

## Land Reform and Development Strategies: A Perspective

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In this first discussion, I wish to treat land reform in the context of overall economic development policies, or strategies, rather than as a separate policy measure. In the second discussion I will deal more specifically with land reform measures and their influence on general economic development. This approach to the topic reflects my conviction that economic development has been too narrowly defined--both in the theoretical formulations of the tasks involved as well as in the policy strategies used. The emphasis has been on investment and economic growth with too little concern for other measures of accomplishment in terms of the way in which the lives of the mass of people are affected by this process. Distribution has too often been ignored.

In dealing with these complex questions of economic development, it is well to recognize at least three major new conditions of the second half of the twentieth century which were either absent or of a different order of magnitude in the nineteenth and early part of the twentieth century.

First, science and the technology to which it gives rise are predominantly centered in the industrialized world, and new developments are primarily in response to the problems experienced by the industrialized countries where the factor proportions (especially capital/labor) are quite different from

those in the more agrarian, less industrialized world. In the latter, labor is plentiful and capital is scarce, but new technologies are more nearly geared to the reverse situation. This permits technological leap-frogging, the introduction of production methods and practices from outside (rather than being developed indigenously in response to internal needs and requirements) which very often are capital intensive and labor extensive. Indeed the development strategies of the past several decades have encouraged this. This is not to deny the need for capital and machinery imports, but the fact remains that sufficient technology is not being developed to fit the factor proportions existing in the developing world.

Second, population growth rates are much higher now than in the past. Migration to the new world, available to Europe in the nineteenth century, is no longer a major alternative to the less developed countries of today.

Finally, rapid communication has made it possible for people everywhere to view progress--a better life for themselves and their children--as a real possibility. There are new expectations, and demands that they be fulfilled.

Each of these conditions supports the need for a new development strategy which, in my judgement, should include land reform as one of its basic policy measures. In the Latin American context, land reform must include a redistribution of land, a reorganization of agricultural producing firms, and the development and extension of supporting services to the reformed and to the existing small farm sectors.

Let us now take a brief look at some of the results of development policies of the past, and some questions which need to be resolved if future

development efforts are to yield improved results. This is not to say that the economic development efforts of the past were unimpressive-- measured by the criteria that have been used. On the average for the so-called less developed countries of the world, growth in agricultural output has been quite respectable. Indeed, according to a recent USDA publication (For. Af. Ec. Rept. No. 59, May 1970), from 1954 to 1967, grain production increased at a slightly more rapid rate in the less developed countries than in the developed countries. (Annual growth in production of all grains 1954-1967: Developing countries 3.0 percent; Developed countries 2.9 percent.)

The basic question is whether or not the poor people of the world have benefitted from the development strategies of the past several decades. Has their situation been improved? Or have the poor increased in numbers and inequalities mounted? Available evidence seems to indicate that the latter is the case. There has been considerable economic growth but, paradoxically, little development.

Increased output and productivity must remain one of the chief aims of development strategy. But development must be conceived in a much broader sense, and policies must be specifically addressed to several much neglected areas. Development must be viewed as a process resulting in an improvement in the levels of living for the vast numbers of people at the bottom of the income distribution pyramid, a general decrease in poverty, a reduction in the high rates of unemployment and underemployment, a greater equality in the distribution of income, a more wide-spread participation by all

groups in the economic and political affairs of the nation, as well as an increase in output and productivity.

Development strategies of the past two decades tended to assume a close linkage between increases in productivity and the other elements noted above--employment, income distribution, etc. But experience has shown that such linkages are not automatic consequences of policies emphasizing economic growth. These linkages must be created through specific policy measures. In the agricultural sector, land reform is a key measure for establishing the conditions whereby such linkages can develop.

The strategies of the 1960's concentrated largely on maximizing production by capital intensive investment in the modern urban industrial sector, and secondarily on relatively capital intensive projects in the commercial sub-sector of agriculture. Those who recommend continuation of this strategy argue for increasing the rate of investment in order to increase the rate of economic growth from 5 to 8 or 10 percent annually in order to achieve the needed increases in employment, reduction of poverty, etc. But it does not seem realistic to assume that capital investment of the magnitude required for such a rapid rate of output growth will become available. The prospects of increasing the rates of saving and investment to meet the policy needs of such rapid rates of growth in output are themselves dependent on economic and political institutions. Land tenure structures in the agricultural sector are among institutions involved.

Some would argue that, given the rapid rates of industrialization of the past decade, land reform is no longer needed. It is of course true that countries must look to industrialization for a long-range solution

to the problems of unemployment and low levels of income. But this must be seen as a long process of transformation, and to view it as a substitute for land reform is erroneous. The growth of industry in the less developed countries of the world over the past decade has been disappointing, not in terms of output expansion, but in terms of labor absorption and the capacity to provide sufficient increased employment. For example, from 1950 to 1965 manufacturing output in Latin America increased by 140 percent while employment in manufacturing grew by only 45 percent.

A more rapid expansion of industry is difficult, even if capital resources are available, because of the small internal markets resulting from highly skewed income distributions. A more equal distribution of income would stimulate demand for consumer goods which are generally more labor intensive in their production processes. The large potential markets represented by the mass of poor people in the agrarian sector and those in low-paying occupations in the city (as well as the large and growing number of unemployed) must be developed. Land reform is directed specifically to these issues since it provides a redistribution of opportunities and a secure access to the increased productivity from the land. As a result of the new opportunities and secure access to the output realized from labor, it also serves to harness the energies of the people in the direct construction of capital in the agricultural sector.

Others would argue that the major achievements recorded as a result of the "green revolution" have obviated the need for land reform. If increased output were the only measure of success, there might be some grounds for this

position. Again, as in the case of industrial development, the agricultural development efforts of the past decade registered considerable progress in terms of output expansion. Yet, this expansion in output was not sufficient to permit major improvements in diets of the large numbers of poor people, nor was it sufficient to increase exports of agricultural products. In fact, agricultural exports of the industrial countries have increased, while those of the less developed countries have barely held constant.

INDEX NUMBERS OF TOTAL VOLUME OF AGRICULTURAL EXPORTS AND IMPORTS OF  
DEVELOPING AND DEVELOPED REGIONS, SELECTED YEARS

(1957-59 = 100)

Item	1955	1960	1965	1967
<u>Developing regions</u>				
Exports	108	101	112	106
Imports	79	116	141	145
<u>Developed regions</u>				
Exports	91	109	149	153
Imports	90	107	123	128

Source: Table 24, p. 55 USDA, For. Ec. Rept. No. 59 Economic Programs of Agriculture in Developing Nations, 1950-1968, May 1970.

But the major disappointments of the agricultural development efforts of the past decade have been their inability to provide meaningful income earning employment opportunities for the increasing number of people in the agrarian sector. Estimates of current unemployment in Latin American countries are in the range of 10 to 20 percent. A recent report by ECLA estimates that if the present underemployment were converted to unemployment equivalents, about 25 percent of Latin America's working age population would be considered unemployed.

The important developments represented by the green revolution are of course most welcome and the research in this area should be continued and expanded. The new high-yielding varieties and the accompanying package of inputs have dissipated the fears of imminent mass hunger and starvation. Yet, if these developments are left largely to the control by market forces, the benefit of this new technology goes mainly to the larger producer in the commercialized sector of agriculture. The small producer often lacks the financial means and the skills to adopt the new technology, and the basic orientation of national government services as well as international development assistance has been directed to serving the commercialized sub-sector of agriculture.

As the green revolution is expanded to other crops and wider geographic areas, food supplies will be sufficient to meet internal demands and many countries will seek exports markets. But the outlook for expanded exports of the basic food crops is not promising. If markets were available for

exporting, then the expansion of the green revolution without structural reforms could at least be justified on the grounds that it is the quickest way of earning the foreign exchange needed for industrial expansion. But since this does not seem to be a realistic alternative, countries will need to rely increasingly on the extension and expansion of internal markets. And this means a wider distribution of the fruits of that increased production in order to create the purchasing power needed to clear the markets. This may be achieved through a variety of economic and social organizational measures, but land reform and the redistribution it represents is a key element in such a policy strategy.

There is a critical need, in the development strategies for the 1970's for a new research focus to develop technology specifically adapted to a labor intensive agriculture. Likewise technology should be developed for major parts of the industrial sector which would be more fitting for the factor proportions existing in most of the less developed countries. Finally, there is an urgent need to redirect governmental and commercial services--technical assistance, credit, marketing, etc.--to serve the needs of the existing small farm sector and the needs of an agriculture following land reform. These are difficult tasks, but without a major redirection of research and services, development--in its broader sense--cannot be achieved.

The above suggested re-directions in agricultural policy are needed after land redistribution, but they are also needed and can play a critical role in developing the economic influence of the peasant sub-sector. If land redistribution is not politically feasible in a particular country at

a given point in time, it is at least possible that such re-direction in policy could be achieved, especially if the capital and technical assistance of the international agencies were used specifically for this purpose. This would over time strengthen the economic and organizational power of the peasant sector which could then serve as a strong force to pressure for the more wide-spread land redistribution measures required. These are not suggested as policy alternatives. Development requires a redistribution of wealth. But a general re-direction of agricultural policies is needed after a land reform, and such policy shifts could indeed make land reforms possible in those situations where they do not appear feasible at the present time.

Finally, it is well to recognize the problems posed by rapid population growth. In the early 1950's, projections were frequently based on expected population growth rates of 1.5 percent annually. In the 1960's, and even before, population growth rates in many of the countries of the world exceeded 2.5 percent and in some cases 3 percent annually. Some would argue for population control measures as a principle feature of development policies.

That rapid population growth has exacerbated the problems of unemployment and under-employment cannot be denied. Any population control measures must, however, be seen as supplementary to rather than a substitute for the basic requirements of increased productivity and its wider distribution. It may indeed be that more rational approaches to the population problem are impossible without more rapid development. In any event, the increased

numbers already born will flood the labor markets in the 1970's, and the urgent need to create employment and meaningful income earning opportunities cannot be avoided. In Latin America, land reform holds real promise for achievements in this area.

## A Supplement

### "Land Reform and Economic Development"

Peter Dorner

Economic development is often thought of as a process of modernization the achievement of which is measured by the average rate of increase in real output per capita. Such a conception, however, has been found wanting. If the concept of development is too narrow, then important policy questions are often ignored or not even recognized. In addition to increased productivity and rates of output, economic development means the reduction of mass unemployment and poverty, and a more equal distribution of improved income earning opportunities. 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.

In agrarian countries, the land tenure system embodies those customary and formalized rules and procedures governing the rights, duties, liberties and exposures among individuals and groups in the use and control over resources. Land reform means changing and re-structuring these rules and procedures to make the land tenure system consistent with the requirements of economic development. And land tenure is only one in a number of human institutional systems that must be modified, replaced or created in the course of development.

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I

The end of World War II marks the beginning of a new error in economic thought. Many states achieved political independence in the two decades following the war's close. Colonialism crumbled and the old powers began a massive dismantling of empire. New national governments came to power with independence from foreign domination and internal development high on the agenda of national priorities. It was the initial phase of what now is commonplace--national plans and active government participation in stimulating economic development.

Both politicians and economists identified industrialization with development and agriculture with backwardness. Development was equated with the industrial world, and to emphasize the development of agriculture at the expense of rapid industrialization was to run the risk of being charged with imperialistic tendencies--the continuing attempt of the industrial powers to retain their dominance over the poor, agrarian countries. This is an understandable instinct, and certainly the identification of industry with modernity is appropriate in projecting the final outcome of a long process. But it provides little guidance for current policy. The emphasis on industrialization and the relative neglect of agriculture characterized many of the early development plans. But problems soon became apparent, essentially from two sources.

First, population growth rates turned out to be much higher than had been anticipated. Rapid population growth accompanied and even preceded development rather than following the nineteenth century pattern in which population growth was to a large extent a response to development. New technologies in the field of health caused the death rate to drop while the birth rate remained at high levels. The assumption of an annual population growth rate of one or one and one-half percent--appropriate for an earlier era--proved wrong. Population in the less developed countries is growing by two or three percent annually. The demand for food increases accordingly.

A second difficulty experienced by the over-emphasis on industrial development and the relative neglect of agriculture grew out of the very success of development efforts in the industrial sector. Increased per capita incomes stimulated the demand for food. The income elasticity of demand for food is relatively high in poor countries, and this source of expanded demand added to rapid increases in the number of people who found food supplied inadequate.

But increased production is only one side of the agricultural development issue. Despite the early development emphasis on industrialization, difficulties were experienced in absorbing large increases in the labor force in the relatively small urban sector. Rural population continued to grow, though at a slower rate than total population. Much of the very rapidly growing urban population has been absorbed in

precarious, low productivity urban jobs. Historical evidence shows that absolute numbers of rural people decline only in later stages of development. For example, in the United States, the nonfarm population exceeded that on farms by the 1880's while the absolute number in farming first reached its peak around 1915. A major absolute decline in the farm population did not occur until about 1940. From 1900 to 1940 the U. S. farm population fluctuated between 30 and 32.5 million people.

The combination of these two requirements--increasing output of food and increasing farm employment opportunities--led to increased policy emphasis for the development of the agricultural sector. A specific type of policy to meet these requirements suggests a labor-intensive approach with reliance on yield-increasing technical innovations in the earlier phases of agricultural development. This approach could yield the required increases in agricultural production without displacing labor prematurely. It is a prescription for agricultural research, for large increases in the use of yield-increasing inputs such as fertilizer, improved seeds, insecticides and pesticides, for increases in irrigation facilities, and for building the service institutions in extension, marketing and credit. It is also a prescription to minimize mechanization, especially when it serves to displace labor.

Technology, especially in the biological areas, is a crucial ingredient for agricultural development. In the early years of the new economic development consciousness following World War II, it was assumed

that technology existing in the developed countries could rather easily be transferred to the less developed countries. It has become increasingly clear, however, that new technology must be developed for the climatic, ecological, institutional and factor endowment conditions specific to these countries.

A new emphasis was given to research and several major breakthroughs were realized in the development of new varieties of wheat and rice. These new varieties, along with a package of farming practices including high rates of fertilization and water control, have been adopted on a fairly large scale in a number of Asian countries. This phenomenon has been called the "green revolution". Although major increases in productivity have been realized on lands where the new varieties and the associated technology have been used, the green revolution is not having the development consequences hoped for. The unemployment problem is worsening. The threat of impending mass starvation has been replaced by a fear of widespread idleness and widening of the gap in income levels within rural populations of the less developed countries. The green revolution is, of course, a necessary and sought for achievement. But new problems of that revolution are now coming to the fore which re-emphasize the need for land tenure and other institutional reforms.

The rapid introduction of new technology always presents problems of dislocation and tends to undergird the forces leading to inequality in a society. These problems are less severe in a relatively open,

mobile society than they are in a class structured system with rigid institutions that support these basic inequalities.

We need only reflect on the very serious problems of rural and urban poverty and the overcrowded and congested cities in the United States, which are at least in part the result of an earlier agricultural productivity revolution, to visualize the appalling consequences that are likely to ensue under less favorable circumstances. The United States too had its green revolution. Judging by the accelerating productivity increases per acre, per animal unit, and especially per agricultural worker, it began in the 1930's. But U. S. farm population was already approaching the point at which absolute numbers began to decline, and total population growth was at a low rate. A broad industrial base existed for absorbing displaced farm labor, and this base was greatly enlarged by the wartime economy of the 1940's. Political and economic power within the agricultural sector were less concentrated than they are now in many of the less developed countries. The basic physical and institutional infrastructure (transport, market, research, education, and credit systems) was largely established, and agricultural technology was mainly home produced in response to differential factor rates of return generated in relatively competitive markets.

Despite these favorable conditions, the rapid agricultural transformation placed formidable burdens on U. S. society. These are likely

to be much greater in a society with characteristics of many of the less developed countries:\*

- (a) population growth rates in excess of 2.5 percent annually in areas already extraordinarily densely populated
- (b) very low average income levels, coupled simultaneously with great regional and personal disparities in income, wealth and political power
- (c) limited opportunities for nonfarm employment even if the manufacturing and service sectors grow very rapidly
- (d) the possibility for technological leap-frogging with agricultural inputs and techniques which are often of a labor-displacing nature

The relatively favorable circumstances of U. S. development cannot be duplicated--certainly not in the short run. This is why policy formulas and prescriptions based on the experience of the United States and other industrial countries are often worse than useless--they may add to and aggravate existing problems. This is also why agricultural policy in the less developed countries must address the issues of land ownership distribution rather than taking this as a "given", a common assumption in agricultural policy formulation in the industrial countries.

Land tenure and related institutional reforms are important measures for achieving development in many of the less developed countries. They are not sufficient measures, but they are necessary

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\*Walter P. Falcon, "The Green Revolution: Generations of Problems", Am. Journal of Agro-Economists, Dec., 1970

if the rapid adoption of new technologies is to be a positive force for economic development (broadly defined to include expanding opportunities and the human capacities needed to exploit them, as well as reducing mass poverty, unemployment, and inequality).

Technology had been introduced into traditional societies long before the so-called green revolution. However, the social and institutional structure (dominated by the land tenure system in agrarian societies) did not permit the benefits of new technology to spread widely throughout the society. Consequently, development was always confined to limited strata of the population. The technology associated with the green revolution is simply another example of this process and the consequences are becoming increasingly visible. The need for institutional reform arises from the accumulated introduction of technology, and that need existed even before the recent adoption of technology associated with the green revolution.

Several significant land reforms occurred in the late 1940's and early 1950's. They were instituted under various political forms and conditions: under relatively democratic procedures (India), military regimes (Egypt), military occupation (Japan), peasant revolution (Bolivia), and communist collectivization (Eastern Europe).

Following this spurt of activity after the war, the land reform movement lost momentum. In part at least this was associated with the fact that the land reform issue became associated with the cold war politics of the two great powers, the United States and Russia.

The land reform issue gained new prominence, and new adherents, after the Cuban land reform in the late 1950's. Following on the heels of this reform came the Alliance for Progress of the American Nations whose 1961 declaration included strong support for comprehensive programs of agrarian reform. Major new research programs were undertaken and the issue of land reforms received increasing emphasis in social science literature. Most Latin American countries passed land reform legislation and created new agencies for carrying out the reforms. After a full decade, however, achievements have been relatively minor.

## II

There is nothing inherently right or wrong about land tenure systems as such. While ideological arguments on the best ways of organizing agriculture continue, no tenure system can be judged best in the abstract. Any judgment concerning a particular system must take note of the man-land ratio, the institutional and technological conditions in the society, the stage at which that society lies in the transformation from an agrarian to an industrial economy, and the goals which specific groups and individuals are attempting to achieve. It may be instructive to look at several examples.

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<sup>1</sup>This section is taken from a forthcoming article by Peter Dorner and Don Kanel, "The Economic Case for Land Reform".

The system of European feudalism of several centuries ago appears, under modern conditions, to be without redeeming qualities. Although comprising a total system of political, social and economic institutions, it was at base an agrarian system built around the control of land. Yet despite its inadequacies, its injustices, and its rigidities by modern standards, this feudal system was an adaptation to the times. Growing as it did out of a crumbling and disintegrating world empire, it organized people according to strict and rigid class structures with mutual obligations between classes, thereby assuring some degree of internal harmony and a measure of security from potential enemies external to the feudal manor.

But the feudal system came into conflict with the evolving goals of creating strong nation states; proved ill-equipped to respond to the requirements of expanding markets; was too inflexible to accommodate the increased use of capital; and failed to meet the needs of man's evolving conception of himself. It was inconsistent with the requirements of making the great change from an agrarian system to an industrial society. Reforming these agrarian systems from the seventeenth through the nineteenth centuries was part of the general social revolution that accompanied industrialization in western and central Europe.

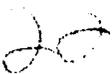
Despite many efforts throughout the nineteenth century, the Russian land tenure system retained many of its feudal characteristics up to the twentieth century. This system was thoroughly transformed in the 1920's

and 1930's. Russian collectivization may not have provided the individual incentives or the decision making freedom of a family farm system, but the major concern of Soviet planners was rapid industrialization. Russian agriculture was producing a substantial export surplus at the time of collectivization. A major requirement was to free labor from work in agriculture to provide manpower for the new factories. In addition, the state had to "squeeze" some of the surplus production from the agricultural sector in order to provide relatively cheap food for the growing population in the industrial sector. Of course, collectivization of agriculture was perhaps necessary to assure party control over the economic system and to prevent decentralized political developments. The collective system functioned to achieve these ends. In recent years modifications have been introduced, presumably because the system was not achieving present objectives and goals.

When the design of a U. S. system of land tenure and economic organization of agriculture was being debated, the major alternative to family farms appears to be a system of large estates and plantations with some features of European feudalism. However, the large land mass to the West had to be secured from threats by other nations. The family farm system was perhaps the only reasonable alternative by which a relatively weak government, lacking major communication and transportation networks, could assure that this large land mass would be rapidly settled and incorporated into the nation.

U. S. development also required production of an agricultural surplus and the release of labor from agriculture to meet the demands of the growing industrial sector. But the means employed were entirely different from those used by the Soviet Union a century later. The United States placed primary emphasis on new technology to increase the productivity of land and especially the productivity of labor, and relied on competition among small producers for allocation of production factors among alternative uses.

Throughout the nineteenth century the United States was characterized by a low man-land ratio; except for the massive immigration, population growth was low relative to the experience of most of today's less developed countries. Furthermore, industrialization in the nineteenth century and the first half of the twentieth was more labor absorptive than it is today. There are no areas in the world today where conditions exist similar to those faced by the United States in the eighteenth and nineteenth centuries. The Soviet system was instituted about forty years ago. Russia too had a low man-land ratio and a relatively slow population growth. The circumstances surrounding both U. S. and Soviet development are in sharp contrast with the current situations in South and Southeast Asia, Latin America, and Africa. Rapid population growth rates of recent decades (and capital-intensive, low labor absorptive industrialization) make it imperative that the agricultural sector hold people rather than being forced to release them.



Thus the nature of the land reform issue facing the less developed countries today is different from that confronted by Europe in the seventeenth to nineteenth centuries, by the U. S. in the eighteenth and nineteenth centuries, (the Civil War in the 1860's was also essentially an issue of land reform) and by Soviet Russia in this century. Land tenure systems reflect specific historical, geographic, economic, social and political conditions. They are continually modified in the process of economic development. For example in the short period of the past thirty years, U. S. agriculture has been substantially reorganized. The number of farms is less than half what it was thirty years ago. The 80-acre and even the 160-acre farm is an inefficient unit for most types of farming in the United States today. While farms in this size range were viable going concerns until about thirty years, present technology and factor costs and availabilities make such units inefficient in terms of labor productivity. And since labor is relatively scarce compared with land and capital, labor productivity is a reasonably good measure for judging efficiency under U. S. conditions.<sup>2</sup>

The above sketches relating tenure systems to concurrent conditions and policy needs are not intended to imply a neat, logical relationship between land tenure and other circumstances. Changes in tenure systems

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<sup>2</sup>Labor productivity as a measure of efficiency in the agricultural sector ignores the social costs of people becoming stranded in rural communities and of large numbers of unskilled workers migrating to cities but failing to find employment within the occupational structure, which is largely determined by the technological developments in industry. These are serious problems in the United States, and they are likely to become all but insoluble in the less developed countries if means cannot be found to hold more people in agricultural employment.

and other circumstances. Changes in tenure systems emerge out of conflict among contending groups--witness the Soviet debates over the rapidity and method of industrialization and the many U. S. experiments with land settlement policies in the nineteenth century. Tenure systems, as hammered out by experience and conflict, are adaptations to prevailing circumstances and the dominant ideas and political philosophy. Great caution, and at times restraint, are needed so as not to prescribe transplantation of such systems to other areas on the basis of their achievements elsewhere, in an earlier time, or under conditions which no longer exist or cannot be duplicated. Likewise the specific reference to individual ownership on the one hand and collective farming on the other are over simplifications of the options available in tenure reforms. There is no reason to believe that countries need to end up with either one system or another. There is room for and indeed need for diversity and flexibility to accomodate existing circumstances. As circumstances change and new problems arise, adjustments will need to be made in the tenure structures.

### III

In general terms, five basic interconnections between land reform and economic development can be identified.

1. Economic and Political Power

The rich quite obviously have more power than the poor. Those who control the land are able to influence the political processes to a degree that is greatly disproportionate to their numbers. Thus redistribution of land and related resources changes the political power structure and the goals and policies that are formulated through the political process.

2. Income Distribution and Demand

There is a direct relationship between the land tenure system, income distribution, and effective demand. Peasants who have no secure rights to land have claim to only a meager income, and a very insecure claim at that. And poor people are poor customers. Many countries face the dual problem of a highly skewed income distribution (which provides little demand expansion for industrial growth) and conspicuous consumption by high income groups (which suppressed saving and investment).

3. Labor Absorption in Rural Areas

One of the most spectacular failures of land tenure institutions in many parts of the less developed world is their inability to provide even subsistence opportunities for their farm populations. The result is massive migration to the cities, most of which is premature since there are not enough jobs being created in the non-farm sector. Reforms are required to hold and absorb more of this labor in productive work in agriculture.

4. Farm Investment and Productivity

Capital formation in farming is rarely concentrated either in space or in time. It accumulated by an incremental process. Tenure security can contribute to investments in farming by making the use of productive assets the exclusive right of an individual or a group. One tenure form that seems to provide the necessary security and incentive conditions is the owner-operated family farm. However, there are also many cases of progressive agriculture outside the family farm pattern. Local circumstances, climate and cultural factors are all extremely significant in determining the performance of a particular tenure arrangement. A key variable is the control over investment decisions.

5. Investments in Other Sectors

All developing countries need large public investment programs, which means that governments must control a substantial pool of investment funds. In those countries where the agricultural sector is large relative to the total economy, agriculture must provide a substantial share of these funds. Tenure institutions are important because it is usually the landlord who extracts the surplus from the peasant. And since landowners are also very influential in government, there is no public mechanism for taking this surplus from them. Thus the decision for investing this surplus rests with the land-owning class, and investments guided by their private interests are not always, or even usually, those required for the development of the country.

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