>1</sup> Very little research by US agricultural economists has focused specifically on the interconnections between productivity increases and these other economic indicators.

This lack of emphasis may be a function of the way in which agriculture, and the discipline of agricultural economics, developed in the United States. In this country it was not unreasonable to assume a strong positive correlation between increased agricultural production, employment, and income earning opportunities. This linkage was assumed to be inherent in the family farm system and the relative labor-scarce conditions of US agricultural development. Furthermore, in the United States there has always been some institutional research to complement resource allocation-efficiency studies. Even without explicit evidence, researchers on US agricultural policy issues made some allowance for the institutional context which conditions the results of policies as they are implemented.

The position taken here is that present conceptions of development tend to be too narrow, that key policy questions are as a consequence ignored, and that unwarranted assumptions are often made with respect to the nature of the economic, social and political institutions. It is hypothesized that only as research concentrates on these neglected policy issues within specific institutional contexts of individual countries will more adequate theories of agricultural development emerge.

I begin with an outline of the historical roots of Agricultural Economics as a discipline. This is followed by a discussion of some critical views that have been expressed regarding the relevance of economic theory to development policy issues. Finally, several key agricultural development policy questions are explored--especially rural employment and income distribution--and assumptions underlying accepted methods of analysis are reviewed with respect to their adequacy in guiding research on these questions.

## I

Within the past several decades, especially the one just ended, agricultural economists have become increasingly concerned with agricultural development policies. I underline development since this is a new emphasis.<sup>2</sup> Agricultural Economics and the related rural social sciences emerged as academic disciplines at about the turn of this century, after US agriculture was far along the road

to modernization. Initially, agricultural economists were concerned with problems of farm management and tenancy. Later, problems of marketing, credit, price and income protection, resource conservation, and aggregative characteristics of demand and supply became sub-fields of specialized interest and research. Since the discipline "grew up" after the basic economic, social, and political institutions of production and distribution were established, policy issues of concern to researchers were essentially those dealing with imperfections of the system--obstacles and barriers (to the free flow of information and resources) inhibiting the most efficient use and combination of given resources.<sup>3</sup>

A look at the "growth of government in agriculture" [41:1: 39] reveals a fairly close correspondence between policy issues in US agriculture and the development of specialized areas of research in the field of agricultural economics.<sup>4</sup> This provides some ground for hypothesizing that the shape of Agricultural Economics as a discipline reflects the range of issues which arise in agricultural policy.<sup>5</sup> Organized systems of thought are the result of man's efforts to cope with experienced difficulties. The configuration of such a system of thought will be different if establishment of basic institutions is a key issue in contrast to the system of thought that emerges from inquiry into policy issues that arise within an established and accepted institutional framework.<sup>6</sup>

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At the time the United States gained its independence, there was no separate field of inquiry known as Agricultural Economics. In fact, Economics was just emerging as a recognizable, separate branch of Moral Philosophy. A major policy issue in the early 19th century was the nature of economic organization to establish for developing and managing the land resources of the nation and encouraging rapid settlement. The resulting system of family farms was rationalized more in terms of political theory (a major reaction to European feudalism) than economic theory [16]. And it was, of course, consistent with and supported by the perfect competition postulates of Adam Smith and his followers.<sup>7</sup>

The point is that the system of economic, social and political organization was firmly established by the time problems of agricultural policy attracted the attention of professional economists. Had our earlier policies fostered a feudal hierarchy or communal ownership of land instead of fee simple ownership and family farms; had our social organization developed around the extended family or the tribe instead of the nuclear family living in relative isolation on its farmstead; had our political system been one of centralized control and management of the economy with all transaction involving land, labor, capital and commodities regulated by central political authority instead of the local autonomy and free private enterprise of individuals in their economic activities; much of our theory of the firm, of markets, of pricing, and of equilibrium would be

irrelevant. In fact, more importantly, we most likely would not have them. They could be developed and perfected only within a particular institutional context. They do not make sense or provide analytical insight into a system whose institutions are very different.<sup>8</sup>

Thus there is little reason to believe that the concepts and hypotheses derived from our present theories are entirely relevant to other countries. The need, it would seem, is to understand the institutional system in these countries and the nature of their public policy issues. New theoretical constructions must emerge from such understanding.

On some problems our theories are serving us reasonably well in the United States and in other industrialized countries. The relevant questions are being asked and data needed for analyses are being generated. But the categories in our census and other statistical series are not accidental. They too are products of the policy issues and the theoretical formulations developed through the interaction of problems and ideas. Yet our very measures of development may yield faulty comparisons if the nature of political and economic organization in another country is widely different from our own.<sup>9</sup>

On other important policy questions, however, present theories provide little insight even on US issues: environmental quality, poverty, race relations, a more equal distribution of economic and

political power, congested cities, rural development, automation, and basic changes in the industrial ownership structure. Present theories do not seem to encompass these issues, they do not help us formulate the right questions, appropriate data are not available, and the issues tend to fall outside the foci of traditional university departments.<sup>10</sup>

## II

A fundamental question is whether economics, or any other social science, can have anything significant to say on matters of development policy. More fundamentally, the question is whether social science is capable of generating guidelines for public policy that are in some sense "better" than those formulated by other means and criteria. Or are the value questions of public policy subject only to the dictates of dogma, coercion, and personal tastes?

This depends, it seems, on one's view of the role of theory, how it is developed, and the manner in which it is tested. If one assumes that economic theory develops in some pure form independent of policy issues existing within a specific institutional matrix, it follows that theory can have an "independent career" and be set apart in a separate domain.<sup>11</sup> This view may not be too harmful with respect to those aspects referred to by Kuhn as "normal science" or the "mop-up work" growing out of established theory [22, p. 24].<sup>12</sup>

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Another position, the one taken in this paper, is that as major changes occur in society the existing body of theory (having been developed in the process of study and eventual resolution of major policy issues in the past) becomes inadequate and fails to comprehend the new policy issues which confront society. The major breakthroughs and theoretical syntheses in economics have come about through attempts to deal with major policy crises. Smith, Ricardo, Marx, and Keynes were all deeply immersed in the policy issues of their time, and their theoretical advances resulted from their inquiry into possible resolution of questions central to economic policy.<sup>13</sup> Advances in theory have, of course, always been constructed on the basis of much detailed and specific research into the very issues that could not be forced "into the preformed and relatively inflexible" boxes available from existing theory [22, p. 24].

In emphasizing the need for research on policy issues, I do not mean that the goals of policy are set by politicians, bureaucrats, or pressure groups and that the role of research is merely to seek the most efficient means of arriving at such pre-determined goals. Rather, I mean that the investigator must be concerned with both ends (goals) and means as variables in the inquiry.<sup>14</sup>

I recognize that this view of the development of economic (and other social science) theories holds certain dangers. For example, it raises the question of objectivity in research.<sup>15</sup> This is perhaps why many social scientists deny that they are working on policy questions

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and maintain that--as scientists--their only concern is establishing value-neutral relationships within their subject matter of inquiry. This latter function is of great social significance, and most social scientists will always be engaged in such studies. Indeed, new theoretical breakthroughs are impossible without them [22] But without direct attention to relationships not prescribed by present theories, some of the most pressing public policy questions are ignored.

It may be helpful, at this point, to note a fundamental difference between the physical and the social sciences. Both physical and social scientists can carry on much of their "normal science" under laboratory conditions. Social scientists, however, will always be conducting some of their research within the context of human society. But when a crisis in policy emerges, when accepted theories fail to offer insights into phenomena readily observed, when these anomalies become so obvious that they can no longer be ignored, new theories cannot be validated except as they are tested out in practice. In physical science this can still frequently be done under laboratory conditions. But in economics it requires new directions in policy. Its measured consequences must then serve as the experimental test. The Keynesian reformulation of the 1930's is perhaps the best and most recent example in the field of economics. Today, many economists are indeed engaged in the "normal science" that is not directly concerned with ends or values. But this is made possible

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by the new Keynesian paradigm which has once again (for the industrialized, capitalist countries) relegated many evaluative or "normative" issues to the level of assumption, removing them for the time being from the immediate field of inquiry. This makes possible the common practice of reading prescriptions for public policy directly from the refined Keynesian models (a practice which Keynes himself did not recommend).<sup>16</sup> But such prescriptions could not command the respect they do if the new theoretical constructions had not been tested out over the years--tested in the only meaningful terms possible--through their practical influence in shaping public policy and resulting in measured and anticipated consequences.

In the United States in recent years, we have begun to accept as a measure of progress the number of people lifted from the misfortune of being poor. There is a growing recognition that development problems are not confined to some far-off "less developed country". And more people are beginning to realize that development is more than capital, investment, and markets. It is a complicated process of institutional change, redistribution of political power, human development, and concerted, deliberate public policy efforts for redistributing the gains and losses inherent in economic growth [7, p. 291].

Despite such recognition, these issues are still treated as "fringe problems", outside the mainstream of economic policy.

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And development economics, so far as I can determine, does not incorporate these issues into its analysis. As a result the relevancy of development economics to development is being questioned [36; 4]. In viewing the core economic theory requirements at major Ph.D. granting universities, and the content of preliminary examinations, one would hardly suspect that such problems exist or that theory has any bearing on research related thereto.<sup>17</sup> While development questions in the United States are becoming more critical with each passing year, they are at the heart of public policy issues in non-industrialized countries. Yet US universities are presuming to educate many Ph.D. candidates from these countries.<sup>18</sup>

There is, it would appear, a crisis situation developing in economics (and perhaps in the social sciences generally) in the sense defined by Kuhn--"Crisis and the Emergence of Scientific Theories" [22, pp. 66-76]. Unless some key development issues, which are ignored at present, are directly addressed in research, such a crisis may result in a challenge to the very legitimacy of economics [2, pp. 299-307].<sup>19</sup>

### III

Given the rapid population growth in most of the developing countries, the large proportion of the people in agriculture, and the continuing growth of absolute numbers dependent on agriculture [9] it is surprising to see how little analytical attention has been given to the need for creating employment and improved income

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earning opportunities in rural areas. There is a vague hope that programs designed to increase production will result in agricultural development irrespective of the short-run employment and distributional consequences of such programs. However, experience over the past decade indicates that the questions of increased agricultural production and a more equitable distribution of the fruits of that production must be viewed as parts of the same problem. Policies designed to cope with one of these issues to the exclusion of the other have not succeeded.

These two aspects of development (increased production and a more equitable distribution) are often viewed as being totally independent. The first is looked upon as the key to development while the second is seen as a peripheral problem of welfare or social justice. Achieving these two widely differing objectives, it is held, requires separate policies. Economists, it is assumed, have the analytical tools which permit them to make policy recommendations for increasing production, but the problem of a more equitable distribution is assumed to be a political or cultural matter [3; 17].

This separation of production and distribution for policy purposes may be valid in some contexts. For example, there is merit in this view for evaluating US agricultural price and income policies. Farm price support policies in the United States have frequently been justified in terms of protecting the income of

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the small farmer, yet all evidence shows that the large bulk of the payments have gone to the large commercial farmers. Here indeed we need a separation of policy objectives. In the United States, less than 5 percent of the people live on farms, only a minority of the nation's poor are on farms, and the industrial-urban sectors dominate the economy so that employment opportunities must be sought in these sectors. But in most of the non-industrialized countries a large majority of the people depend on the land for employment, most of the poor are concentrated there, employment in manufacturing is growing much less rapidly than manufacturing output (due to capital intensive production processes), and the number of people dependent on farming for a livelihood is increasing.

These countries may eventually achieve a dual economy within a developed agriculture--a "commercial sector" and a "welfare sector." However, to achieve the benefits that may accrue from what Wyn Owen has called "farm-financed social welfare" requires that opportunities--even subsistence opportunities--be provided to begin with [27, p. 61; 28]. The US agricultural system has in the past served as a refuge for millions. In the deep depression of the 1930's, there was a movement back to the farm, and even in the milder recessions of the 1950's, migration to the cities diminished. Today the agricultural sector in the US still holds labor far beyond its productive needs.

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Policies which emphasize modernization and increased production from the commercial, large farm sector without explicit attention to the creation of employment opportunities will yield increased output of certain farm commodities and growing labor productivity for a selected group of skilled workers. But they will reduce farm employment opportunities and throw the burden of adjustment on the disadvantaged who join the ranks of the landless, become migrant seasonal workers, continue to crowd into existing small farm areas, move out to rapidly shrinking frontiers, or join the underemployed in the cities. There is no evidence that the increased volume of commodities moving through commercial channels as a result of such increased production creates sufficient jobs for workers displaced by modernization, or for the continuing new additions to the rural labor force.

Poverty (the massive poverty among the majority of people in the less developed countries) is not only or primarily a welfare and humanitarian problem. It is a problem that has direct and important implications for increased productivity. Supply does not create its own demand under conditions of a highly skewed income distribution. To focus primarily on production widens the income gap between rich and poor. It is impossible in many circumstances of development to separate the issues of production and distribution, since distributional measures may be the key to achieving increases in production.

And the trickle down theory of distribution has never worked out in practice, especially under conditions of concentrated economic and political power.<sup>20</sup>

Why are policies not formulated to accommodate both of these requirements--increased production and increased employment with a more equitable distribution? The distributional questions, of course, raise many tough issues in the realm of national politics. However, professional analysts using highly sophisticated models frequently recommended policies that have production increases as their primary goal. Why should this be so for production but not for distribution? Several possible answers to this question are suggested below.

1. There is what may be called the "war on hunger" position which assumes that if there are hungry people, food should be produced by the cheapest, most efficient means possible in order to feed them. Yet frequently, and especially when viewed from the private interests of an individual firm, this solution includes displacing people with machines. And professional analysts, viewing the problem with decision making criteria appropriate to the private firm, and ignoring the possible lack of correspondence between private and social costs and benefits, can reach conclusions such as the following: "One reason for the high cost [of corn in Guatemala] is the amount of hand labor required. Hence, my desire to try out the corn picker" [29, p. 716] . However, from the standpoint of more general criteria of economic development of the nation,

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this may not be a solution at all once the need for employment creation is taken into account. Even if means could be found to tax away or otherwise confiscate the increased production "...a nation cannot put most of itself on the dole, even if money and food are available for distribution " [26, p. 224].

Land must be viewed as a vehicle for human development as well as a resource for food production. As Raup has put it, "Wherever there is surplus agricultural labor and shortage of working capital, the task of the tenure system is to put people to work" [33, p. 274].

It has become an article of faith, at least among professionals from the industrialized countries, that mechanization (mechanical technology and automation generally) always creates as many jobs as it eliminates, sometimes more. According to this faith, there may indeed be some short run problems of labor displacement and some structural unemployment. But given time, the new technology creates demand for labor in many areas of the economy through its various linkages, and eventually employment will return to a higher level with the new machines than it would have been without them.<sup>21</sup>

It is assumed that labor displaced by mechanical technology will find new job opportunities as a result of the chain reaction of various linkages in the production and servicing of this technology. This assumption may be justified in a highly industrialized nation. But does the same assumption apply to a country that does not produce its own technology? In the United States, for example, the mechanical

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cotton picker displaced workers by the tens and hundreds of thousands [5]. Many of the workers displaced (though certainly not all) and especially the sons of these workers did find employment among the vast complex of industries interrelated with the production, sale, and servicing of cotton pickers--steel, rubber, oil, machinery manufacture, transport, farm implement sales and service, etc. But take another example, Nicaragua, which imports cotton pickers from the United States.<sup>22</sup> Most of the employment in the vast complex of industries associated with the cotton picker in the United States does not exist in Nicaragua--it remains in the United States.<sup>23</sup>

This case illustrates the general principle involved; it does not argue against all modern, imported technology. It depends on what the machines will be used for. In an agriculture with an over abundant and growing labor supply, it is unlikely that one can make a general case for importation of labor saving machinery if the problem is viewed from the standpoint of national policy rather than from the standpoint of profit maximization of the individual firm [19]. If the agricultural sector is to make its most effective contribution to economic development, it must not only improve labor productivity for a select group but must also expand employment opportunities [20; 40].

In certain cases mechanical power and equipment can be justified in terms of increased yields due to better tillage or timeliness of operations. But even where this is the case, there is sufficient

experience in the world to show that the required machine services can be made available to an agriculture based essentially on labor intensive production practices. To argue for capital intensive production in a capital scarce-labor abundant economy is wholly unconvincing.

On the basis of his model of rural outmigration and urban unemployment, Todaro concludes that:

Perhaps the most significant policy implication emerging from the model is the great difficulty of substantially reducing the size of the urban traditional sector without a concentrated effort at making rural life more attractive [40, p. 147].

But how is rural life to be made more attractive? Presumably public investments in rural education and health services, making them more widely available to the poor, would help. Funds used to accommodate rural migrants in the cities might be diverted to rural areas. Yet, such services cannot be built throughout the country except over a long period because of both capital and professional manpower shortages. Raising minimum wages for farm workers could be counterproductive so long as investment decisions in the farm sector are made by private entrepreneurs. A higher minimum wage might lead to a shift to labor extensive enterprises or to an acceleration of the substitution of machines for labor. Even with low

wages there is a strong incentive on large farms to mechanize and simplify labor supervision. It is almost impossible to find farms of, say, 1,000 hectares in rice or cotton being planted, tended and harvested mainly by hand labor. Such farms either mechanize or operate with a share-cropper system. To get at the crux of the matter, "making rural life more attractive" in most cases means providing the farm family with a secure opportunity on the land. Land tenure arrangements and size of holdings must be included as variables in the analysis. But the basic assumptions underlying production and distribution theories take these as givens [24].<sup>24</sup>

2. Another reason why the employment issue gets little attention is the fact that in the less developed countries, the most abundant potential resource is usually labor. I say potential since in many cases people need training and work experience to transform raw labor power into the manpower resource (with skills, experience and discipline) required for more rapid development. An abundance of people does not necessarily rule out labor shortages in selected occupations. The scarcest resource generally is capital. Given the great abundance of labor, there has been a tendency to ignore the need for investment in and development of the labor potential. Instead of viewing land as a vehicle for employing people and for developing the skills and experience required of the rural labor force, land has been viewed primarily as a resource to be efficiently combined with scarce capital so as to maximize agricultural output.

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T. W. Schultz has written a good deal on the issue of investment in human capital [34] but he places primary emphasis on formal schooling. I do not, of course, deny this need. Nevertheless, formal schooling is not the only and not always the most significant demension of education. Furthermore, despite massive efforts, many poor countries have not yet been able to supply even elementary schooling for large numbers of their people. Under these circumstances, economic activity should be designed to produce educational effects. Productive work can offer educational experience and discipline as valid as that gained in the classroom. It is of a different kind, to be sure, and neither type of education is sufficient unto itself. Work experience can be directed and enriched by learning that can come only from school situations. Likewise schoolroom education can be enhanced by work experience.

The manner in which increased production is achieved, and the number of people who participate and reap some benefits from the experience, may be as important as the production increase itself. One gets a different perspective with respect to the role of land if (in addition to its accepted function in the production of farm products) it is viewed as a vehicle both for creating economic opportunities and upgrading the human skills and capacities required for their exploitation [8, p. 12].

Man is a unique resource and economic theory has no position with respect to this uniqueness. Man is both a resource to be used

(along with land and capital) as well as the user of resources. An individual plays a dual role--that of the user and of the used, of the interested and the object of interest, of the exploiter and the exploited.<sup>25</sup>

The common formulation in resource allocation-efficiency models is to view man as labor power--as the object of use. This view, far from being value-neutral, accepts the status quo power positions and ownership patterns of land and capital. In fact it places the weight of authority of "scientific analysis" in the camp of present owners. Under conditions of vast and increasing inequality, policy prescriptions based on such efficiency models are consistent with the poor man's view of the world--"Them that has--gets."

3. Economic literature tends to de-emphasize the income distribution consequences of the development process. Since land tenure arrangements are most directly associated with the creation of and access to income earning opportunities and their distribution, these arrangements receive only passing mention in much of the economic literature on agricultural development policies.

If the task of development is conceptualized to include income distribution as a variable (rather than a fixed parameter taken as given), then some of the economists' most powerful ideas and tools lose some of their analytical leverage. For example, marginal analysis and the accompanying planning, programming and budgeting tools implicitly assume certain non-changing structural parameters.

Yet once a sophisticated measurement emerges, as from benefit-cost analysis, a strong faith is placed in it and the implicit assumptions are usually forgotten. The higher the benefit-cost ratio, for example, the "better" the project.

However, the results of these calculations are directly conditioned by the pattern of income distribution.<sup>26</sup> Investments in the increased production of chickens and beans rather than of airlines and television sets may give a higher benefit-cost ratio if the pattern of income distribution is changed. Poor people, lacking the money votes, cannot register their needs or desires through the market mechanism. But change the income distribution and you change the structure of demand, thus changing the benefit-cost ratios of various projects in turn altering investment priorities.<sup>27</sup>

Assumptions such as those described in these examples allow certain strategic developmental questions to fall between the analytical slats: productive employment for the growing rural labor force; creation of opportunities which permit men to develop their abilities and capacities; and the ownership distribution of land and other resources. An agricultural economist, using a farm management approach, may ignore the displacement of workers or their need to find viable opportunities on the land. He is concerned with profit maximization from the resources available to the firm. Even an agricultural economist dealing with farm policy for the agricultural sector could ignore these questions on the assumption (well founded

or not) that industrial and other non-agricultural activities are available for the absorption of excess rural labor. Nor does a macro-economic approach assure that these strategic questions will be addressed in the analysis. While Keynes may have had a deliberate disregard for the supply side of investments (and focussed only on their demand creating consequences) [23], post-Keynesian development economists seem to have over-emphasized the supply consequences.

There is indeed an implicit assumption that somewhere policies are being implemented to maintain full employment, and that when a laborer moves from one job to another it always results in increased productivity. But these are unwarranted assumptions in most cases of less developed countries. Indeed, these assumptions point to some of the critical problems of development.<sup>28</sup>

#### IV

What conclusions are to be drawn from the arguments set forth in this paper? First, we need broader criteria by which to assess development. This means inclusion of presently less measurable and quantifiable variables than the commonly accepted ratios in use today. Second, on key policy issues both ends and means must be incorporated as variables in the analysis rather than accepting certain ends implicit in standard economic theories. Finally, distributional questions must be given higher priority on the research agenda.

Present theories may have much more relevance once we understand better the institutional context of specific country development problems and the "special case" out of which our own theories were constructed. If new theoretical extensions can accommodate the enlarged context, present theories may become more useful in guiding research in the very situations in which they are at present unsuccessful.<sup>29</sup>

New developments in theory are not simply willed into existence. The hypothesis suggested in this paper is that only as research concentrates on presently neglected policy issues within specific institutional contexts of individual countries can more adequate theories of agricultural development be constructed. It is obviously asking a great deal of a man to be guided by present theories and pre-conceptions and yet to be continuously suspicious and question them at every stage in his research. Yet such would seem to be the nature of the present challenge.

FOOTNOTES

\* Professor of Agricultural Economics and Director of the Land Tenure Center, University of Wisconsin, Madison. I gratefully acknowledge the many helpful comments received from colleagues at the Land Tenure Center on earlier drafts, especially those of Marion Brown, William Thiesenhusen, Don Kanel, Herman Felstehausen, Elsa Chaney, Kenna Jarvis and John Bielefeldt. Some of the basic formulations developed in this paper originated in many discussions over the years with Professors Ken Parsons, Carl Bogholt and Ray Penn. I acknowledge my indebtedness to all the above, but I alone assume full responsibility for statements made in the present article.

1. As Seers points out "The questions to ask about a country's development are therefore: What has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have declined from high levels, then beyond a doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result 'development,' even if per capita income doubled" [36, p. 3].

2. Development is here viewed in the broad sense of expanding opportunities and the human capacities needed to exploit them along with a general reduction of mass poverty, unemployment and inequality [36: 31].

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3. Technology, which alters the conceptions of what constitutes resources has always been troublesome to a scheme of analysis which essentially takes resources at any particular time as given [24, pp. 725-729]. "A system--any system, economic or other--that at every given point of time fully utilizes its possibilities to the best advantage may yet in the long run be inferior to a system that does so at no given point of time, because the latter's failure to do so may be a condition for the level or speed of long-run performance" [35, p. 83].

4. Note also current policy issues (poverty, resource and environmental management, population, urban congestion, agricultural development, etc.), and the corresponding growing interest and research specialization (including new institutes and professional journals) in all these areas.

5. I am indebted to my colleague Professor K. H. Parsons for this formulation.

6. On this point, it is interesting to compare and contrast the issues dealt with by the classical economists and those of concern to the neo-classicists. "Classical economics is, of course, a theory of economic development. In this respect it is quite unlike at least some of the economic theories that came into vogue in the last decades of the nineteenth century " [14, p. 4]

7. Given the magnitude of the task, there were perhaps few alternatives.

8. N. Georgescu-Roegen has observed, "As soon as we realize that for economic theory an economic system is characterized exclusively by institutional traits, it becomes obvious that neither Marxist nor Standard theory is valid as a whole for the analysis of a non-capitalist economy, i.e., of the economy of a society in which part or all of the capitalist institutions are absent. A proposition of either theory may eventually be valid for a non-capitalist economy, but its validity must be established de novo in each case...Even the analytical concepts developed by these theories cannot be used indiscriminately in the description of other economies. Among the few that are of general applicability there is the concept of a production function together with all its derived notions. But this is due to the purely physical nature of the concept. Most economic concepts, on the contrary, are hard to transplant...All this may seem exceedingly elementary. Yet this is not what Standard and (especially) Marxist theorists have generally done when confronted with the problem of formulating policies for the agrarian overpopulated countries. And, as the saying goes, 'economics is what economists do' " [13, pp. 147-148].

9. Seers has noted that "...national income figures published for most 'developing' countries have very little meaning. This is partly because of lack of data, especially on farm output, but also because, when income distributions are so unequal, prices have very little meaning as weights in 'real' income comparisons. ...lack of

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data on poverty, unemployment and inequality reflects the priorities of statistical offices rather than the difficulties of data collection. The conceptual problems of these measures do not seem to be more formidable than those of the national income. We have just grown accustomed to ignoring the latter " [36, p. 3].

10. "Nowhere," says John Gardner, "can the operation of vested interests be more clearly seen than in the functioning of university departments...[the department] assesses the significance of intellectual questions by the extent to which they can be answered without going outside the sacred territory" [12, p. 98].

11. A highly significant critique on this point is found in Professor Parsons' "The Logical Foundations of Economic Research." "To accept the distinction between 'pure' and 'applied' economics as generally valid and fundamental is not only to accept the view that 'theory' in its pure form can have an independent career but that it can be validated in some way other than by 'application'...The crux of the issue is simply this: that the only alternative which we have to the validation of inquiry by problem solving is a reliance either upon self evidence of fact or principle as the foundations of knowledge--or upon revelation. Both of the latter alternatives are incompatible with a genuinely scientific viewpoint" [30, pp. 664 and 674; see also 6].

12. "Mopping-up operations are what engage most scientists throughout their careers. They constitute what I am here calling

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normal science. Closely examined, whether historically or in the contemporary laboratory, that enterprise seems to attempt to force nature into the preformed and relatively inflexible box that the paradigm supplies. No part of the aim of normal science is to call forth new sets of phenomena; indeed those that will not fit the box are often not seen at all. Nor do scientists normally aim to invent new theories, and they are often intolerant of those invented by others.\* Instead, normal scientific research is directed to the articulation of those phenomena and theories that the paradigm already supplies" [22, p. 24]. \* Here Kuhn cites Bernard Barber, "Resistance by Scientists to Scientific Discovery," Science 134:596-602, 1961.

13. "One of the results of any survey of the development of economic doctrines is to show that in large measure the important departures of economic theory have been intellectual responses to changing current problems " [25, p. 13].

14. "Since development is far from being achieved at present, the need is not, as is generally imagined, to accelerate economic growth--which could even be dangerous--but to change the nature of the development process" [36, p. 3].

15. The problem-solving approach to inquiry "...easily and naturally frays out into a mere servicing of practical judgements. In fact, it requires strenuous intellectual effort to avoid this very outcome. Under such circumstances we gradually drift into an

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acceptance of the 'problems' as formulated by our constituency. The next step is simply that of making 'investigators' the mere tools of various interests...Yet the issue must be faced. The argument seems inexorable, that there is no other alternative in genuinely scientific inquiry to having both the roots of inquiry and the final tests of validity in practical problem solving " [30, pp. 675-676].

16. "The object of our analysis is, not to provide a machine, or method of blind manipulation, which will furnish an infallible answer, but to provide ourselves with an organized and orderly method of thinking out particular problems; and, after we have reached a provisional conclusion by isolating the complicating factors one by one, we then have to go back on ourselves and allow, as well as we can, for the probable interactions of the factors amongst themselves. This is the nature of economic thinking " [21, p. 297].

17. "Workshop on Core Economies" sponsored by the Agricultural Development Council, October 10-11, 1967, held at ADC office in New York.

18. "If a student's formal course training is limited to two years of graduate study and he expects to work on development problems, he is, I'm afraid, in danger of finding that he has acquired a lot of mental luggage of dubious utility while he has not been expected to think very deeply on questions basic to an effective

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attack on the problems of development. It is not really an answer to say that you are giving him his analytical tools, and that his thinking can come later. If he has not been made aware of the basic issues in his university training, he may well pass through life unaware of their very existence" [4, p. 20].

19. "The teaching of every profession produces a certain amount of what Veblen called 'trained incapacity' and we should certainly look with a critical eye at economics to see if we are not doing this. If the training of the economist leads to his neglecting certain important aspects of the world about him, once he is in a position to give advice and to have his advice taken, disasters might easily ensue....When one is giving advice, therefore, about a system that involves the total society, it is extremely dangerous to be overtrained in a certain abstract element of the total process. If we run into enough of this we may find indeed a widespread reaction against economics and a withdrawal of legitimacy from it. It is my own view frankly, at this point, that we must move toward a more integrated and perhaps even a rearranged social science, that the existing departmental and disciplinary lines often mask real problems..." [2, pp. 306-307].

20. The Economist makes the following comments on FAO's "Indicative World Plan": "As long as incomes are so unevenly distributed within the developing countries themselves, and so little inroad

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is made with their traumatic unemployment problems, the people who are starving will not have the money to buy the food, even if it is there. This is where the planners of Asia, Africa and South America would like FAO guidance, but so far they only get alarming figures and some general advice" [15, p. 75].

21. Economists have analyzed the general factor proportions problem--formulated in terms of the production function and the elasticity of substitution among factors[1]. "Eckaus' famous factor proportions model represents the most notable attempt to come to grips in a rigorous fashion with the problem of labor absorption in the modern sector. However, his model is concerned primarily with the demand side of the employment problem, and as such does not consider in an equally rigorous fashion the determinants of rural-urban labor supply. As a result, the model cannot be used to estimate the magnitude of urban unemployment nor can it be used to evaluate unemployment implications of alternative policies" [40, p. 138]. However, the point I am raising is a still different one.

22. The entrepreneur of a large farm enterprise may find the importation of labor-displacing machines highly profitable due to a variety of circumstances, most of them related to government policies: overvalued exchange rates, subsidized credit, rising minimum wages and fringe benefits, etc. Reasoning from analogy, US and European experience of farm enlargement and mechanization is sometimes cited to support this type of development. But such an analogy is

inappropriate given the widely different situation with respect to factor proportions and real factor costs to society (in contrast to existing factor prices which are often controlled and distorted by some of the above policies).

23. The problem is compounded if, as Singer has pointed out, the investments and the production processes are actually controlled by foreigners. "The main secondary multiplier effects, which the textbooks tell us to expect from investment, took place not where the investment was physically or geographically located but (to the extent that the results of these investments returned directly home) they took place where the investments came from. I would suggest that if the proper economic test of investment is the multiplier effect in the form of cumulative additions to income, employment, capital, technical knowledge, and growth of external economies, then a good deal of the investment in underdeveloped countries which we used to consider as 'foreign' should in fact be considered as domestic investment on the part of the industrialized countries " [37, p. 475].

24. "Distribution theory today concerns itself, in essence, with tracing out the effects of various policies in distributing economic fruits among persons who own or otherwise command control over resources....In current theory, distribution of ownership or other control of resources among people is 'given'.... In terms of the dynamics of economic development, however, the real problem of distribution is: 'How does ownership or other control over resources

come to be distributed in the manner it is?'....The question is not, for example, whether a landlord and a tenant each receives the appropriate return for the resources he controls; but rather, is it appropriate, from the standpoint of the economic development of the country in question, for the landlord and the tenant to have these particular proportions of the nation's resources under his control" [24, pp. 729-730].

25. In a society where economic and political power are widely shared, there is a continuous attempt at modifying institutional structures and norms to keep this process of "rising others" mutually beneficial. Procedures are designed so that individuals and groups, in pursuing their private interests, are not injuring (and preferably are furthering) the interests of other individuals and groups. When mutuality in the process breaks down and conflicts intensify, zones of discretionary behavior (rights, liberties, obligations, restraints) of the individuals and groups involved in the conflict must be re-defined in order to re-establish mutuality in the processes of associated living.

26. "...Cost-benefit analysis as generally understood is only a technique for taking decisions within a framework which has to be decided upon in advance and which involves a wide range of considerations, many of them of a political or social character" [32, p. 685].

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27. Hirschman speaks of the centrality of side-effects in judging investment projects, and notes the reason for opposition to this concept by "hard-boiled, no-nonsense" economists. "The quest for a unique ranking device probably accounts for the hostility of economists toward side-effect and secondary benefits. Yet this quest is clearly futile. How could it be expected that it is possible to rank development projects along a single scale by amalgamating all their varied dimensions into a single index when far simpler, everyday choices require the use of individual or collective judgement in the weighing of alternative objectives and in the trade-off between them? There is much to be said, it is true, for facilitating decision making by reducing the many aspects of a project to a few crucial characteristics, one of which would of course be the rate of return. It is one thing to permit, in this way, the decision maker to use informed judgement in making critical choices and trade-offs; it is quite another, however, for the technician to aim at dispensing with such judgements altogether" [18, pp. 162 and 179].

28. "...[the] process of labor transfer is typically viewed analytically as a one-stage phenomenon, that is, a worker migrates from a low productivity rural job directly to a higher productivity urban industrial job. The question is rarely asked whether or not the typical unskilled rural migrant can indeed find higher-paying regular urban employment. The empirical fact of widespread and chronic

urban unemployment and underemployment attests to the implausibility of such a simple view of the migration process" [40, p. 139].

29. The theorist can be of help to the politician, the practitioner, "...if he refrains from trying to adapt uncritically models and measures designed in and for industrial countries, where priorities are different, but helps instead to develop policies, national and international, to mitigate the great social problems of the Third World...above all, the aim must be to change international attitudes so that it becomes impossible for the political leaders and social scientists of Europe and North America to continue overlooking, and aggravating, often inadvertently, the obscene inequalities that disfigure the world" [36, p. 6].

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AGENCY FOR INTERNATIONAL DEVELOPMENT

SPRING REVIEW OF LAND REFORM

BACKGROUND PAPER 6

TWO ARTICLES ON LAND REFORM

by

ERVEN J. LONG

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# The Economic Basis of Land Reform in Underdeveloped Economies†

By ERVEN J. LONG\*

## I.

**L**AND REFORM is one of the cornerstones of agricultural policy in most underdeveloped countries. These reform programs or proposals usually have three basic objectives—mixed in different combinations depending upon political and historical circumstances. These are: (1) turning over ownership and management of the farms to those who actually “till the soil,” (2) dividing up large holdings into smaller, more evenly distributed holdings, and (3) combining small operational units into larger, group units—i.e., “co-operative farms,” “collective farms,” “paysannat,” “state farms.”

Even cursory examination of these objectives will show that they may be—and in many cases are—in conflict with each other. Steps taken to implement one objective may very effectively counteract steps taken to implement another. For example, many of the farms which could

best serve as examples of realizations of objective one, i.e., farms fully managed and operated by the owner and his family, exceed the acreage ceiling and so would be broken up in effecting objective two. Furthermore, the achieving of objective three almost inevitably involves surrender, or at least radical change in the character, of objectives one and two. Paradoxically, local protagonists of “land reform” usually support all three objectives, while opponents resist all three. This testifies to the fact that progress on such reform has not been far enough to bring their divergencies into active conflict with each other.

Four years’ experience in India has brought me to the conclusion that most proponents and opponents of land reform are honestly concerned with the problems of their country and believe their particular ideas on the subject to be sound. It has brought me even more firmly to the conviction that virtually

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†An earlier draft of this paper has had very substantial review by a large number of persons. All have written extensive, carefully thought-through comments, most of which have found their way into this final version. Although almost all of the reviewers have agreed with the major theses in the paper, and I have tried to incorporate their several suggestions, the final responsibility is of course my own. I should like here to express my sincere appreciation to the following: F. W. Parker, Assistant Director-General, Food and Agriculture Organization (hereinafter referred to as F.A.O.) and previously Chief Agriculturist, International Cooperation Administration in India, to whom, more than anyone, the paper owes its existence. Russel O. Olson, previously Ohio State University’s Group Leader in India; Dr. George Montgomery, Kansas State University’s Group Leader in India; Rainer Schick-

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none of the argument, for or against such reform, is built upon a solid, analytical, factual base. I suspect that this is true in most such countries where land reform is a burning social and political issue. If this were not true, surely both proponents and opponents would be more discriminating in their arguments, selecting certain types of reforms for their fervid support and other types for their equally fervid opposition.

It is at this point where I feel the so-called "foreign expert" can be most helpful in helping set up research and in relating available data to provide a reliable, factual basis for decision in the matter. What is lacking is not ideas but information; what is needed from us is not nostrums but evidence.

## II.

Behind all the political discussion of land tenure reform is an honest groping for a system which will satisfy two deep and basic needs: (1) a much more productive agriculture as a base for national economic development, and (2) a sense of security (and participation) among the peasantry as a basis for needed political stability. Unfortunately these also are often inconsistent ends; economic progress itself is frequently a powerful catalyst of social turbulence and political instability. At best, many measures to achieve economic progress have very disrupting side-effects. Political generalship of the highest order is required to resolve or compromise these issues. Surely the political leaders require and deserve the best possible supply of reliable evidence, relating actions to their probable consequences, as a basis for forming these difficult judgments.

Evidence regarding the second issue—relating land reform proposals to their probable consequences for social and po-

litical stability or instability—is obviously hard to come by. People's social responses to given stimuli vary greatly from place to place and from moment to moment. People are highly capricious in this respect; any overt step taken by government is but one event in a long historical continuum. Its results will depend almost entirely upon its historical antecedents. Failure of a government to take a specific action might cause a social flare-up now which that action itself would have caused a decade or two ago. A healing social ointment in one setting may prove a blistering caustic in another. Social scientists might well be excused for not having provided highly definitive evidence on this issue.

And yet, quite a little has been done. Many, many articles and books have dealt directly or indirectly with various aspects of the problem. Historical examples—and in a few cases even studies—have been extensively cited from which inferences were drawn regarding the effects of various land reform measures upon social stability. Such inferences are almost inevitably gross in character. Many causes interact to bring about the consequences noted and usually little is done analytically to disentangle these causes so as to assess their individual net contributions to the observed effects. Such gross inferences give full and free play to the analyst's preconceptions and personal convictions, which often provide him with the major premise of his ultimate judgment. Nevertheless, such studies (dare I call them such?) are useful though probably in providing insights rather than reliable evidence. I have a hunch that, if all such studies were collated, a core of agreed-upon basic relationships might be discovered.<sup>1</sup> If so, this would be highly useful; and would be a very good place to begin an effort by

social scientists to provide really meaningful evidence on this fundamental issue.

It is rather on the first issue—the effects of various types of land reform activities upon agricultural productivity—that social science has most seriously failed its responsibilities. This is where the agricultural economists' help is most badly needed and where they should be most able to provide it. The agricultural economics profession possesses the necessary analytical tools to do the job, to throw direct light upon the implications of various aspects of land reform for agricultural productivity. The principal shortcoming appears to be that research has not focused sharply enough on the issue. Such evidence as can be assembled is often oblique to the problem, having been developed with other purposes in mind and thus not interpreted with reference to this problem to which public policy attaches so much importance. In consequence, land reform legislation operates largely in an informational vacuum regarding its economic bases; political leaders are obliged to substitute surmise for evidence and hence preconception for judgment.

The core relationship in this entire problem is that between size of operating unit and productivity. Much of the local argument in favor of cooperative or other forms of group farming, for example, is premised upon the assumption that there is a tremendous efficiency advantage in large-scale operations. Opponents of land reform base their arguments against the establishment of acreage ceilings upon the same premise—that agricultural pro-

ductivity will be reduced by the reduction in farm size. Persons who might be favorably disposed toward a more equitable division of landholdings, and who would oppose cooperative farming, feel obliged to take the opposite stand in the interest of economic development because they assume that there is tremendous positive returns to size-of-operations in agriculture. Political reasoning about land reform, somewhat subconsciously perhaps, appears to follow some such process as this: (1) Political requirements (and perhaps "social justice") demand the breaking up of larger into smaller holdings. (2) Because of the high man-land ratio, this involves setting acreage ceilings at levels far below optimum efficiency levels. (3) Since the economy cannot stand the strain of reduced productivity, these small units must somehow be recombined into larger group-units, or cooperative farms; or at least a large number of such cooperative farms are necessary to offset the reduced productivity potentials of the small owner-operated farms.

It can be seen that this reasoning process is premised throughout on the assumption of a highly positive relationship between size of farm operations and agricultural productivity. But this is by no means an established fact. The assumption is based upon a misinterpretation of the economics of so-called "western" agriculture and I fear even more so upon a misinterpretation of American farm management studies. The problem is simply different in the developed than in most of the underdeveloped countries. More specifically, the measures of agricultural efficiency appropriate to the developed countries are inappropriate to most of the underdeveloped countries. This statement requires some explanation.

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<sup>1</sup> From his own observations and study of this issue, the writer would use for such an inquiry, as his key hypothesis, that a system of owner-operated farms of such size as to require family labor only would contribute the maximum toward political and social stability.

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## III.

Literally hundreds of American studies have confirmed that larger farms normally have correspondingly higher operator incomes, i.e., higher returns to the managerial and labor contributions of the farm operator and his family. In common usage this has erroneously been too often taken to be synonymous with greater "efficiency," leading to the conclusion that large farms are more "efficient" than small farms. They are! But only with reference to management and labor, i.e., with reference to returns to the human agent. They are not necessarily the most "efficient" in the use of other (non-human) resources. In the United States and similarly developed economies, this error creates little difficulty because the human agent is from a social viewpoint the most scarce factor of production. Much more importantly, in the United States maximum returns to the human agent in agriculture, which is obviously the economic goal of the individual farmer, is also roughly congruent with the broad objectives of public agricultural policy. And since management and labor are usually supplied by the same social unit, the individual farm family operator's net income is the most relevant measure of the relative efficiency of farms of different sizes. Maximum operator's income serves as an adequate criterion of both private and public policy action. The situation in India and similar countries is very different.

Faced with an imperative need to increase agricultural production, most underdeveloped countries find almost all production factors limiting, *except* labor.<sup>2</sup> From the public or aggregate social viewpoint, the marginal cost of labor approaches zero. In fact, in the judgment of many leaders it is negative—that is, there is a positive social value in employ-

ing additional labor, even worth sacrificing some production to accomplish. Prime Minister Nehru makes a telling point that "cottage industries," though inefficient, are justified in that they give larger proportions of the population a sense of participation in the developmental efforts of the country and hence a more widely spread personal identification with the success of these efforts. In any event, rural unemployment and underemployment being what they are—and with the certain prospect of even much greater pressure of population upon employment opportunities—labor is, from the social standpoint, essentially a non-cost element at any foreseeable levels of increased agricultural productivity. In direct contrast to the case in highly developed economies, therefore, any measure of relative efficiency of farms of different sizes must be in terms of returns to non-labor resources to be relevant to problems in India and similar countries. *Probably a simple measure of gross value productivity per acre, above variable capital costs, is as relevant to policy decisions under Indian conditions as is net operator-income under American conditions.*

If, for India and similar countries, the measure of agricultural efficiency relevant for public policy is simply gross value productivity per acre above variable capital costs, then how is this related to size of farm? Stated more simply, are the returns to non-labor resources higher on the larger or on the smaller farms?

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<sup>2</sup> Much of this paper relates only to so-called "overpopulated" underdeveloped economies. Throughout the paper, India is used as an example of such an economy. There are, of course, several important countries which are extremely underdeveloped yet have extensive unexploited potential farming areas, to which the principal arguments of this paper would not apply. The land reform problem in these countries is, however, much more simple.

This is the question pertaining to the economics of farm size which is really relevant to land reform policy.

A re-look at American data from this point of view might yield some rather startling results. In a study made by the writer,<sup>3</sup> although size of farm was, conventionally, highly related to operator-income, productivity per acre of land was inversely related to size of farm. Many other studies reveal the same thing. Even Dr. Warren's pioneer study of Tompkins County, New York, published in 1911, though making a strong case for larger farms as necessary to high operator income, nonetheless found value productivity per acre to be inversely related to size of farm.<sup>4</sup>

In India, crude observation does not suggest that the level of farming practices is higher on the larger than on the smaller farms. Even most of the very large state-owned farms in India, with their obvious "hidden subsidies," produce little if any more per acre than the small farms in the area. With the exception of the highly specialized case of some of the plantation crops, productivity per acre would appear to be about the same for all sizes of farms or perhaps to diminish as size of farm increases.

Thanks to the work of the Farm Management Research Centers in India some data are available to corroborate these observations. Data are available for samples of one hundred to two hundred farms per state in selected areas of West Bengal, Uttar Pradesh, Punjab, Orissa,

Andhra Pradesh, Bombay (2 districts) and Madras. The data cover three years in four cases, two years in three cases and one year in two cases. Because for each state a different size-range was used for computing the frequency distributions, it is impossible to set up a simple table directly from the state data. A composite tabulation, using four size-groups into which all the data could be fitted, shows the following relationships between size of farm and productivity per acre as measured in value of output.<sup>5</sup>

AVERAGE GROSS OUTPUT PER ACRE  
BY SIZE OF FARM (IN RUPEES PER ACRE)

Size of farm (acres)	Gross Output per Acre (Rupees)
0— 4.9 . . . . .	240
5— 9.9 . . . . .	213
10—19.9 . . . . .	171
20 and over . . . . .	103

The above table shows a very decided inverse relationship between the size of farm and value of output per acre. However, it has the defect, for analytical purposes, that some of this relationship is caused by the fact that the areas of lower productivity per acre tend to be characterized by larger farm units. To overcome this difficulty, the frequency distributions for individual states were recombined and classified into four groups: the smallest size-group of farms, the second smallest size-group, the second largest size-group and the largest size-group. This has the effect of holding differences between states constant in the analysis. Since the sample area studied within each state was chosen to be quite homogeneous, this classification enables us to

<sup>3</sup> Erven J. Long and Kenneth H. Parsons, "How Family Labor Affects Wisconsin Farming," *Wisconsin Research Bulletin 167*, May 1950; also Erven J. Long, "Return to scale in family farming: Is the case over-stated?" *The Journal of Political Economy*, December 1949.

<sup>4</sup> George F. Warren and K. C. Livermore, "An Agricultural Survey, Township of Ithaca, Tompkin County, New York," *Cornell Memoirs No. 295* (Ithaca, New York: Cornell University Press, 1911).

<sup>5</sup> Data supplied by G. D. Agrawal, Production Economist, Directorate of Economics and Statistics, Ministry of Food and Agriculture, Government of India, from Farm Management Center Reports from the referenced States.

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determine reasonably well the net effect of size of farm upon value of output per acre. (A somewhat more refined analysis could have been made by recourse to original data but the technique here employed is adequate to the purpose.)

Because of the relatively small sample for each individual state, the relationships revealed are somewhat erratic but a general inverse relationship between size of farm and value of output per acre

can be noted. These irregularities disappear when data from all nine states are combined, as shown in the last column of Table I. This column may be taken as a fair suggestion of the relationship between size of farm and gross value of output per acre in India. It clearly calls into question the supposition in much land reform discussion that large farms are more "efficient" than small farms.

TABLE I—RELATIONSHIP BETWEEN RELATIVE SIZE OF FARM AND RUPEE VALUE OF GROSS OUTPUT PER ACRE FROM SAMPLE AREAS OF EIGHT STATES: INDIA

	Madhya Pradesh	West Bengal	Uttar Pradesh	Punjab	Orissa *	Andhra Pradesh	Bombay	Madras	Average Eight States
Smallest Group . . . . .	87	239	292	201	161 (89)	433	117	209	219
Second Smallest Group	86	217	267	186	141 (79)	352	82	171	188
Second Largest Group	84	229	227	173	150 (88)	369	51	75	170
Largest Group . . . . .	93	169	232	143	126 (71)	380	53	75	159

\* Figures in parenthesis refer to output per acre above variable capital costs. See text.

Additional evidence on the relationship between size of farm and productivity per acre has been obtained from a study of 225 farms in three villages of Bihar State, as shown in Table II. These data have the advantage that they relate separately to three villages within which there is great homogeneity with respect to soil characteristics and water resources. It can be seen that, in spite of the rather small number of cases for each village, there is a quite constant inverse relationship between size of farm and gross productivity per acre. The last column, showing the averages for the three villages, evens out such minor irregularities as appear for the individual villages.<sup>o</sup>

As indicated earlier, the measure of efficiency most relevant to land reform policies in India is value productivity per acre above variable capital cost. This

would be a somewhat better measure than gross value productivity per acre as used in the above tables as it minimizes distortions due to possible differences in amount of variable capital used by farms of different sizes. Investigation of this point reveals, however, that empirically gross value of productivity per acre is equally adequate under Indian conditions. Variable capital inputs, in the form of seeds, fertilizer, insecticides, etc., are so small as not to affect comparisons, even if there were some consistent bias in relation to farm size—which there appears

<sup>o</sup> Data supplied by P. Ray, Principal, H. D. Jain College, Arrah, Bihar State, from a study to be submitted as a thesis to the London School of Economics. Analysis is being conducted under direction of the writer and M. B. Badenhop and supported by a fellowship grant from the Council of Economic and Cultural Affairs Inc., New York.

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not to be. The same is true for investment in tillage and other equipment. Bullock power for farm operations is the largest item of variable capital expenditure. However, because of the tremendous numbers of such cattle in India and the social and religious sanctions requiring their maintenance, these can be considered in virtually the same fashion and for the same reasons as human labor—as a fixed cost input from the social standpoint. To the extent that

TABLE II—GROSS OUTPUT PER ACRE AS RELATED TO SIZE OF FARMS FOR 225 FARMS IN THREE VILLAGES, BIHAR STATE: 1955-56

Size of Farm (acres)	Village A 92 farms Rs	Village B 100 farms Rs	Village C 33 farms Rs	Average: Three Villages
0- 4.9 .....	206	384	315	302
5- 9.9 .....	193	337	306	279
10-14.9 .....	178	329	308	272
15 and above ..	173	331	278	261

amount of feed consumed by bullocks is a function of the work they do, such feed is a variable capital input. There is little reason to believe that this is significantly related to size of farm. Value of output per acre above capital costs follows the same pattern as does gross value of output per acre as is shown in the case of Orissa State, where these figures are given in Table I in parentheses alongside the gross output figures. Hence, for our purposes, gross value of output per acre as used in the tables would appear to be from the public policy viewpoint an adequate measure of the relative "efficiency" of farms of various sizes.

#### IV.

It is now necessary for the writer to state some disclaimers. It is not his intention to claim that data displayed thus far in any way *prove* an inverse relation-

ship between size of farm and productivity per acre. They are cited merely to prove that the general presumption of a highly positive relationship which underlies most land reform discussions is extremely suspect. This presumption is equally evident in the arguments for cooperative farming and in the argument that little can be done to increase the agricultural productivity of a nation of very small farms. Though the data do not prove an inverse relationship between size-of-farm and productivity, nor perhaps even that the opposite may not be true, they certainly throw the burden of proof on the common presumption of a strongly positive relationship. This paper is, therefore, an earnest plea for more and better research on this relationship necessarily so central to all land reform proposals.

A primary limitation of the analysis thus far is that it has been cast in a purely "static" context.<sup>7</sup> The real problems of land reform are those of dynamics. Stated simply, what may be the effects of size of farm upon the rate at which productivity may be increased? It is conceivable that even if size of farm were inversely related to productivity in the static sense, it might yet be positively related to the process of increasing productivity. This is a question upon which the data cited cannot throw direct light.

As a matter of fact, it is precisely in this context that the presumption of a positive relationship between size and productivity had its origin. What western agricultural adviser in India—or what western-educated Indian agriculturist—looking at expanses of Indian land chopped up into tiny holdings and, res-

<sup>7</sup> A crime for which the author would never forgive himself. See, "Some Theoretical Issues in Economic Development," *Journal of Farm Economics*, December 1954, pp. 723-731.

orrecting in his mind's eye the image of Iowa's corn fields stretching endlessly toward the horizon, has not revelled in the thought of what he could do to increase productivity if he could but combine all this land into one large unit? The modus operandi he visualizes for the realization of this dream will depend upon his experiences, his biases and perhaps his political commitments. But, as John Dewey says: "Existence is existence; and facts about it are stubborn." And the stubborn fact in this case is that land will probably respond as well, or better, to the direct ministrations of human hands using simple tools as to huge machines designed to meet the requirements of a different situation. And whereas labor is, from a public point of view, cost-free, the machines are very costly indeed.

Although the data as analyzed are static, the relationships revealed are the end products of such dynamics as have existed in the society. Therefore, data from societies whose agriculture have had more dynamics might be even more relevant. It is for this reason that the writer suggested that an examination of (even) American data from this point of view would be informative. Even more useful, perhaps, would be examination of similar relationships in Japan. If data for such countries reveal a negative relationship between size-of-farm and gross value productivity per acre above variable capital costs as the end result of a highly dynamic agricultural development process, then indeed the presuppositions of most land reform discussions—and also of much technical assistance work—need intense re-examination. Again, this paper is a plea for this type of re-examination of American and other farm management data.

The agricultural productivity problem of underdeveloped economies is, at heart

that of the allocation of capital. If the large farms are operationally nothing but agglomerations of small farms, the productivity of farm size is nil. If only managerial responsibilities are affected, the outcome is the net result of two forces working in opposite directions: on one side the presumed advantage of centralized and hence improved management decision-making, on the other side the paired forces of cost of overhead supervision and the reduction of individual incentives. Data cited above give no direct clue to the outcome of this contest. True "diseconomies of scale" could not have begun to operate on farms of the sizes referred to above. In these cases smaller farms produced more per acre than larger farms probably because they used their labor more effectively or used more of it per acre. Overhead costs of supervision and management could not have reached the increasing phase on the larger farms. But successful management of truly large-scale farms (of the cooperative farm or state farm type) is an extremely complex undertaking, much more so than management of comparable size industries.<sup>8</sup> On very large farms great costs of supervision are encountered. True diseconomy of scale, due to overhead costs of supervision and management on such farms, takes a heavy efficiency toll. In private undertakings the incentive to gain directly from one's own effort serves as a powerful spur to work. In a shared-gain enterprise this incentive disappears and must be replaced by other incentives (such as appeals to patriotism) or by compulsions requiring heavy ex-

<sup>8</sup> John M. Brewster, "The Machine Process in Industry and Agriculture," *Journal of Farm Economics*, February 1950; also, John C. Ellickson and John M. Brewster, "Technological Advance and the Structure of American Agriculture," *op. cit.*, November 1947.

penditure on overhead supervisory and enforcement staff.

But from the economic standpoint the greatest practical disadvantage from any kind of shift to large-scale farming would be that it would tie up in relatively unproductive uses capital which would otherwise be highly productive. This would be the very probable result of such a shift as its justification is that it makes possible the introduction of "modern technology." Indian agriculture is desperately starved for capital, to be invested in such uses as minor irrigation systems, soil building systems requiring better seeds, etc., and especially in chemical fertilizers. Small amounts of capital invested in such forms and properly mixed with large amounts of the superabundant labor could produce marvelous results. But capital invested in essentially labor-saving machinery, such as one tends to find on very large farms everywhere, would add little to total production.

Virtually all American agricultural economists, as well as specialists in other fields of agriculture who have been in India a couple of years or more, are impressed with the low level of husbandry practices on the great majority of Indian farms. Our commonly preconceived image of Indian agriculture as teeming with people squeezing every last bit of productivity out of almost hopelessly limited physical resources is inaccurate; it becomes quickly replaced by the ever-present sight of extremely poorly used land. Fields are often very weedy; planting is haphazard with respect to timing, spacing, depth and plant species combinations. Seed bed preparation is usually poor. Such soil and water-conserving practices as contour plowing and planting, terracing, etc., are very rare. Though virtually all the land is extremely deficient in nitrogen, very little use is made

on unirrigated lands of legumes in a fertility-building crop rotation system. In areas where water, rather than land, is the principal limiting factor, such water as is available is very inefficiently allocated, usually wastefully squandered on the over-irrigation of a few acres of high water requiring crops. These and other circumstances combine to result in yields ranging perhaps from fifty percent down to twenty percent or less of those which would be obtained from the same physical resources by ordinary "good farming." Small amounts of capital, mixed with large amounts of human effort, invested in overcoming these and similar shortcomings would far outweigh any improvements in productivity which might be achieved through land reform measures—except those which help assure that the farm operator benefits from, and hence has an incentive to bring about, these improvements.

From the standpoint of land reform policy the most important type of very-large-scale farm is the cooperative farm. Apart from the presumption of an advantage due to economy of size (a highly questionable presumption as we have seen) the principal advantage claimed for it is that it provides an effective channel for technological knowledge and mechanism for technological change.<sup>9</sup>

<sup>9</sup> The most impressive case of these "successful" group-farms which I have seen are the so-called "paysannat" of the Belgian Congo. These huge undertakings with 20,000 or so families each are actually not cooperative farms but combination state-and-private farms. They combine in a unique way advantages of large-scale handling of certain key operations, such as plowing and spraying, with an almost unimpaired system of incentives to the individual family to do its work well. Individual farms are lined up in such a way that state-owned large machines can be used for certain key operations while, at the same time, each farmer's produce is sold individually and the family permitted to keep the money left after paying its share (prorated on an acreage basis) of these machinery operation costs. Thus, the farm family's income depends entirely

How effective it is in either capacity has yet to be determined. So-called "experiments" with a few such farms are of highly dubious value as any favorable results can be attributed to the mere fact of concentration of technical knowledge (and often other resources). In an agriculture operating at twenty-thirty percent its reasonable production capacity, such a concentration could be expected to produce highly favorable results almost regardless of the mechanism or channel used. Such a concentration would, of course, be completely impossible were such group farming introduced as a general agricultural policy.

Thus viewed, group farming might best be considered as an alternative to other "extension" techniques and in full view of long-range economic consequences. This recognition might lead to a more energetic quest for more effective extension techniques, applicable under an owner-operatorship mode of farm organization, which should be able to accomplish even more than group farming

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upon its own efforts. Undoubtedly, the unquestionable increases in yields which resulted from the establishment of these "paysannats" were actually due to the rapid introduction of improved technology on these farms and not, apparently, to any inherent advantages in large scale operations as such. One could say with a good deal of accuracy that the remarkable success of these farms is attributable to the fact that this proved to be a highly effective way to do "extension" work. Also, and this is extremely relevant, these farms are in a labor-scarce area. Most of their advantages (such as better insect control) could be achieved in India by hand labor, whereas in the Belgian Congo labor is too scarce for such use. And the problem lying ahead for the paysannat, when existing populations on the farms press too tightly against the rather rigidly set land allotments, would be aggravated manyfold in a country like India with an approximately 1500% greater agrarian population density. The central point is that in Central Africa as in India tremendous productivity increases can be achieved by any device which rapidly upgrades the level of farming practices. The question is whether this device is any better than a good extension program to individual owner-operators and, if so, what are its likely long-run economic consequences.

on the productivity front without the serious long-range economic inefficiency implications. It is the judgment of this writer that the potentials of a virile research-extension organization under owner-operator conditions has by no means been tested in India. At present, agricultural research is still too remote from the every day problems of farmers; and agricultural extension work is too new, too sporadic and especially too loosely connected with research to accomplish much. But the potentialities are tremendous as can be observed here and there where genuinely science-based agricultural extension programs are being carried out.<sup>10</sup> As Rainer Schickele states:

"The challenge really is: what can be done to accelerate the rate of adoption of better techniques within a predominantly family-type agrarian structure? . . . I would suggest that if the same people, who could be made available as the managers and technical officers under a system of cooperative farms, would be made available to the same physical area as county agents, along with whatever financial help would be channeled through the cooperatives, the rate of adoption of better production techniques under the present farm-size patterns would not lag behind by many years. Beyond that transitional period the harnessing of the individual initiatives and incentives, and the preservation of the craftsmanship attitude of farmers toward their job, in contrast to an employer-employee relationship, could be expected to surpass, in production performance, the cooperative alternative."<sup>11</sup>

There is one final consideration. This is that massive land reform may be a kind

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<sup>10</sup> One factor needing serious consideration—but lying outside the scope of this paper—is that decision-making in a village society is a different process from that in countries characterized by family-farm agriculture. Intense study of the decision-making process in village societies is needed as a prerequisite to the designing of effective extension procedures.

<sup>11</sup> From a letter to the author in review of an earlier draft of this paper.

of shock treatment which may cause rural people, in their new found uncertainty, to be more receptive to new knowledge. A somnolent agriculture, heavily encrusted with centuries-old customary practices, may be jarred loose by the simple *fact* of radical reorganization. But this is basically the cynic's view. Peasant people, at least Indian cultivators, are extremely responsive to suggestions which will really improve their economic lot. As one Indian government worker put it to me: "The cultivator is far more ready to receive good advice than we are to give it to him; he is much more prepared to follow than we are to lead."

In summation, therefore, we are brought to the conclusion that much careful research is needed on the relations of farm size to productivity in both its static and dynamic dimensions and in terms truly relevant to underdeveloped, over-populated societies. Research is also needed into the most effective means of introducing technological changes which will capitalize on abundant labor. To the writer the weight of the evidence thus far is in favor of an effective research-extension program, supplemented by a set of government or cooperative services, in support of a flexible system of small scale, owner-operated farms as the proper goal of land reform policy.

# PROBLEMS IN FOREIGN POLICY

BY

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## PROBLEMS IN FOREIGN POLICY<sup>1</sup>

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**I**N ASSIGNING me this topic, the President of the American Farm Economics Association admonished that the paper should deal with substantive issues rather than definitions—as we already know what the concept of a family farm denotes. This is welcome, as the substantive issue is adequate to absorb all the time available to us today. I assume, however, that this does not preclude my defining the focus of my discussion.

For, firstly, I wish to make clear that I shall focus not on the family farm as such, but on “the family-farm system” as a mode of organization of agriculture. No one would argue, I’m sure, for a totally monolithic mode of agricultural organization for any country. Certainly, the United States has never had—nor pursued as a policy objective—a completely homogeneous system of family farms. And yet I presume it is agreed that we *have* had—and *have* pursued as a policy objective—a “family-farm system” of agricultural organization. It is the family-farm *system* of socio-economic organization of agriculture, rather than the mere internal economics of individual farms, which is relevant to U. S. foreign, as well as domestic, policy. Under a system most completely devoted to family-farm organization, there may be a place for State farms (for experimental work or for seed stock production) for cooperative farms (for expression of particular religious motivations) for “factories in the field” or large plantations (for particular crops with unusual production characteristics) and for other deviations from the norm. Some of these forms may be indispensable to the viability of the family-farm system (e.g., the experimental farm) and others at least compatible with it. To be relevant to U. S. policy, analysis must, therefore, focus on the implications of alternative *systems* of economic and social organization of a country’s agriculture, not merely on individual farms. Analysis must also differentiate the substance from the mere form of the issue; in Burma, for example, Government has felt it necessary technically to nationalize land ownership—giving the essentials of ownership rights to the occupants—in order to preserve the “family farm system”; as otherwise land ownership would all revert to the money lenders.

Secondly, analysis must be directed toward a broader spectrum of considerations than mere productivity or economic efficiency, important as these considerations must be in any analysis. Indeed, the interest of the

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<sup>1</sup>Views expressed are those of the author and not necessarily those of the Agency for International Development.

United States is probably more directly involved in other aspects than in the efficiency or productivity implications of alternative modes of social and economic organization. I should like to elaborate this point because I feel it to be at the very heart of the topic under discussion.

### *Economic Development*

It is necessary to recognize first that economic development, per se, is indifferent as to outcome from the standpoint of social and political implications. Economic development is an objective of communistic governments, as well as of free world countries. And they use many of the same means as we to achieve it. Also, economic development can take forms which merely aggravate current causes of political tension; or it may prove to be the catalyst of explosion with results very inimical to the interests of the free world. Economic development is undoubtedly a necessary condition for realization of our fundamental values and objectives of policy; but it is by no means a sufficient condition. Our national objectives are served only to the extent that economic development brings about or strengthens proper institutional structures within countries—structures which constructively orient the countries toward peace and amicability in international relations rather than toward hostility and conflict.

Furthermore, economic underdevelopment is itself largely an institutional phenomenon. In underdeveloped economies, capital is not developed because institutions for capital development are inadequate; productivity capacities of human beings do not develop because adequate institutions for developing those capacities do not exist; efficiency of economic organization through specialization does not develop because adequate financing and marketing institutions do not exist. In short, economic underdevelopment is ordinarily the consequence of institutional underdevelopment rather than of lack of resources. We need to give serious consideration to the fact that many of the most underdeveloped countries are among the richest in resources per capita (e.g., the Congo); that most underdeveloped countries have historically been exporters of capital resources; that Cuba was among the better fed and higher income Latin American countries when the present government took over.

### *Two Dimensions*

There are two distinct dimensions to the question of the role of the "family farm system" as a mode of economic and social organization of the agricultural sector of an underdeveloped country. The first is the economic dimension—its implications for present productivity and for future economic development. The second is the social-political dimension—its implications for the type of social and political development the country may take.

As an economist, I have a natural bias toward the former; but as a citizen who has observed—and participated slightly in—the developmental efforts of some of the countries, I must concede the definite and probably paramount importance of the latter. It is my contention that the family farm system of organization of agriculture does have very profound implications of both types, and that analysis of the assigned topic requires attention to both. The breadth of the topic, of course, implies that we can merely touch on the broad outlines of these two dimensions of the problem.

The economic dimension cannot be analyzed in terms of internal economics of individual farms, but only in terms of implications of the total system of organization. However, one general observation may be instructive. Contrary to popular belief—and to the interpretation often given to farm management research data—there is no strong indication that given amounts of land, labor, water, capital, managerial skills, and other resources are more efficient, under most conditions, when combined in larger than what are normally thought of as “family” units. Much confusion of this issue results from the obvious fact that owners of larger farms earn more money than owners of smaller farms. This is because they command more resources. A man with a million dollars invested at 2 percent earns more than another with a thousand dollars invested at 8 percent. But that doesn't mean that he uses his money as efficiently. As I have pointed out elsewhere, using Indian data, efficiency in the use of given resources is, if anything, inversely related to the size of farm. These same relationships are borne out in data I have observed from several other countries, including Germany, Chile, Formosa, and Japan. Obviously, the quantum of resources per man should be as high as possible; but this is not achieved by the mere aggregation of resources into larger conglomerates.<sup>2</sup>

When one lifts the level of analysis from the individual farm to that of the economic implications of a system of organization of agriculture, he must look to the question of alternatives. As I see it, there are about four alternative “systems”—and of course they may be combined in all manner of ways. One alternative is state farming—that is, the total administration of agriculture by government. Under this system, in its pure form, managerial and operational decisions are made by government supervisors for the people who work the land. The people who work the land are government employees. Distribution of returns is by administrative prerogative and according to political criteria. A second system is “collective farming”—in which the resources of individual families are pooled,

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<sup>2</sup>Long, Erven J., “The Economic Basis of Land Reform in Underdeveloped Economies,” *Land Econ.*, May 1961, pp. 113-123.

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and managerial decision making is vested in selected members of the group. Distribution of returns is indicated by the prevailing ethical principles of the group, presumably based more on the criterion of need than of contribution, but not necessarily so. A third "system" would be that of "corporate farming" in which resources are pooled in some fashion, management is employed on behalf of the group, and distribution is in terms of owned capital resources and/or labor contribution as determined in the wage market. The fourth alternative is harder to name, but easier to find, because it is the form prevailing in most free underdeveloped countries now striving for "land reform." This system is often, though somewhat inaccurately, referred to as "feudalism." The system takes many forms, but is characterized by the fact that a relatively small number of people, through ownership either of the land itself or of rent-collecting rights, control the economic alternatives of the people who work the land. Through this control—which normally is fortified by their control of government also—economic power of the oligarchy is utilized to exact a distributive share from agriculture which has no necessary relationship to either contribution or need. We may perhaps best look at these systems in the reverse order from that in which they are listed above.

The "feudalistic" system of agricultural organization requires a closed economic system for its survival. Once economic opportunities develop outside the feudal structure for large numbers of the workers, and they become knowledgeable about these opportunities, the system crumbles. In our own history, opening the frontier for settlement, combined with the expanding maritime, commercial, and labor markets, rendered the maintenance of control over agricultural workers' alternatives impossible, almost from the beginning. So in those areas most suited to large-scale production units, recourse was made to slavery, built on direct control of people as property rather than indirect control through control of their alternatives, as a means of carrying forward basic feudalistic patterns in the "inhospitable" environment of an open economy. The awful difficulties our country experienced a century ago in resolving this issue should give us some insight into the difficulty with which other countries are confronted in resolving their present "land reform" problems, and should make us very respectful indeed of those countries which have resolved the problem swiftly and with a minimum of difficulty.

Because non-farm economic development does proceed at some pace in most underdeveloped countries, their economies are not entirely closed. But many techniques are available—other than recourse to slavery—for keeping control over alternatives of workers on the land. The secret is to keep the economy essentially "divided" into two sectors, the farm and the non-farm. As I see it, this is done through three principal

mechanisms. First, educational activities, both formal and informal, are kept at a low level among the farm people, so that they remain ignorant of, and unqualified for, participation in opportunities outside agriculture. Second, communication between rural and urban sectors is kept ineffective. This is not only a matter of lack of roads and telephones, but also of poverty and of cultural gaps. Third, such economic development as does take place outside agriculture is kept below that necessary to drain off increments to agricultural population, so that even though some or even many may leave farming, enough remain with no other alternatives to permit the system to prevail. To these must be added the fact that, since opportunities do exist in agriculture also, the preservation of this system of agricultural organization requires that these opportunities also be disciplined. This is done through the rather simple, and obviously attractive, device of arranging for the benefits of any undue enterprise or creativity by the individual tenant or worker to go in main part to the landowner or rent collector. As an old Eastern proverb has it: "A smile on the face of a peasant speaks of the stupidity of his landlord."

In highly developed economies the "corporate farming" organization of agriculture may have little or no correspondence with the "feudalistic" system just outlined. But in an underdeveloped country, the corporate land-and-capital owners often fit the same pattern as, and in fact become an integral part of, the feudal system. The employer-employee relationship characterizing industrial enterprise in advanced economies rarely comes into being in agrarian sectors of underdeveloped economies, and in its place is to be found the master-servant relationship of the feudal system.<sup>3</sup> This is probably the reason why tenants and farm laborers in underdeveloped countries desire so strongly to "own their own land." They instinctively fear that any arrangement short of that will give them only the old structure under a new name, and perhaps under different and not necessarily better masters.

No deep analysis is needed to show that systems such as outlined above are apt to work against economic development. For one thing, perpetuation of the system itself requires that economic development be kept at manageable rates. Also, managerial functions are concentrated heavily in the hands of relatively few persons, and directed toward maintaining stable relationships, rather than maximum efficiency. This very fact creates one of the more important problems when such a system does give way. The type of agriculture followed under the system is not that which

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<sup>3</sup> As Dr. Raymond Penn points out: "To put it bluntly, U.S. industry cannot operate in a feudal country without accepting the rules of feudalism and thus sharing the villain's role for those who want to strengthen the economic and legal position of the landless and jobbers." "Public Interest in Private Property (Land)," *Land Econ.*, May 1962, p. 101.)

will enable the farmers who newly acquire the land to make efficient use of resources. Therefore, new agricultural enterprises have to be developed for which neither the new landowners nor their former masters are prepared by experience. This problem is not as characteristic under the rent-collection systems of Asia as under the large land ownership systems of Latin America, which explains in part the relative ease of the transition to owner operatorship "family-farming" in such countries as Japan, Taiwan, and India.

It is my judgment that, by and large, it is this necessity of shifting to new types of agriculture, plus the disruption of some social overhead services, rather than the loss of management skills formerly supplied by landlords, which creates most of the problems of a production nature when land reform is introduced. For it is extremely easy to overestimate the amount and quality of management provided by large-scale landowners (or rent-collectors) when judged against production efficiency criteria.

Collective farming, or "cooperative farming," as a system of organization of a country's agriculture, is of quite a different character from the forms discussed earlier. Often it roots in deep ethical or religious concepts concerning the natural equality of man. The fact that it has frequently been subverted in communistic societies into a disguised form of state farming does not in itself condemn it for use under free societies. In the United States it was introduced by the Pilgrims. But it failed, for economic rather than ideological reasons. Within 3 years, the individual farm families were allocated certain portions of land for their own exclusive use, and within a few more years arrangements were made for individual farmers to buy their land from the merchant owners in London—so that within a decade the colony had shifted from cooperative farming to owner-operatorship, family farming. Many similar cooperative schemes were followed by other groups, largely under religious stimulus.

Such efforts as have been made to establish collective-farming systems of organization of agriculture do not testify to the effectiveness of this approach. An instructive case in our country is the Amana settlement in Iowa.<sup>4</sup> China's present agony and the frustration regarding agricultural production being experienced in the Soviet Union and other Bloc countries indicate the handicap such countries suffer as a result of their ideological commitment to collectivization. As Dr. Kenneth Parsons says: "It is fortunate for us that owner-operatorship of farms is incompatible with communist ideology."

The experience of Yugoslavia is most instructive. The rapid socialization of agriculture was a fundamental tenet of Yugoslav ideology. To this

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<sup>4</sup> Yambura and Bodine, *A Change and a Parting, My Story of Amana*, Iowa State Univ. Press, 1960.

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end, great efforts were expanded to reorganize the traditional "family farm" agriculture of Yugoslavia into collective farms, known as "Peasant Workers' Cooperatives," up until about 1951 and 1952. By this time, these collective farms covered 2.29 million hectares, about 15 percent of the total agricultural area of the country. But troubles were setting in. As stated in a report by an Indian study group: "The creation of larger units did not, by itself, improve efficiency. The system of uniform rates of wages for all workers was a great disincentive. Working discipline was low; most of the members were more concerned with production on their small homestead plots. . . . There were repeated desertions. The attachment of the Yugoslav farmers to land was great and this was not recognized in the ideological fervour. . . . As a consequence of all these, production actually fell in most societies."<sup>5</sup>

To quote a most eminent Yugoslavian agricultural economist, Dr. Rudolph Bicanic, University of Zagreb, in commenting upon the "Soviet System" of agriculture in Eastern Europe generally, and in Yugoslavia in particular: "The result was that the anticipated economies of scale were offset by other factors such as lack of personal initiative and efficiency in work, lack of flexibility on the part of the centralized management to adjust means of production to their full use. As this administrative change lacked material economic basis, collectivization was carried by coercion and arbitrary measures, and the whole system became degressive and inefficient and had to be changed."<sup>6</sup> In the words of still another prominent Yugoslav: "Nobody thinks any longer of collectivization in Yugoslavia."<sup>7</sup>

After 1952, a new policy was evolved, establishing essentially a system of family farms, producing for free markets and supported by marketing supply, and service cooperatives. Labor performed on land remaining under "cooperative" management was hired, largely on a piece-work basis. As a consequence, the number of Peasant Workers' Cooperatives dropped to 370 in 1959 from 7,000 in 1952, and the area under cooperative farming decreased to 207,000 hectares in 1955 from 2.29 million hectares in 1952.

All three major systems of agricultural organization listed above as alternatives to family farming suffer from three major handicaps to productive efficiency.

One handicap is the difficulty of providing incentives, under systems

<sup>5</sup> *Report of the Study Team on the Working of the Cooperative Movement in Yugoslavia and Israel*, Government of India, Ministry of Community Development and Cooperation, April 9, 1960, p. 25.

<sup>6</sup> "Lack of Institutional Flexibility in Agriculture," *Proceedings of the 10th International Conference of Agricultural Economists*, Oxford Univ. Press, 1960, p. 157-178.

<sup>7</sup> Komar, S. *The State of Agriculture and Cooperation and the Perspective for Their Development*, Federated Peoples' Assembly, Belgrade, 1957.

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where rewards for special efforts go to other than those who make the efforts. This applies to capital development as well as to direct production. Farm people will not ordinarily forego consumption expenditures to make capital improvements if someone else can either take over the farm or raise the rent to use up all the increased returns. The principal source of capital development in agriculture in underdeveloped economies is the use of labor to make such production-increasing improvements on the land as land clearing, irrigation facilities, or soil conservation structures. The play of incentives in stimulating such "do-it-yourself" capital-developing activities under a system of individually owned family farms is one of the most difficult factors to duplicate under alternative systems of farm organization.<sup>8</sup> Other forms of persuasions are used under other systems, to be sure—using both the carrot and the stick—but they are usually costly and difficult to administer and tend to become more ineffective with the passage of time. It is cheaper and much more effective, in the end, to build incentives into the system of agricultural organization than to enforce compliance.

Another economic handicap of alternative systems is the high cost and ineffectiveness of centralized decision-making. Successful farming requires a constant process of judgment-making, in which sound scientific and economic principles must be blended with particular facts of time and place. Weather is so capricious, soil and water resources so unevenly distributed, and plant and animal diseases so unpredictable, that decisions must be made close to the ground and promptly. Thus, to be effective, centralized management requires a tremendous overhead of decision-makers working at the elbows, as it were, of the farm workers. It is much cheaper, in the end, to build the decision-making competence into the worker and thereby eliminate this overhead.

The third, and in the long run the most important economic limitation of systems of farm organization other than a "family farm" system, is their poor adaptability to development of managerial and other competencies broadly throughout rural society. As intimated earlier, feudalistic, and closely related, systems of farm organization virtually depend for their survival upon repression of development of competencies among the masses of rural people. This is not necessarily true, however, of state farming and collective farming systems. But the family farm system specifically adapts itself to the development of managerial capacities on a broad base. Development of managerial skills on the part of a few central managers under alternative systems may be easier of rapid achievement;

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<sup>8</sup>This point is elaborated in my paper, "Land Policies and Programs in Relation to Economic Development," in *Latin American USOM's Seminar on Agrarian Reform*, Feb. 21-24, Santiago, Chile (processed), pp. 28-32.

but it does not provide occasion for development of the capacities for intelligent action inherent in people of all levels of rural society. Family-farming will not, in itself, assure this development—as attested by our own “tobacco roads.” But, by forcing small operators to make management decisions and to live with the consequences of these decisions, it does provide a more suitable setting for the development of such human capacities throughout rural society than can be expected under those alternative systems, where only a few are expected to join their intelligence to their physical energies in the common purpose of earning a living. In the long run, this is probably the most important handicap of other farming systems, and is probably the key to the backwardness of feudalistic agricultural societies—and to the difficulties encountered in modern attempts at national collectivization.

Conversely, in the short run, the very fact of centralization of management often makes possible more rapid introduction of technological improvements. This creates a most serious obstacle to objective “experimentation” with alternative systems. But built-in rigidities, plus the handicaps listed previously, seem in experience to wipe out these short-run advantages more rapidly than I, at least, should have judged from purely *a priori* considerations.

I must conclude on a brief comment on what I earlier stated to be the most important aspect of the role of the family farm system in underdeveloped economies—its implications for social and political development. The building of institutional structures within underdeveloped countries which will work for, rather than against, evolution of free societies oriented toward peace and democracy is, of course, at the heart of our national policy. Some alternative systems serve to perpetuate disparities and incomes, thus keeping fertile the ground for hostile political development. Other systems play into the purposes and processes of totalitarian government—and are instituted by such governments, even at great costs in productivity, for that very purpose.

At perhaps its most fundamental level, from the political standpoint, the issue of alternative modes of agricultural organization turns on the nature of the relationship between the masses of rural people and government. For a family-farm system is not just a national landscape broken up into relatively small units. It is a system of relationships between rural people and government, a system of institutions dedicated to strengthening the family farm as a mode of organization. It is fundamentally predicated upon a *service* relationship between government and people—research service, educational (extension) service, credit service, marketing service, conservation service, price-supporting service, etc. It is a system—and represents an entire structure of concepts—in which the farm families are

the generators of agricultural policy—not the end—or bottom—point of an administrative system. The greatest political danger in an agrarian economy derives from a lack of sense of identification of rural people with government—a “lack of integration,” to use Myrdal’s<sup>9</sup> term. When the majority of rural people think of government as simply a tax or rent collecting machine, they can easily be led to overthrow it. This is especially true if they have no property—and little else—to lose in the process.

The establishment of a family-farm system of organization of agriculture inverts traditional relationships between farmers and government. It is not easy to achieve. Transition from the “three R’s” of Colonial Administration—Rule, Revenue, and Reprimand—to Service requires tremendous adjustments in machinery of government and attitudes of personnel—much more difficult than the transition from one type of agricultural system to another which, though vastly different in superficial appearance, is built on the same relationship between the governing and the governed. But it is the heart of the process by which free societies are achieved, and hence a U. S. policy interest.

<sup>9</sup> Myrdal, Gunnar, *An International Economy, Problems and Prospects*, N.Y., 1956.

AGENCY FOR INTERNATIONAL DEVELOPMENT

SPRING REVIEW OF LAND REFORM

BACKGROUND PAPER 7

A DYNAMIC MODEL FOR LAND REFORM ANALYSIS  
AND PUBLIC POLICY FORMULATION

by

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## A Dynamic Model for Land Reform Analysis and Public Policy Formulation

### I. Introduction

There has been much discussion during the course of the Spring Review preparations concerning the dynamics of land reform and its relationship to broader aspects of the development process. In this paper we have attempted to identify the catalyzing and constraining factors which we believe form the dynamics inherent in the land reform process and to develop an analytical model which comprehends the inter-relationship of these factors to broader social, political and economic change and development. Thus, this paper represents a departure from the basic approach being followed in the conduct of the review. The basic approach has focused on land reform as essentially a discrete phenomenon and has attempted to discern factors determining success or failure within the reform process itself and to validate them through a series of country analyses using a common frame of reference. In this paper we view land reform as an integral part of broader societal development and attempt to isolate societal factors affecting the scope, pace and direction of land reform within individual country societies and common characteristics across country societies. To do this, we have necessarily used a broader definition of land reform than many would apply. The definition used here is more akin to the broader definition associated with the term Agrarian Reform, but the UN has also applied it to land reform:

"It clearly includes changes in land tenure... But it also includes the establishment or strengthening of essential

governmental, cooperative or commercial agencies or services relating to agricultural credit, supply, marketing, extension, and research. So conceived, the ideal land reform programme is an integrated programme of measures designed to eliminate obstacles to economic and social development arising out of defects in the agrarian structure." 1/

In developing and testing our model we have used systems analysis techniques and a method of applying quantitative analysis to qualitative data known as "Guttman scaling." Due to time and data limitations, we have not been able to carry the process as far as we would have liked. However, we feel the data we have is sufficiently interesting and relevant to be worth presenting to the review attendees in its present form, in hopes that interest will be generated in a further collaborative development of the model and the techniques utilized. We believe they may offer tools for more effective international and national policy formulation concerning land reform by more clearly identifying its interdependence with broader growth and development.

## II. Theoretical Basis for the Model

We see land reform as part of a complex dialectic process in which compelling and constraining forces interact with one another. We believe it is possible to isolate various factors (indicators) of the process. By rank ordering these indicators we see the outline of a step-wise progression which indicates at what stage in the process certain factors become controlling variables. The possibilities for exerting influence are increased as these factors are more precisely isolated and refined. Thus, if the public policy goal is "X" level of development and analysis indicates the existence of factors which are effective constraints on

1/ Third Progress Report on Land Reform (U.N. 1962, IV).

achieving it resource inputs should be targetted at overcoming these constraints. Alternatively, where the analysis indicates that certain factors have had a strong catalyzing effect there would be high value in introducing this factor. What clearly should be avoided is inefficient usage or wastage of scarce development resources in situations in which the development process has not reached a stage at which they can have a significant impact or in situations in which constraining forces which neutralize their effect are not being overcome. We believe this happens frequently as a result of inadequate analysis of the existing situation, particularly land tenure development patterns, and that a basic analytic problem is our tendency to adopt too narrow a perspective.

Figure A is a simplified chart of factors which we have identified as influencing the land tenure structure. It includes (a) basic factors, (b) supplemental factors, and (c) a series of controlling "societal" variables which either impede or accelerate the feedback and hence the rate of change in (a) and (b). The controlling variables include both domestic and international influences. Historically, international influences have played a more important role than may be generally realized. Wars and subsequent occupations were an important factor in accelerating the reform in both Korea and Japan and in Taiwan. Bolivia's Chaco war with Paraguay in the 1930's was a precursor of the subsequent Bolivian land reform. The impact of both world wars on tenure reforms in East Europe is well known. External influences are also manifested in the desire of national elites to emulate the experiences of other countries and of course through foreign assistance.

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The model presented in Figure A is essentially a productivity model. Its underlying premise is the rather obvious fact that progress is heavily influenced by the manner in which people within a society organize themselves for productive purposes. We are concerned primarily therefore with whether the relationships are mutually productive or whether they maximize gain for some at the expense of others. Relationships which may have been mutually productive at one time (e.g. ideal feudal) become less so as change occurs. We are also concerned with the upper limits on productivity increases inherent in certain relationships and whether the nature of the relationship is one which will impel movement in new directions or serve as a constraining influence when the upper limits are reached.

Figure B is a simplified model of the land reform process. The country in this case is Japan. We had developed an earlier more simplified model based primarily on data from the Philippines. By applying the same conceptual framework to a more detailed study of Japan's more lengthy land reform history, Mr. Voelkner was able to refine the model and to more clearly identify various stages in a spiraling dialectical process moving from pre-feudal through feudal, transitional and modern societal development phases. The principal catalyzing and constraining factors are shown for each phase of the process. These factors are more explicitly identified in Tables A-a through A-e. These tables also help to illustrate the interdependence of various factors at different stages of the reform process. In the final portion of Figure B, Mr. Voelkner has projected the current trends

in Japan to identify indications of the emergence of a second phase of modern land reform (or perhaps more aptly post-modern reform).

### III. Cross Country Applications

Having found the model relevant in the case of at least two countries, we wanted to further test it to determine cross country applicability. The basis for doing so, using Guttman scaling techniques, had earlier been established in an earlier study of agricultural productivity in Asia using data from an Asian bank agricultural survey. The results are presented in Figure C. In this example comparisons are limited to Asian countries. It will be noted that of the 31 items on the development scale, the initiation of land reform appears as item 10 and successful land reform appears as item 29. The items in between are indicators of improved institutional capacities. Although too narrow to be definitive, this limited sampling indicates that no land reform effort has been successful (in the context of the definition used here) in the absence of these factors. Hence the degree and sequence in which they are added may be critical to the broad success of land reform efforts.

We have used this same technique to test our hypothetical model by extracting pertinent data from the Spring Review land reform country studies. Due to time limitations, we have only been able to extract data on societal and land tenure technology in developing a 42-item scale of indicators (Figure D). Most of the agricultural or technology factors which we would have used are shown in Figure C. Lists of other items to be extracted using the model (Figures A and B) as a theoretical base are shown in Table B. Since information on many of our 42

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indicators was not directly available in the country papers, we have had to rely on inference and guess work in a number of cases. There are undoubtedly many instances in which the presence or absence of the indicators has been incorrectly identified for specific countries. Nevertheless, we have been able to obtain a scale which we feel is both reasonably reliable overall and informative in terms of what it tells us in regard to the interrelationship of land reform to an overall development process.

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#### IV. Interpretation of the Land Reform Scale

The scale clearly supports our model of the reform process and indicates its applicability in cross country analysis. The items on the scale relate to the phases identified in the model as follows:

	Items	Tenure Structure
A	1 - 7	Pre-Feudal Phase 1st Feudal phase 2nd Feudal Phase
B	8 - 15	3rd Feudal Phase
C	16 - 22	1st Transitional Phase
D	23 - 31	2nd Transitional Phase
E	32 - 40	3rd Transitional Phase
	41	Did not scale (discussed separately)
F	42	1st Modern Phase

At this point items within the same step on the scale do not necessarily occur in any sequence and may occur simultaneously. We believe that specific interrelationships will become more apparent through more detailed scaling.

Items 8 - 15 are all constraining factors during the final feudal phase. Item 16 starts the first transitional land reform phase with commercialization of the land and agricultural and commercial exploitation of the land and the cultivator by private or public power.

Item 23 identifies the second transitional phase with the beginning of effective efforts to protect the small cultivator. The steepest incline occurs at this point (up to item 31). Changes in the rural area during this phase are primarily socio-political structural changes reflecting the growing power and influence of small operators and tenants.

Although we have not had time to extract pertinent data from the country studies, the Japanese experience indicates that this phase occurs during the primary thrust of urban modernization including industrialization. It correlates with the growth and increasing effectiveness of modern service institutions, public and private, and their extension into rural areas. As soon as these institutions begin to become available to the peasant in a way or to an extent which makes him independent of the traditional elite, the peasant's desire for education and other resources is translated into demands and is usually accompanied by an active effort on his part to take advantage of the benefits of technology and commercial opportunities. This eventually leads to a pooling of atomistic peasant resources in broad based service and political organization. The cumulative effect of these trends eventually shifts the balance of power away from traditional large landholding elites whose interests are served by existing tenure patterns into the hands of those whose interests are served by reform (usually rural groups acting in concert with urban based modernizing elites). Any number of catalytic or constraining forces may be present in individual country situations to either accelerate or stretch out or interrupt the process.

Items 32-40 cover the third transitional phase during which vestiges of the feudal structure are eliminated and tenancy and minifundia problems are resolved. During this phase the surplus agricultural population is drawn into the industrial sector and a population deficit is created in the agricultural sector. This generates increasing mechanization and

sets the stage for the first modern land reform phase. This phase requires a re-consolidation of small holdings which are no longer able to provide living levels equitable with those in the non-agricultural sector. Item 42 is the only indicator of the first modern land reform phase - caused by chronic surplus production of staple foods.

A serious current problem is indicated by item 41, the only item which did not scale but has been left in the scale to demonstrate the point. Historically countries have relieved the pressure of excess rural population by colonization or urban migration followed by absorption into the industrial sector. But some countries with high rates of population growth have no land left for colonization, grossly insufficient absorptive capacity in their industrial sector and apparently in some cases, insufficient land to effect an equitable re-distribution. If this is indeed the case these countries will not follow the reform process outlined here but instead an alternative path yet to be discerned but probably involving a tenancy reform phase and a rapid growth in the rural wage labor force.

#### V. Conclusions

With the exception just noted we believe the basic outlines of a universal multi-phase land reform process have been identified, despite the limited data extraction accomplished to date. However, we feel the value of the approach lies not in a generalization of the process but in a demonstration of the need to make land reform policies and actions relevant to the specific stage in the land reform process a country has reached. At each stage specific and identifiable catalyzing and constraining forces are operative. To be effective the land reform effort

has to be responsive to these factors. The scaling method provides a technique for identifying the development stage of a country and the most critical operative forces at which resources should be targetted. The scale we have made is extremely rough and generalized and most of the information is estimated rather than measured. This can be corrected by more detailed research and data compilation. To do this effectively we feel a broader view needs to be taken by land reform analysts about what data is useful for analysis. A broader perspective than that which has usually been applied in the formulation of land reform policies and actions is also needed.

The scale indicates that efforts to implement land reform which are not carefully keyed to a country's development level are likely to have limited effect. For instance administrative infrastructures created will either disappear in a short time or exist without a function until the country or region within a country reaches a development stage at which they can be effectively utilized.\* In the meantime more timely and effective means and opportunities for influencing the land reform process will have been overlooked. We would like to improve on the past record by finding new analytical tools which can lead to more rational public policy choices.

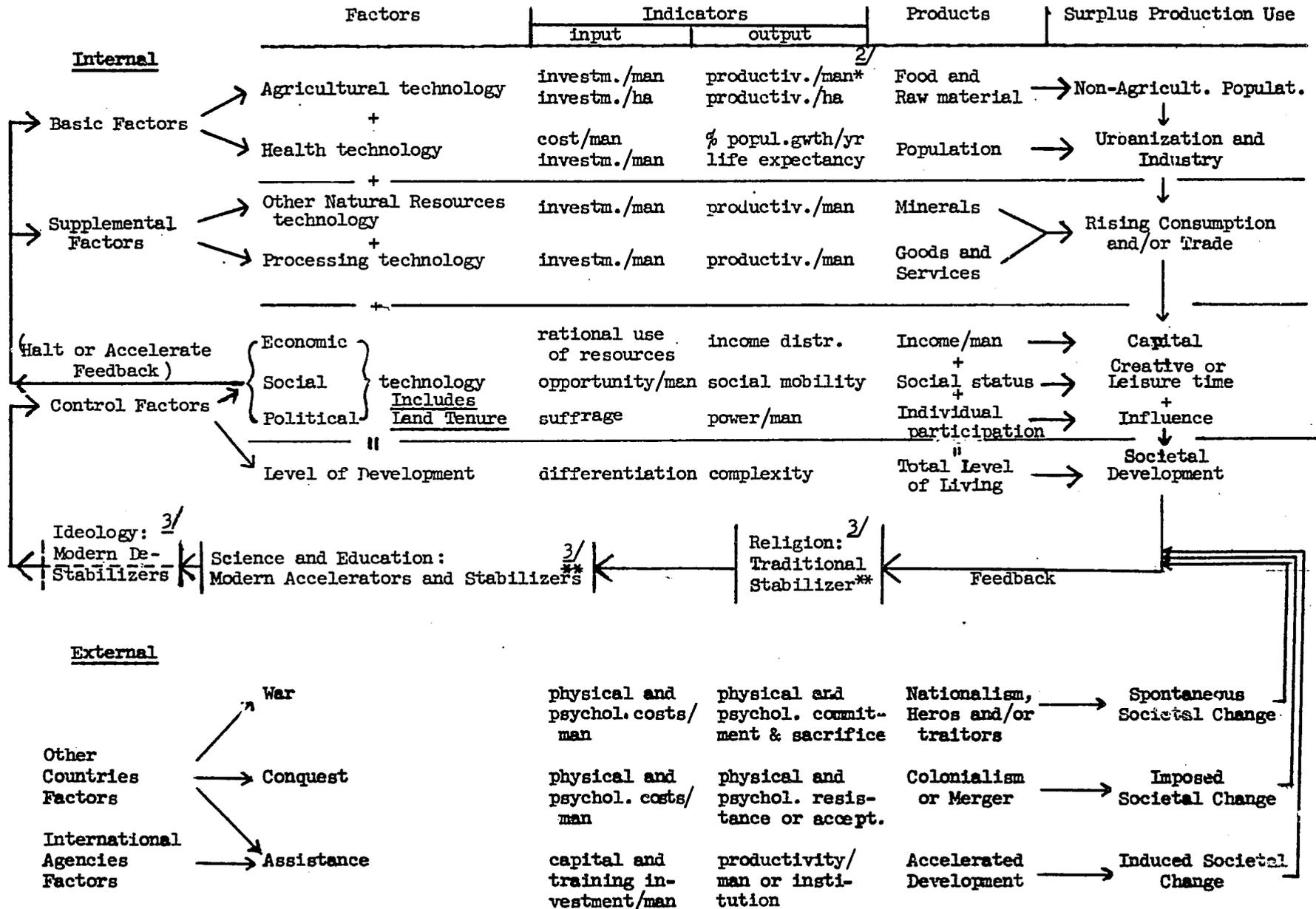
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\*The recently concluded Treason Trial of former Tunisian Minister Ahmed Ben Salah is an example of the personal dangers inherent in attempting to introduce reforms which are beyond the absorptive capacity of the system. See: "Tunisian Trial Ends Era of Farm Reform", Eric Pace, New York Times, May 5, 1970.

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Figure A

1/  
SIMPLIFIED DYNAMIC MODEL OF FACTORS AFFECTING LAND TENURE STRUCTURE



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Figure A Footnotes

1/ Dynamics:

A change in any one factor causes or is dependent on changes in any one or more other factors, resulting in a spirally upward or downward trend in the total level of living. The Total Level of Living includes social and political as well as economic aspects. Any one factor or combination of several may at any time act as a constraint or a catalyst in the development process. Land Reform is required and possible only if land tenure acts as a constraint. It may be only one of a group of constraints which must all be removed before it becomes effective. Most often these co-constraints are within the political, agricultural and processing technologies. Land Reform may also be used as catalyst if forces develop which can bring it about ahead of its time. Usually such forces must come from outside the system.

2/

The popular man-land ratio is meaningless; a man-land productivity index identifies the active factor over time, taking sedentary subsistence technology as a base. No such index seems to have been constructed.

3/

Stability of evolutionary development not stagnation is meant here.

Figure B

Simplified Model of the Land Reform Process

Land Reforms (L.R.) (Japanese dates in parenthesis)	Catalytic Factors	overcome → Constraining Factors	Revised Land Tenure Structure
Pre-Feudal Evol. (pre 7th Century)	Agricultural technology causing sedentary agric.	Scarcity of population in widely scattered pockets	Freeholder and communal land ownership
1st Feudal L.R. (end 7th century)	Production of some surplus; need for protection of land and settlements; King and warriors	Tribal warfare; lack of government superstructure and services	King becomes nominal co-owner of land with cultivator
2nd Feudal L.R. (end 12th century)	Tribute for secular and religious protection of dispersed settlements by decentralized government system, local lords by merit	lack of easy communication and transportation	local lords become co-owners for the King; cultivators become peasants
3rd Feudal L.R. (end 16th century)	Rising population pressure causes scarcity of arable land and smaller farm units; higher level of living of hereditary lords raises taxes to maximum possible; urban artisan class developing	limited or declining productivity of land and cultivator causes decline of surplus production for lord and government	caste system bonds peasant to land cultivation to prevent flight

\* This process is not deterministic. It can, and has been, altered by the entrance of catalytic modernizing forces. For example: (1) modernization entering the pre-feudal phase will cause a country to skip the feudal phase (African countries), (2) modernization entering at the first or second feudal phases may reverse the process by eliminating feudal structures and creating a pre-feudal type freeholder subsistence agriculture (Bolivia, Thailand, Laos, etc.), (3) ideologically extremist policies (right or left) entering during the transitional phase may reverse the process back to the third feudal phase with exploitation and virtual bondage of the small cultivator to the land (Eastern Europe, Spain, Brazil and some other Latin American countries).

Figure B con't

Land Reforms(L.R.)	Catalytic Factors	overcome Constraining Factors	= Land Tenure Structure
1st Transit. L.R. (1868-1920)	external threat from modern states; internal desire to modernize; require new system to produce surpluses by modern technology; improved health technol. causes population pressure to become critical	feudal social structure; levels of modern public and private institutions; lack of modern production inputs, knowhow, and incentives;	change from feudal to unconditional commercial land ownership and production dependent on input & output institutions
2nd Transit. L.R. (1920-1945)	falling rate of production increase; rising organized tenant rebellion; rising concern and power of non-agricul. population; population growth rapid	unprotected small owner and tenant exploited by uncontrolled free market forces; rapid rise of neo-feudal tenancy and absolute-parasitic land lord	change from neo-feudal to contractual and protected tenancy; absentee land ownership controlled.
3rd Transit. L.R. (1946-1962)	food i.e. land most critical problem of large non-agricul. population. Land lord elite loss of majority power; industrial society values gain upper hand	conservative neo-feudal values in rural society effecting whole country and gov't giving rise to fascism	abolition of neo-feudal tenancy and social structure and absentee land ownership; individual land ownership limited in amount and transfer
1st Modern L.R. (1962-?)	lagging levels of living of agricul. population lagging growth of labor productivity because of farm size economies of scale; food and land surplus; part-time farming uneconomical	legal farm size limitations; part-time farming artificially perpetuated by prohibition of absentee land ownership	removal of limitations on owner-farm size; production quantity limited by government policy
2nd Modern L.R. (?)	living standards require high labor productivity thru automation; capital investment very high; public needs of protection from over and under production	individual ownerships unable to finance required mechanization nor carry responsibility to public	large corporate automated farms; production quotas and public utility status required

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Figure 6 ESTIMATED 1968 DEVELOPMENT SCALE<sup>4/</sup> OF AGRICULTURAL INSTITUTIONS AND 'BREAK THRU'  
IN MODERN AGRICULTURE IN ASIA<sup>1/</sup>

															INSTITUTIONAL CAPACITIES DESCRIBING AGRICULTURAL DEVELOPMENT LEVELS <sup>3/</sup>		
15	14	13	12	11	10	9	8	7	6	5	4	3	2	1			
Nepal	Laos	Cambodia	Burma	Indonesia	Ceylon	S. Vietnam	Thailand	India	Pakistan	Malaysia	Philippines	Korea	Taiwan	Japan			
0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	31	Instit. Dupl. and/or Overlap Minimized
0	0	0	1/	0	0	0	0	0	0	0	0	0	1	1	1	30	Farm Unit Consolidation Being Undertaken
0	0	2/	0	0	0	0	0	0	0	0	0	0	1	1	1	29	Land Reform Successfully Completed
0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	28	Farm Mechanization
0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	27	Farmer Assoc. Econ. & Polit. Viable
0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	26	Production Price Support Effective & Sustained
0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	25	Modern Farm Mechanization at Least Starting
0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	24	Processing Instit.
0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	23	Farmer Coops become Viable
0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	22	Price Info. Reaches Farm Pop. Rapidly & Consistently
0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	21	Rice Ylds. Clearly Abv. Subsis. Fert. Lev.
0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	20	'Break Thru' in Mod. Agri.
0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	19	Inst. Coord. Func. at Nat'l and/or Local Level
0	0	0	0	0	(1)	0	0	(1)	(1)	(1)	(1)*	1	1	1	1	18	Agri. Chem. Distri. Reaches Farm Lev.
0	0	0	0	0	(1)	0	0	(1)	(1)	(1)	(1)*	1	1	1	1	17	Fertilizer Distri. Reaches Farm Lev.
0	0	0	0	0	(1)	0	0	(1)	(1)	(1)	1 *	(1)?	1	1	1	16	Appl. Agri. Resch. Reaches Farm Lev.
0	0	0	0	0	(1)	0	0	(1)	(1)	(1)	1	1	1	1	1	15	Agri. Trng. Reaches Farm Lev. in Sign. Area
0	0	0	0	0	0?	0	0	(1)	(1)	(1)?	1	(1)	1	1	1	14	Consumer Goods Distri. Reach Farm Lev.
0	0	0	0	0	0?	0	0	(1)	(1)	(1)	1	1	1	1	1	13	Modern Mktg. Inst. Effect. at Farm Lev.
0	0	0	0	0	0?	0	0	(1)	(1)	0?	(1)	0?	1	1	1	12	Modern Irrig. Expan. by Domest. Cap. & Hard Loans
0	0	0	0	0	0?	0	0	(1)	(1)?	(1)?	(1)	(1)	1	1	1	11	Transp. Sys. Expan. by Domest. Cap. & Hard Loans
0	x	x	0	0	0	1	x	(1)	(1)	(1)	1	1	1	1	1	10	Land Reform at Least Started Where Required
0	x	x	0	0	0	1	x	1	1	1	1	1	1	1	1	9	Land Reform at Least Legislated Where Required
0	0	0	0	0	(1)?	1	1	(1)	(1)	1	1	1	1	1	1	8	Instit. Coord. at Least Attempted
0	0	0	0	0	(1)	0	(1)	(1)	(1)	1	1	1	1	1	1	7	Modern Rural Credit at Least Being Started
0	0	0	0	0	(1)	1	(1)	(1)	(1)	1	(1)	1	1	1	1	6	Maint. of Rd. Sys. by Domest. Instit. & Resources
0	0	0	0	0	(1)	(1)	(1)	(1)	(1)	1	(1)	1	1	1	1	5	Maint. of Irrig. Sys. by Domest. Instit. & Resources
0?	0	0	0?	(1)	(1)	(1)	(1)	(1)	(1)	1	1	1	1	1	1	4	Extens. Serv. Reaching Sign. Portion of Farm Level
(1)?	(1)	(1)	(1)?	1	1	1	1	1	1	1	1	1	1	1	1	3	Irrig. from at Least Some Modern Dam Systems
(1)	(1)	(1)	(1)	(1)	1	1	1	1	1	1	1	1	1	1	1	2	Road Systems Present in Sign. Portion of Farm Area
1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	Marketing of Rice thru Traditional Middle Mar.
-1.36	-1.06	-.55	-.41	-.40	-.35	-.49	.50	-.22	-.08	n.a.	.56	.85	1.05	1.63		Adelman Factor Scores of Socioeconomic Lev. of Develop. <sup>4/</sup>	
53	60	101	58	83	137	89	97	80	79	n.a.	117	73	145	502		Per Capita GNP	

Coefficient of Reproducibility:  $\frac{17}{435} = .04$  1.00 - .04 = .96

Coefficient of Scalability  $\frac{17}{143} = .12$  1.00 - .13 = .88 <sup>2/</sup>

\*Institutional Capacities not present in 1964 in Philippines.

n.a. = not available.

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## FOOTNOTES

### FIGURE C

- 1/ All data in scale estimated from:
- a) Asian Development Bank, Asian Agricultural Survey 1968, pp. 719-854. Mukherga, P. I., Role of Rural Institutions in Asian Agricultural Development.
  - b) Research in Philippines 1969 by SRI team.
  - c) Authors limited knowledge of institutional situation in the Asian countries listed.
- 2/ Explanation of Symbols in Figure 8.
- a) Definite national presence indicated as 1.
  - b) Tentative presence indicated as (1), i.e. Present in significant but limited area in a nation or functioning significantly but not yet permanently institutionalized.
  - c) Nationally significant - absence indicated as 0.
  - d) Uncertain estimate indicated by ?
  - e) Not required indicated by x.
- 3/ Explanation of Institutional Capacities used in Figure 8.
- The presence or absence of the identified capacities in the scale are not judged in absolute terms but in their national significance. They usually are at first only present in the most advanced areas of a country. As soon as the affects of such an institutional capacity becomes nationally significant but not yet generally present or operative throughout a country it is indicated by "(1)". The 14% rice land area of the Philippines under high yielding varieties in 1968 raising the national yield/ha. average and produced a national surplus is such a case. A "1" means general national presence, although nationally insignificant areas may still be without it. The so-called rural poverty areas in the U.S., such as in Appalachia and elsewhere, are examples. More exact quantitative delineations are not necessary for relative comparison of development levels and their capacities between countries at this stage of analysis. Internal measurement of regional or community development levels of all countries will eventually permit a more detailed international development scale.
- 4/ Adelman, Irma and Morris, C. T., Society, Politics and Economic Development, p. 170, John Hopkins Press, Baltimore, Maryland, 1967.
- 5/ Scaling method employed is Guttman Scaling

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Approximate Scale of Land Tenure  
(Qualitative Index)

	Nigeria	Kenya	Ecuador	Brazil	Guatemala	Iraq	Peru	Colombia	Algeria	Tunisia	India	Pakistan	N. Vietnam	Philippines	Cuba	Chile	Iran	Bolivia	S. Vietnam	Venezuela	Turkey	Mexico	Egypt	Taiwan	Hungary	Yugoslavia	S. Korea	Japan
28	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
27	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
26	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
25	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
24	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
23	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
22	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
21	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
20	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
19	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
18	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
17	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
16	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
15	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
14	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
13	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
12	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
11	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
10	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
9	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
8	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
7	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
6	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
5	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
4	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
3	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
2	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1

Coefficient of Scalability  $\frac{59}{284} = .21 \quad 1.00 - .21 = .79$

Source: Approximations based on Land Reform Country Papers

FIGURE D

d Tenure and Societal Technology  
ive Indicators)<sup>1/</sup>

Indicator Definitions<sup>2/</sup>

- 42 Surplus arable land into soil bank or parks - forests.
- (41) (Enough land for economic size unit distribution physically not avail. in pop. problem area.)
- 40 Modern land classification achieved.
- 39 Colonizable land physically not available within economic cost constraints.
- 38 Rural vote by individual independently.
- 37 National agric. policy and production controlled by non-agricultural sector.
- 36 Labor growth higher in non-agricultural sectors.
- 35 Income distr. relatively egalitarian in rural areas but growing disparity with non-ag. sectors.
- 34 Maximum farm-size enforced and feudal latifundia system abolished.
- 33 Landlord or plantation sector not blocking dev. of subsistence sector or land reform.
- 32 Land redistribution effective regarding landless problem.
- 31 Unionization of farm labor and/or organ. of tenants and small operators effective.
- 30 Subsistence-size owners and tenant operators protected.
- 29 Multi-lingual problems overcome where applicable.
- 28 Cultivator interest organizations effective.
- 27 Minority discrimination effectively reduced.
- 26 Majority of cultivators have freedom of decision and commercial production.
- 25 Class barriers effectively reduced.
- 24 Rural vote at least through paternalistic organizations.
- 23 Neo-feudal latifundia system at least curtailed.
- 22 Land tax effectively collected.
- 21 All arable land physically accessible.
- 20 Registered deed transfer effective.
- 19 Neo-feudal serf system public or private abolished.
- 18 All arable land legally accessible.
- 17 Neo-feudal parasitic landlord is or has been a major rural institution (public or private).
- 16 Land-ownership is or has been unconditionally commercial (state or private).
- 15 Neo-feudal paternal. landlord is or has been a major rural institution (public or private).
- 14 Landlord or plantation sector is or has been blocking dev. of subsistence sector and/or land reform.
- 13 At least rent and tax classification registered.
- 12 Colonization rate has been or is less than rural population growth.
- 11 National agric. policy and production is or has been controlled by landed elite.
- 10 Cultivator decisions are or have been made by state or landlord.
- 9 Land tax at least legislated.
- 8 Distinct dual agri. sector minifundia and latifundia is or has been in existence.
- 7 Rural vote at least through landlord or tribal leaders.
- 6 Lack of resources and access constrain colonization.
- 5 Land redistribution at least attempted (some land distributed).
- 4 Staple crops primarily grown on minifundia units.
- 3 Income distribution is or has been extremely disparate between elite and cultivator.
- 2 Dual society: at least regions are modernized.
- 1 Dual society: at least elites are modernized (level of living).

Coefficient of Reproducibility  $\frac{59}{1711} = .05 \quad 1.00 - .05 = \underline{.95} \quad 3/$

Footnotes on following page.

## Figure D Footnotes

- 1/ The symbols in the scale mean the following:
  - a) Definite national presence indicated as 1.
  - b) Tentative presence indicated as (1), i.e., present in significant but limited area in a nation or functioning significantly but not yet permanently institutionalized.
  - c) Tentative absence indicated as (-), i.e., generally absent in the country but beginning to appear in certain areas and not yet nationally or regionally significant.
  - d) Definite absence indicated as - .
- 2/ For a more comprehensive definition of these indicators see Table B, sections IV and V.
- 3/ For Guttman Scaling in socio-structural analysis see: F. W. Young and Paul Eberts, "Sociological Variables in Development: Their Range and Characteristics", mimeographed Cornell University, Ithaca, N. Y., 1967(?).

For Coefficients see: Herbert Mensel, "A New Coefficient for Scalogram Analysis", Public Opinion Quarterly, Vol. 17, No. 2, Sept. 1953, pp. 268-280.

### 4/ Definition of Feudal and Neo-Feudal

Feudal is defined here in the abstract societal, structural sense. Feudal structure and conditions can be identified in general socio-political structures around the world. Variations of these structures and conditions are more part of different stages of feudalism than they are of specific cultures or ethnic groups. Feudal structure contains primarily two classes, the peasant and the lord. It involves a certain body of social values, norms and interactions which are best described by Ronald Dore in Land Reform in Japan (pp. 23-53). Feudal structure develops around the forces generated by the need of society to control its only major resources: Land and cultivators and the distribution of their products among a growing population of peasants and the growing needs of a governing elite of lords. Its most significant aspects are the growing loss of freedom and consumption of the cultivator and the growing superiority of the lord and state.

Neo-feudalism refers to the same conditions of superiority of the elite (state or private) and exploitation, bondage and poverty of the peasant (tenant or laborer on a collective farm). The emphasis is on the abstract social-political structure and its functional conditions rather than semantic or cultural distinctions.

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Table A-a

Factors of Change, and Interdependence in the Land Reform Process:\*

I. Agricultural or Land Use Technology, plus.....

Societal Development Phases	Land Fertility dependent on:	Labor Productivity dependent on:	Land Reclamation or Improvement by
Traditional	Natural fertility high on best bottom lands	Hand tools	Clearing forest
	Fallow periods to restore fertility	Animal tools	
	Organic waste, manures, green manures and Crop rotation	With declining land fertility only by extra effort and time	Ditching, terracing, draining, hedging small irrigation systems by hand labor
Transitional	Weeding, spacing, new varieties, basic chemical fertilizers & pest controls	Animal machinery Small motorized machinery	Large irrigation systems and high cost land reclamation by mechanized labor
Modern	Compound chemical fertilizers and pest controls; new varieties	Large motorized machinery	Soil banks, reforestation and public parks
Future	Optimized chemical varietal combination with climate control	Automated	Landscaping, gardening (?)

\* These are the same factor categories identified on Figure A as they change in the development process. No one can change much individually; lateral inter-dependence of all factors has been found to be determinative within a narrow range in the development process. Items are only indicative examples not an exhaustive list.

Table A-b

II. Health Technology, plus.....

Societal Development Phases	Medical Knowledge & Practice	Facilities	Population Pressure on Food Prod.	Rate Population Growth &	Life Expect. yrs.
Traditional	Mostly superstitious use of herbs and symbols by witch doctors, no conscious hygiene	Home only	None (population deficit)	nearly none encouraged	30-35
	Semi-religious folk doctors with some effective use of medical herbs and compounds, better hygiene	"	Up to minimum subsistence	0.5-1% encouraged	35-40
Transitional	Secular medical practice, improved hygiene	House & clinics & simple hospitals, family care	Causes occasional starvation	1.5-2.0 encouraged	40-45
	Medical general practitioner, modern medicines & hygiene	Professional care	None to occasionally minimum requirements	2.5-3.5 discouraged	45-55
Modern	Modern medical research & development, highly specialized personnel	Modern hospital and mechan. care	Negative, have chronic surplus of food	0.0-2.5 controlled	60-75
Future	Abolition of disease automated curative & preventive medicine	?	None, in Balance	0.0-0.5 regulated	75-100 (+) 2

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Table A-c

III. Other National Resources and Processing Technology, plus.....

Societal Development Phases	Nat. Resources Used for Consumption, Food and Government Budgets	Production and Consumer Goods	Production and Consumer Services
Traditional	Some land and water surface resources only <hr style="border-top: 1px dashed black;"/> Some deeper mining & fishing	Mostly by family or village members  Artisan class developing home industry and exchange of goods with peasant population	Only by family or village members  some regional & state services organized around security & justice
Transitional	Mechanized deep exploitation of natural resources for national industry and export	Modern industrial production of agricultural inputs & processing of agr. outputs beginning; farms begin specializing	State & local bureaucracy and private commercial system developing services: banks distributors; extension services; cadastral & tax agencies, infrastructure; etc. -- the modern institutional service system develops Market regulated and research supported by state to insure production
Modern	Processing creation or modification of basic resources	Agriculture totally dependent on industrially produced inputs; all farms specialized; farm population has "urbanized" consumption.	Agr. integrated into modern, public and private service system. State regulates market to reduce excess production
Future	Total recycling of all natural resources	Agr. production is part of automated total production	All services part of integrated, balanced system

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Table A-d

IV. Societal Control Technology, result in .....

Societal Development Phases	Economic Resources (R) Use (U) and Distribution (D) determined by:	Social: Individual Mobility .....	Political: The Distribution of Decision Making Power
Traditional	(R) Expanding; U & D by religious and social customs	Relatively free & egalitarian within village or tribe	Village & tribal chiefs; primitive democracy
	(R) Expanding; U & D by growing needs of tribal elite	Hampered by warrior-peasant distinctions	Weak or no monarchy and local lords; loose feudal structure, merit aristocracy, peasantry limited political influence
	(R) Nearly fixed, U & D by growing needs of feudal lords, state and population	Nearly none, status hereditary, but loosening into growing middle class	strong or absolute monarchy and hereditary aristocracy; rigid feudal caste structure; peasantry nearly no political power, middle class gaining
Transitional	(R) Slowly expanding; U & D by growing production, standards of living & population	Loosening in and between all classes of society; dual society, tradit. & modern co-existing	Constitutional monarchy or republic; aristocratic & middle class elites hold most power & gain more
	(R) Rapidly expanding; U & D by growing production, levels of living & slowing population growth	Fairly open; based on merit, family assistance and class; limited by regional, social & ideological constraints	Industrial State; private &/or public managers run state under elected officials; universal suffrage; mass organizations of interest developing
Modern	(R) Rapidly expanding; U & D by growing production, levels of living & social welfare	Open; based on merit with state and family assistance, limited by regional, social and ideological constraints	More or less welfare State; private &/or public bureaucracy runs State & mass organizations; electorate concerned with distribution & external protect. of level of living
Future	(R) Expanding but recycled; U & D automated and by optimal levels of living & population	Open; based on choice & ability; limited by levels of productive work & decision making needs	Leisure State; routine decisions automated; electorate connected to computers; boredom & frustrated aggressiveness growing problems

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Table A-e

V. Land Tenure Structure

Societal Development Phases	Laws	Ownership	% population on productive land	Land tax % of gov. Revenue
Traditional	← Primitive religious & tribal common	← Temporary individual & communal	← 100	← no tax
	← Local comm. & royal or lord decree on land occupation and tribute	← Permanent individual and communal; feudal* free holding transferable by King or lord	← 95-90	← 100
	← Royal decree and local common on land, production, commerce, occupation, tax, subscription, division of farm units	← Permanent individual and communal; feudally* bonded holding not transferable	← 90-80	← 90-80
Transitional	← Legislated and gov. decreed on: land title, tax, trade, infrastructure, organizations, institutions, etc.	← More or less unconditional individual ownership; registered, written titles; free commercial transfer; not if public ownership	← 80-50	← 80-10
	← Tenancy regulated & protected (more or less)	← Private ownership limited to control tenancy growth		
	← Absentee land ownership regulated if not abolished; conservation	← Size farm units regulated	← 50-10	← 10-5
Modern	← Public parks, land banks, crop limitation, pollution control	← Corporate or public ownership of large farm business; no size limitation by state	← 10-5	← 5 - (-) 5
Future	← ? Production regulated in balance with population	← ? Semi-private	← ? 2-1	← ? Not applicable

\* Feudal here means ownership shared with King and lord

Table B-a

Additional Items to be Extracted and Scaled

Note: The following indicators have been defined so that binary answers are possible which can be used for a Guttman scale. Their presence or absence is indicated on the scale by a one or a dash. They may appear in full or in qualified form. The latter is indicated by parentheses.

I. Agricultural Technology Indicators

A. Land Development

1. Slash and burn agriculture or equivalent semi nomadic agricultural practices have been or are still present.
2. Land development such as irrigation, terracing, draining, hedging, etc. is or has been done by handlabor and tools only.
3. Land development takes place by modern mechanized, scientifically engineered methods. It is nationally significant in the staple crops sector.

B. Land Productivity.

1. Agriculture at least uses natural soil fertility only.
2. Agriculture at least uses green and waste manure fertilization.
3. Chemical fertilization is used on a significant scale in staple crop production.
4. Chemical pest control (insect, disease and rodent) is used significantly in staple crops production.
5. Intensive crop diversification is taking place in staple crop production areas.

C. Labor Productivity

1. At least hand tools are used in staple crop production.
2. At least animal tools are used in staple crop production.

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3. At least small motorized mechanization is becoming significant in staple crop production.
4. Large motorized mechanization is becoming significant in staple crop production.
5. Adaptive research takes place on local stations and on participating farms.
6. Seasonal unemployment is or has been high in staple crop production.
7. Seasonal unemployment is nearly eliminated in agriculture.

Table B-b

II. Health Technology

A. Medical practitioners and materials

1. At least folk medicine and practice in rural areas used.
2. At least midwives widely used in childbirth in rural areas.
3. Modern medicines and nurse level advice available in rural areas.
4. Medical doctors accessible in urban areas.
5. Medical doctors available in rural areas.

B. Medical Facilities

1. At least dispensary type facilities with medical technicians available in rural areas.
2. At least clinics with occasional doctor visits present in rural areas.
3. Hospitals in vicinity of rural areas in small towns which are accessible by motorized transportation.

C. Population Control

1. Uncontrolled population growth at least 2% (existing or would be if uncontrolled).
2. Uncontrolled population growth at least three percent.
3. Controlled population growth below 2.5%.
4. Life expectancy at least 40 years.
5. Life expectancy at least 55 to 60 years.
6. Population controls started in urban areas indicate some beginning effectiveness.
7. Population control effective nationally.
8. Rural-urban migration at least significant but less than rural population growth.
9. Rural-urban migration at least equal to rural population growth.
10. Rural-urban migration more than rural population growth.

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11. Population growth rate in percent per year.

12. Life expectancy estimate in years at birth.

Table B-c

III. National Resource, Processing and Servicing Technologies.

A. National Resources

1. At least surface mining and fishing is taking place.
2. Depth mining and/or fishing is significantly taking place.
3. Resources are imported for internal industrial processing.
4. Some basic resources are industrially manufactured in the country.

B. National Industry

1. At least hand and artisan industry present for agricultural inputs and consumer goods.
2. At least non-capital goods industries present for agricultural inputs and outputs.
3. Capital goods industries for agricultural and other sectors are present.
4. Industrial production absorbs surplus agricultural labor.
5. Industrial exports are sufficient to support imports of modern agricultural inputs for staple crop production.
6. Industrial exports are sufficient to pay for food deficits through importation.

C. Services in Rural Areas

1. At least dirt roads and/or small boat water transportation channels are present.
2. Paved roads, ~~and~~ railroads, man-made waterways are present.
3. At least basic education is accessible to rural population.
4. Percent literacy in rural areas.
5. Higher education accessible to rural population.
6. Consumer goods distribution system present in rural areas.

2/1

7. Production inputs distribution system, public and/or private effective in rural areas.
8. Modern consumer credit available to rural population.
9. Modern production credit available significantly to minifundia operator.
10. Research and technology distribution, public or private, effective to minifundia operator.

Table B-d

IV. Rural Societal Technology (Numbers of items in figure D in parentheses)

A. Economic

1. A distinct dual society is present in rural areas where at least the elites are modernized in their level of living in housing, education, social mobility, political participation, etc. The rest of the rural society exists at the traditional subsistence level. A middle class is not present or only small. (1)
2. A dual society is still distinct but between regions more than classes. Modernizing regions or urban centers in regions are developing while their rural hinterland or inaccessible geographic areas have remained at the traditional subsistence stage of development. (2)
3. Decisions of the minifundia cultivator are or have been made by the public or private landlord. (10)
4. The majority of minifundia cultivators have freedom of decision in commercial production and marketing. Latifundia labor is influencing decisions concerning its welfare. (26)
5. Labor growth is higher in the nonagricultural sector. (36)

B. Social

1. Income distribution is or has been extremely disparate between elite and cultivator. (3)
2. Income distribution is relatively egalitarian in the rural areas but increasingly disparate with the nonagricultural sectors. (35)
3. At least 20% of the population is not rural.
4. At least 40% of the population is not rural.
5. At least 60% of the population is not rural.

6. At least 80% of the population is not rural.
7. Percent agricultural population in the country.
8. Multi-lingual problems have been overcome in rural areas where applicable. (29)
9. Minority discrimination has been effectively reduced. (27)
10. Class barriers have effectively been reduced. (25)

C. Political

1. Rural vote at least through the landlord or tribal leaders. (7)
2. Rural vote at least through paternalistic organizations. (24)
3. Rural vote largely by independent individuals. (38)
4. Cultivator interest organizations are effective. (28)
5. National production and policy are or have been controlled by landed elite. (11)
6. National production and policy are controlled by non-agricultural sectors. (37)

Table B-e

V. Land Tenure Technology

A. Political land use controls.

1. Land tax has been at least legislated. (9)
2. Land tax is effectively collected and used for development services or investment. (22)
3. At least rent and tax classification is registered. (13)
4. Land transfer by written and registered deeds is significantly implemented. (20)
5. All arable land is legally accessible for some land reform action. (18)
6. Land redistribution has at least been attempted by some actual distribution. (5)
7. Land redistribution is effective in alleviating landless cultivator problems as much as physical land availability permits. (32)
8. The neo-feudal latifundia system at least curtailed effectively by the state. (23)
9. Unionization of farm labor and organization of tenants and small operators is politically effective. (31)
10. Landlord or plantation sector (public or private) is or has been blocking development of subsistence sector and/or land reform. (14)
11. Landlord or plantation sector (public or private) is not able to block the development of the subsistence sector and/or land reform. (33)

B. Economic Land Use Controls.

1. Staple crops are primarily produced on minifundia farm units. (4)
2. A distinct dual mini-latifundia agricultural sector is or has been present. (8)

3. All arable lands are physically accessible by modern transportation or at least animal transportation. (21)
4. Lack of economical resources and physical access constrain colonization. (6)
5. Colonizable lands are physically not available at economical costs in significant amounts. (39)
6. Enough land for distribution in economical size units is physically not available in rural population problem areas. Effective land reform for these areas requires moving the excess population to other geographic areas with distributable lands or to non-agricultural sectors. (41)
7. Modern land-classification in terms of soil type, market value, productivity etc. has been achieved. (40)
8. Surplus cultivated land of economic productivity is being put into a soil bank by government policy to reduce surplus staple food production. (42)
9. Land ownership is or has been unrestricted in terms of commercial exploitation by either the state or private owner. (16)

C. Social Land Use Control

1. The neo-feudal paternalistic landlord (public or private) is or has been a major rural institution in land reform areas. (15)
2. The neo-feudal parasitic landlord (public or private) is or has been a major rural institution in land reform areas. (17)
3. The traditional subsistence size owner and/or tenant operators are protected against exploitation by public or private commercial forces. (30)
4. Maximum farm size limits are enforced and the neo-feudal latifundia system has been abolished. (34)

5. The neo-feudal serf system, public or private, has been abolished.  
Serfdom here is defined as any bondage of the cultivator to the land he cultivates by either state or private legal, economic or social means. (19)
6. Colonization has been or is taking less than rural population growth. (12)
7. What percent of all farm units are of traditional subsistence size and less? This size was defined by local family subsistence technology and natural land productivity.
8. What percent of all farm operators are tenants?
9. What percent of all cultivated lands are operated under tenancy?