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THE INFLUENCE OF LAND TENURE INSTITUTIONS ON THE ECONOMIC DEVELOPMENT OF AGRICULTURE IN LESS DEVELOPED COUNTRIES

by

Peter Dorner

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THE INFLUENCE OF LAND TENURE INSTITUTIONS ON THE ECONOMIC DEVELOPMENT OF AGRICULTURE IN LESS DEVELOPED COUNTRIES*

Peter Dorner**

The assignment implicit in the title might be approached by taking a mall portion of this very large topic and trying to prove something, or y taking the entire topic and trying to be provocative. I have chosen the atter approach since I am unconvinced that the broad question posed by he title of this paper is amenable to scientific testing given the present tate of theoretical knowledge. The categories are too unspecifiable, specially so when dealing in a world-wide context.

If the question were simply whether or not land tenure institutions re important in the development process, an affirmative answer would appear bvious. They are part of a larger institutional system. Without such a ystem there is chaos, associated living in civilized society disappears, nd man reverts to that Hobbsian condition of war of all against all where 'the life of man is solitary, poor, nasty, brutish, and short." Institutions ive some stability to human relations by providing security of expectations ith respect to accepted procedures of human interaction and response.

However, I do not see that any reasonable argument can be made in terms of some "inexorable forces of history" requiring particular forms of land

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tenure institutions. Development has occurred under a wide variety of land tenure systems. I think it is an established historical fact, however, that transformation of an agrarian system into an industrial economy requires a vast change in many institutions, including those of land tenure.

Barrington Moore's analysis deals with these issues at a very broad and general level. /29/ He identifies three main historical routes from the pre-industrial to the modern world: the bourgeois revolutions (which led to the combination of capitalism and Western democracy), the capitalist and reactionary form or the revolution from above (culminating in twentieth century fascism of which Germany and Japan are cases), and the communist revolutions of Russia and China. A crucial step toward the modern world, according to Moore, is "separating a large section of the ruling class from direct ties with the land, a separation that has taken place sooner or later in every industrialized country." The pre-industrial agrarian structures are inconsistent with the requirements of making this great change from an agrarian system to an industrial society. Additionally, according to Moore, the way in which the agrarian structure is changed has an important bearing on the resulting political system.

Except for the new countries,[1] which never labored under a traditional agrarianism, this transformation process has frequently been violent and disorderly resulting in profound and abrupt changes. But historical analysis provides few clues and no yardsticks as to whether a particular nation is today approaching such an upheaval or whether its rate of progress in

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[1]Even the U. S., however, had its Civil War which has been interpreted as reflecting this transformation. /9, 29/

transforming its institutions is sufficient to avoid a revolution. In fact, the revolutions associated with this transformation have sometimes occurred very early in the process of industrialization, while at other times they were long delayed. Why this should be so poses an interesting question for historical research.

This paper does not deal with these broad issues. Rather, I chose to concentrate on two basic questions. In the first section, some conceptual points concerning the terms "land tenure institutions" and "economic development" are explored. The second section treats of the major influences of land tenure institutions on the development of agriculture and the economy in general. This is followed by a brief statement of conclusions.

I

Land tenure institutions comprise the legal and contractual or customary arrangements whereby people in farming gain access to productive opportunities on the land. These tenure arrangements determine the ability of individuals to gain access to these opportunities, and define in part the nature and dimensions as well as the future security of such opportunities. In short, land tenure institutions determine the pattern of income distribution in the farm sector. [6, 11, 37]

But land tenure institutions do not exist in isolation of other institutions. The size dimension and future security of opportunities are critically affected by labor, capital, and product markets. [27, 35] Thus, there is an interrelation between the land tenure system and a wide range of

other institutions. This condition has led to two schools on the reform issue: land reform, being a narrower concept and referring primarily to tenure institutions and the land market, and agrarian reform, a concept which includes appropriate modification and support for a much wider range of activities. As discussions later in this paper will reveal, these interconnections make it difficult to confine the analysis to land tenure institutions and their influence on development.

And what do we mean by development? The economic literature identifies growth and development with the rate of increase in output per capita. This formulation tends to de-emphasize the income distribution consequences of the development process. The focus is on output and supply. Since land tenure arrangements are most immediately and directly associated with the creation and accessibility of income earning opportunities and their distribution, they are given only passing mention in much of the economic literature on development.[2]

This emphasis on production and growth in per capita output serves a very useful function for comparative purposes. But it is incomplete and needs to be supplemented by other measurements. The allocation of investment funds is affected in a very direct way by the pattern of income distribution. Change the income distribution and the profitability of alternative investment possibilities also changes. Given one pattern of income distribution, it may be most profitable to invest X dollars in new capacity for producing agricultural chemicals and Y dollars for increased capacity to produce TV

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[2]The production consequences of changed tenure structures are less direct and must be measured in a longer-run context.

sets; given another pattern of income distribution, these investment proportions may be reversed.

A different perspective of development is achieved by viewing it as a process of creating economic opportunities and upgrading human skills and capacities required for their exploitation. /10, 15, 19, 45/ But Viner's statement of seventeen years ago still seems to hold: "Were I to insist, however, that the reduction of mass poverty be made a crucial test of the realization of economic development, I would be separating myself from the whole body of literature in this field." /48/

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. Where jobs in industry are scarce, work on the land offers the only prospect for productive opportunities for most people. Agricultural production may not increase as rapidly or dramatically if it is achieved by the slow and painful process of getting millions of rural people firmly attached to viable and secure opportunities on the land. But it is likely to provide a more stable base for the country's economic and political development in the future. /15, 39, 47/ The connection between land tenure institutions and economic development is clear when the latter is seen as a process of creating opportunities and the human capacities needed to exploit them.

II

I want to turn now to some policy issues in development that are influenced directly or indirectly by the land tenure system. They illustrate

some of the complex puzzles that confront policy makers as they attempt to guide economic development.

While these theoretical relationships are necessarily quite general, we should not forget that a wide diversity of land tenure forms is likely to exist in any given country. Although the tenure system in any country can usually be characterized by certain dominant forms, it is not homogeneous. Likewise there is great diversity within the landlord and peasant class. In the discussion that follows, I shall merely illustrate some key influences that land tenure institutions may have on development. As will also be evident, the issues discussed are not all of key significance to all the developing countries. Some are especially relevant to the existing situation in many of the Latin American countries, others are of more universal significance. The discussion is organized under five headings: (1) Income Distribution and Demand Consequences, (2) Economic and Political Power Distribution, (3) Investments in Agriculture and Supply Consequences, (4) Investments in Other Sectors of the Economy, and (5) Premature Farm to City Migrations.

1. Income Distribution and Demand Consequences

I have already alluded to the direct relationship between the land tenure system and income distribution in the farm sector. If there is rapid development and new job creation in the industrial sector, then this relationship is less clear. When the industrial labor market provides effective alternatives, the bargaining power of those who occupy a weak position in agriculture is enhanced while that of the resource owner is weakened. /22/

A common feature of many developing countries, however, is a very skewed distribution of landownership and a relatively slow rate of growth in nonfarm employment. Consequently, those who own no land or own only a small parcel, or those who farm as tenants and sharecroppers have claim to only a meager income, and a very insecure claim at that. Abundant labor supplies and lack of employment opportunities maintain this condition.

In a society having from 50-70 percent of its population in agriculture (a common feature of less developed countries), the income level per capita of this majority is a key factor in determining the demand for goods and services in the economy. When most of them are poor, desperately poor, very little demand is generated. Poor people are poor customers. They would eat more and eat better if they had more income.

Poor people are even poorer customers for industrially produced goods. Food comes first. The extent of the market is too limited to support a variety of manufacturing industries and to reap the benefits of scale economies inherent in many industrial processes. This is especially significant in "small" countries and provides some of the advantages in economic integration. [7]

There may be a degree of conflict between wider and more equal distribution of income and demand expansion on the one hand, and increased rates of saving and investment on the other. But this conflict is frequently more apparent than real. Kaldor's evaluation of the Chilean situation bears on this point. He concludes that "if luxury consumption could be reduced to a more modest proportion of the income of property owners, the proportion of savings in the national income could be considerably raised without lowering the standard of living of the mass of the population. [21, see also 2]

Many countries face this dilemma. The skewed income distribution (which in the farm sector is directly related to the land tenure system) provides little demand expansion for industrial growth, and because of conspicuous consumption (especially of imported goods) on the part of high income recipients, high rates of saving and investment are not achieved. Even those investments that are made by high income recipients may be in areas that are not the most critical for development.

Poor people are also poor customers for products in international trade. A recent USDA study analyzes growth in the world grain trade to 1970 and 1980 based on "economic demands" rather than on some projected nutritionally desirable diets. [1] The demand for grain is a function of the rate of increase in production in the farm sector (as well as in the rest of the economy). In other words, a change in the rate of agricultural output has a significant impact on total income (in nations where agriculture is the dominant form of economic activity) and therefore on consumption of agricultural commodities. This study did not take into account possible changes in the distribution of income in the agricultural sector. Building this into the analytical model would have been most enlightening.

It must be recognized, of course, that peasants cannot get rich quickly by redistribution or by any other means. Developing countries are too poor for that. But if they can get a <u>little</u> more income and secure expectations that their efforts can yield them more in the future, this can have a significant impact on demand. And land tenure institutions are important means for providing security of expectations and are key determinants of income distribution in the farm sector--a sector which frequently includes half or more of the population in these countries.

2. Economic and Political Power Distribution

Economic and political power are related positively to income levels. The rich have more power than the poor. Where the agrarian sector is large (in an economic sense) relative to the total economy, those who control the land resources are able to influence the political processes in a measure disproportionate to their numbers. Thus, in addition to income distribution with its demand consequences, land tenure systems influence the political power structure and the goals and policies that are formulated through the political process. /2, 3, 5, 38/

As a result, it is difficult to enact legislation affecting the distribution of income--whether by changes in land tenure or by other means. And if such legislation is passed, it is nearly impossible to enforce. Taxes are usually low, the system of taxation confused, and compliance minimal. The same problems exist relative to enforcement of labor laws governing working conditions, and laws defining land rental contracts. /3/

The concentration of power in a relatively small group has many implications for development and change. For one thing, power at the central state level is likely to be closely related and connected with that at the regional and local level. That is, the same people, the same interests, are involved. Thus if a local group outside this power structure formulates and pressures for a certain program, it may be confronted by opposition from the local power elite. But it may likewise find this same opposition at the regional and central level because of the common interests involved. Under these circumstances, a people remain either politically inactive

(lethargic is perhaps a more descriptive term) or they revolt. The prospect of an intermediate alternative, pragmatic compromise and evolution, is largely foreclosed.

In a society with economic and political power more widely dispersed and diffused among a great number of economic interest groups, local opposition may be overcome by appealing to and gaining support from power at another level. Civil rights and legislative reapportionment in the U. S. are examples. In the former case, local and state opposition was countered by a U. S. Supreme Court decision followed by support in the legislative and executive branches of the Federal government. In the latter, the highest court of the judicial branch was the only power source that could respond to the problem.[3]

It is interesting to speculate about the analogy that might be drawn between the distribution of income and the distribution of political power. A highly skewed pattern of income distribution may result in a lower level of effective demand and thus a smaller total national income. The U. S. experience with widespread unemployment in the depression of the 1930's as

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[3] I use these examples to illustrate a point rather than to hold the U. S. up as an ideal. There is a great deal of power concentration in the U. S. Agriculture and landownership is, of course, not the primary focal point of this power. On the one hand there is the so-called military-industrial complex of which President Eisenhower warned the nation when he left office, and which has recently been discussed in a cogent analysis by Galbraith. /20/ On the other hand, there is the power struggle associated with poverty and the racial question. The U. S. has not been wholly successful in resolving these issues. I think it is being recognized that a major attack on poverty and racial problems must involve a restructuring of power and a much wider participation on the part of these relatively excluded groups. If we can resolve these issues, as we must, we will gain a better understanding of and appreciation for the struggles and the turmoil that will continue to characterize the developing nations in the foreseeable future.

well as the Keynesian formulation support this proposition. Under conditions of mass unemployment and underutilization of resources, a more equal distribution which stimulates demand, given time for the multiplier effect to register its full impact, enlarges the total income "pie". The analogy suggests that political power may be of this nature also. That is, a wider distribution may in the long run enhance the power of all.

The length of run and the dynamics of the particular situation are key variables in this consideration. In a rapidly growing economy, the generation of new wealth and power may be sufficient to provide new opportunities for all interest groups. But since this cannot be guaranteed, those who stand to lose in the short run will not voluntarily take this risk. The point is that they may have to accept this risk if there is sufficient diffusion of power among a wide group of interests. But the more agrarian a system, the more highly this power is likely to be concentrated and the greater is the influence of the associated land tenure system. This influence recedes in importance as industrialization advances and groups other than those favored by the landholding system gain a larger share of the income and power.

3. Investments in Agriculture and Supply Consequences

Two aspects of this question need to be distinguished--investments by individual entrepreneurs or private groups and investments by government. The latter will be treated more fully in the next section. However, it cannot be completely separated and isolated from the discussion of private investments

[4] Investments in state controlled or collective agriculture will also be dealt with in the following section.

The basic question is to what extent, if any, particular land tenure arrangements affect investments and thereby the supply response from agriculture. Raup has argued persuasively that "Capital formation in farming is rarely concentrated either in space or in time. It accumulates by an incremental process that is best described as accretionary. A nation's livestock herd is a good example." He goes on to point out that tenure security can contribute to this "by making the use of productive assets the preclusive right of an individual or group. This security of expectation is crucial for biological forms of capital, for slow-maturing enterprises, and for undertakings involving numerous incremental additions made successively over many production cycles." /42/

Parsons has formulated the issue in a slightly different manner, maintaining that "The tenure system of a country influences the productivity of agriculture both through the incentives which the tenure arrangements offer for the effective participation of workers, managers, investors, etc., and through the capacity of a tenure system to adjust to the requirement of economy, such as: the adoption of new technology, changes in the size of farms, the equalization of the labor earnings between agriculture and other sectors." /36/

The tenure form that seems to come closest to providing the necessary incentive conditions is the owner-operated family farm. /26/ However, it is possible to devise leasing arrangements that create about the same security of expectations for tenants as an owner-operator system. But unfortunately, such leasing arrangements are seldom found in the less developed countries. /27, 30, 42/ As Long has described it, the tenant must share

heavily with the landlord the fruits of his extra labor, and given time, the landowner finds ways of absorbing virtually all the extra production. 'Thus the tenant learns not to smile, lest the landlord raise his rent: as the Eastern proverb has it, 'A smile on the face of a tenant speaks of the stupidity of his landlord'." [27]

I will not elaborate on the pros and cons of a particular tenure form since this theme is well covered in land economics literature. I would only mention that there are cases of progressive agriculture outside the pattern of family farming. [34, 42] Nor would it be appropriate to write off the Soviet-type collective as a complete failure. That system is changing, and it is impossible to foresee the ways in which it may evolve. Finally, cultural and social factors are extremely significant in determining the success of different tenure arrangements. [4] This makes generalization difficult.[5]

In the remainder of this section, I wish to raise several other points regarding relationships between land tenure institutions and investments in agriculture. In discussing these relationships, I believe we must draw a distinction between production for export and for internal markets.

Although there are exceptions, export crops of the less developed countries have generally shown higher rates of increase in production than have crops and livestock grown primarily for the internal market. The crux

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[5]In the U. S., attempts at establishing cooperative farming have generally failed. But also in the U. S., attempts to establish family farming patterns among the American Indians were unsuccessful.

of the world food problem is found in the slow rate of growth (relative to population increases) in food production for domestic use. In part this may be a consequence of the colonial experience and the long history of foreign entrepreneurs operating in the export crop field. But there are other factors in this picture.

For one thing, most of the less developed countries are concerned with balance of payments problems, and export crops are frequently large earners of foreign exchange. Thus there is more interest and government effort to enhance production of export crops. Current foreign loans added to already large international debts increase the need for exports to service these debts. A government's concern and its efforts to encourage expansion of production in the export sector are understandable.

This emphasis on exports, however, may give the statistical impression of high rates of growth in the agricultural sector, but the level of living and income of the majority of farm people may actually be deteriorating. Some Central American countries, like Guatemala and Nicaragua, with rapid growth in the production and export of cotton are nevertheless faced with deteriorating conditions in the countryside. The feature of the land tenure system that is important here is that production for export is frequently organized in large scale operations or plantations and often financed or run directly by foreign entrepreneurs.

Country governments, in their effort to resolve the balance of payments problems (and under great pressure to do so by international lending agencies) sometimes invite foreign companies for the purpose of increasing the production of export crops. For example, in 1966 the government of the

Dominican Republic was negotiating, with a consortium of U. S. companies, a long-term rental contract for operating a large area of excess sugar cane land. The companies insisted on a guarantee in the contract that they not be pressured to hire undue amounts of labor and that they be allowed to operate "efficiently" with modern mechanization. The Dominican economy is largely agricultural, and estimates of unemployment in the country at the time ranged upwards of 30 percent. Such an arrangement might help solve the balance of payments problem, but it will likely do little to create opportunities for the unemployed and the excluded.

I use this example to emphasize the need for finding ways to create opportunities--even subsistence opportunities--for the mass of rural people which are being created neither by the present tenure structure nor by the kind of efforts described. Where land constitutes the major resource base, ways must be found to utilize it in such a way that it can serve as the vehicle by which people gain experience and the discipline that comes from productive work.

As for importing the most up-to-date technology, especially in the field of mechanization, Dr. E. F. Schumacker has made a good case against it. Using as an example a complex modern refinery, he compares it to the tip of an iceberg, with most of what makes it function successfully hidden from our view: the planning, organization, financing, marketing, and most of all the educational background which is the precondition of all, "extending from primary schools to universities and specialized technical establishments, to cope with all these problems, only a few of which are immediately visible

in the refinery itself. That is what I mean when I say that the visitor sees only the tip of an iceberg. There is ten times as much somewhere else which he cannot see, and without the 'ten,' the 'one' that he does see is worthless. And if the 'ten' is not supplied by the country where the refinery has been erected, either the refinery simply does not work or it is in fact a foreign body which depends for what I call the 'ten' on some other country somewhere else." /46/

This seems like a rather simple, common sense notion, but it is too often ignored in the overemphasis on production as the goal rather than creation of opportunities for people. And this creation of opportunities in the agricultural sector is directly related to the type of land tenure ystem.

Most farms, however, large and small, are geared to production for the domestic market. And while production is increasing, it is not growing at a sufficient rate to meet the needs of rapidly growing populations and major improvements in their diet. A number of factors have been identified as being critically important: the cost/price relations in agriculture, production incentives related to land tenure institutions, availability of new production inputs and services, credit, etc. All are related to the supply side, and all are undoubtedly important. /30, 45/

But we need also look at the structure of demand. In the developing countries, the extent of the market is not only limited for industrially produced goods, but also for those produced on the farm. Empty stomachs do not shift the demand function to the right. (Although they may shift

politics to the left.) Large increases in farm output may depress prices unless this output is distributed in a way that will generate an equivalent increase in demand.

Where the agricultural population makes up a large percentage of the total, a major part of the increase in demand for food (required to avoid price declines following increases in farm output) may have to come from the farm population. Where agricultural production is carried on under a system of small owner-operated farms, for example, part of the increased production naturally flows into increased consumption on the farm. But where incomes and consumption of a large majority of the farm population are very low and dependent on a wage or rental system controlled by a landowner class, increases in production may not automatically accrue to the mass of rural people. Under these circumstances, increases in demand are dependent mainly on the growth in urban incomes and employment. If such growth is not sufficiently rapid, then farm prices will decline. Therefore, it is important that increases in farm output are distributed among the rural population in a way that will generate sufficient demand.

A key variable, so it seems to me, is the control of the investment decisions in the agricultural sector.[6] Where investment decisions are decentralized with many small investors reaping the benefit of the increased output, the demand generated will more nearly match the supply and thus be less likely to depress prices. If the land tenure arrangements leave most of

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[6]And it is important to conceive of investment in a broad sense--not only investments representing purchases in the capital market, but investments of labor time in the capital creation process on the farm. Raup's concept of accretionary processes of capital development in farming is significant here.

the investment decisions to large landowners and landlords, many of whom may view investments only in the monetary sense (not in the accretionary, labor-time sense) and whose business connections provide alternative investment opportunities in other sectors, they may well decide to limit investments in agriculture and shift their investments elsewhere. /12/ This may be the economically rational decision, given the limited demand and the resulting price structure. But a wider sharing of the investment decision could, under these circumstances, have two advantages. First, it would provide a more equal distribution of income and thus generate more demand. Second, it would enlarge the conception of investment to include capital creation on the farm through use of the investors' labor.

Of course governments may have a cheap food policy and thus control prices received by farmers in order to lower food prices for urban consumers. This is sometimes judged necessary to avoid unrest in the cities. Even if this is not the case, agricultural product prices sufficiently high to make investments more attractive in agriculture than in other sectors may be inconsistent with the requirements of economic development (as I shall argue in the next section). And the land tenure patterns have a direct bearing on these questions, essentially through the location and control over the investment decisions in the agricultural sector.

What about the size-of-farm issue that has been so widely debated? The above reasoning suggests that small farms may be the more advantageous, at least in early stages of the development process. But the size of the operating unit is perhaps less important than the arrangements by which

decisions about monetary and labor-time investments on the one hand and rewards for additional effort on the other are integrated.[7] The evidence from various parts of the world supports the hypothesis that productivity per unit of land on small farms is as great or greater than that on large farms.[8] /3, 14, 16, 17, 23, 25, 42/

In any event, internal population density and the need for employment opportunities on the land should be more important determinants of farm size than the possibilities inherent in imported machine technology. /8, 36/

4. Investments in Other Sectors of the Economy

That investments in agriculture are influenced by the land tenure arrangements is evident. But do these institutions also affect the nature and level of investments in other sectors of the economy? There are several ways of looking at this question.

We have already noted that landowners who have the ability to evaluate investment alternatives may find the more profitable ones in sectors other than agriculture. How well such investments serve the over-all requirements of development is not always clear. Many of the investment needs are for social overhead, or of a scale requirement in the private sector that call for a pooling of capital which is difficult without well organized financial markets.

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[7]Cultural factors and social organization also become important at this point--tribal custom, extended family obligation, expenditures on social functions, etc. /4/ The above arguments assume economic responsiveness on the part of decision makers.

[8]If output per unit of land is the unit of measurement (the more limited and thus appropriate resource for which to measure output rather than per unit of labor, the more abundant resource in most developing countries), "small farms" compare very favorably with "large farms."

In all cases of developing countries today, there is need for a large scale public investment program which means that government must gain access to a substantial pool of investment funds. In those countries where the agricultural sector is large relative to the total economy, agriculture must be a major source of savings. In simple physical terms, it means that agriculture must provide the food with which to feed the people who have been released from the agricultural sector and are now engaged in building the capital structures--roads, schools, factories, canals, etc. Since these investments do not have a quick payoff, agriculture must, so to speak, donate part of this food without an equivalent short-term return. Owen has stated the case: "how can peasants be encouraged to produce a cumulative surplus of food and fiber over and above their own consumption, and how can this surplus largely be channeled to investment activity in the nonfarm sector without requiring an equivalent transfer of productive value to the farm sector." /33/

Even in the U. S., Owen estimates that this production squeeze was between $1 1/2 - 2 billion in 1960. Raup points out that among the industrialized nations, "Those countries in which agriculture is well rewarded have made much slower rates of economic growth in the twentieth century. France is an outstanding example. England belongs in this class. So do Sweden and the low countries of Europe generally." He also suggests that "capital formation in postwar Germany has again been accomplished in part because of the 'tribute' laid on its agriculture in the form of lower rewards than those available in industrial occupations." /41/

This squeeze on agriculture, according to Owen, is a feature of all developing societies, whether socialist or capitalist. "The difference between the Russian and U. S. approaches to development lies not in the fact that one exacted or exacts a special contribution from the farmers and the other did, or does not. Rather the difference lies in the way in which the squeeze has been applied and in the relative efficiency with which the process has operated in each case." /33/

This concept of the squeeze on agriculture presents us with a dilemma of somewhat contradictory requirements. Investments in agriculture must be made and agricultural productivity must increase and at the same time the terms of trade must be kept somewhat unfavorable to agriculture. /28/ This seems inconsistent with the recommendation of many economists for increasing farm prices to encourage investments. As pointed out earlier, the land tenure institutions are significant here in that they determine who controls the investment decisions.

It is important to note, however, that this squeeze on agriculture cannot be applied without a return-flow of public investments. In the U. S., this return-flow of investments included public subsidies for the construction of transportation systems, land grants for the establishment of agricultural colleges, federal financial support for agricultural experiment stations and extension services, building a system of rural credit institutions, direct payments for soil conservation practices, price support programs, etc. All were part of government policy aimed at achieving increased agricultural production and helping to redress the imbalances in the distribution of income

and opportunity which accompany development. [13] And the realization of these policies was influenced in an important way by farmers themselves working through their organizations within the political process. [39]

In many of the developing countries, the squeeze has been applied to the peasants for generations--indeed for centuries in some cases. But it has been a one-way exploitive process. The return flow of public investments and redress have been ignored. It is not a simple matter to rectify the exploitation consequences of several centuries. The peasants are not stupid and lazy. They are frequently unschooled, poor, unorganized and neglected.

Tenure institutions are important because in many cases it is the landlord who extracts the surplus from the peasants. If landowners are also very influential in government, there is no public power to get it away from them and the decision for investing this surplus rests with the landowning class. And investments guided by their private interests are not necessarily consistent with those required for developing the country.

An interesting question is posed by the Russian experience. The large landlords' estates as well as many of the larger peasant holdings had been eliminated through "the land reapportionment of 1917-18" together with the "class war in the villages in 1918-20." [32] Yet ten years later, in 1928, the drastic decision was taken to collectivize Soviet agriculture. Quite obviously, an individualistic farm sector represented certain political threats to the communist party leadership. But there was also the underlying economic rationale. The magnitude of the surplus that had to be squeezed from agriculture in order to support the massive industrialization efforts

which the Soviets set as their goal could not be obtained under a system with an independent peasantry. Commenting on this, Schiller says, "Most likely it would not have been possible in the Soviet Union under conditions of individual farming to effect a restriction of consumption to the same extent as was in fact achieved under the conditions of collective farming." /44/

There are major differences in the situation facing many of the developing countries today from those in Russia of 1928. Population pressures and continuing rapid increases in the population are new conditions. It is generally conceded that Russia in 1928 had a sizable agricultural surplus. /31, 44/ The task, as seen by the officials, was to squeeze this from the peasants and divert it to the towns and industrial centers. But India, for example, is today in a much different position. Given its large food imports, it cannot ignore investments in its agriculture as Russia did for many years, and it may have little to squeeze from the peasant without facing the prospect of mass starvation.

5. Premature Farm to City Migrations

Rapid rates of population growth characterize most of the less developed countries. Technical assistance and the transfer of technology reducing death rates has been very effective over the past 20 years, while an equivalent effort to lower birth rates is still in its beginning stages. The developmental policy options available to a country are influenced in an important way by this population question.

A universal phenomenon in the process of development is a declining farm population--first a decline relative to the nonfarm and later an absolute decline. Land tenure institutions play an important role in governing the rate at which this process occurs and in contributing additional capital to the developmental process in the form of investments embodied in young men and women who leave the farm for work in the city. /24/

Owen has called this the "expenditure squeeze on agriculture" and identified its two components as "emigrant capital" and "farm-financed social welfare." /33/ If the "emigrant capital" represents adults who have had little schooling or work experience, their contribution to nonfarm industrial development is open to question. However, the cost of rearing them to adulthood on the farms still represents substantial drains on the farm economy. The "farm-financed social welfare," according to Owen, represents a "claim to maintenance at farm-sector expense of any labor that is rendered redundant by the development process in that sector until such time as this labor actually realizes an alternative employment opportunity in the nonfarm sector." /33/

These processes have never functioned in quite the absolute terms indicated by the above statement. But in the U. S., for example, the agricultural system did serve as a refuge in the deep depression of the 1930's, and there was a substantial movement back to the farm. Even in the milder recessions of the 1950's, migration to the cities was slowed down. The agricultural sector in the U. S. even today continues to hold labor far beyond its productive needs.

However, while U. S. historical experience has some relevance, present circumstances are too different from those in the developing countries to offer any meaningful parallel. Near subsistence existence in the U. S. is simply an unacceptable alternative. Educational and skill requirements, both in agricultural and industrial employment, are at a very high level. Such educational and skill levels are difficult to transmit to young people whose parents operate near a subsistence level. While massive public investments to "save" the next generation are obviously required, the overwhelmingly important influence of home and family must also be enlisted to realize this achievement. And this requires opportunities for the parents that are substantially above subsistence.

But the developing countries do not have the option of bringing large numbers of their poor much above the subsistence level in the near future. One of the great failures of land tenure institutions in many of the developing countries is their inability to provide opportunities for their large and still growing farm populations. Thus the mass migrations to the cities represent, in part, a premature movement since there are insufficient jobs being created in the nonfarm sector.

Large migrations of rural poor to the cities is occurring in most of the developing countries. In the seven Latin American countries studied by CIDA,[9] for the period 1952-1960, 11 million people of a total natural increase of 19 million in rural areas migrated to the cities. [3, 47]

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[9]The Interamerican Committee for Agricultural Development. The seven countries are Guatemala, Colombia, Peru, Ecuador, Chile, Argentina, and Brazil.

A World Health Organization release[10] notes that with present trends and world population doubling between now and the year 2000, "the proportion of urbanized world population will also double--in other words, the city population will increase fourfold. The shantytowns of more than 100,000 inhabitants at the fringes of our modern cities concentrate 12 percent of the world population, more than one-third of the world's city population." /46/

Land tenure institutions need to be flexible to hold and absorb more of this labor in productive work in agriculture. Even though opportunities may be meager, they are better than no opportunity at all. As people continue to flock to the cities, they create threats to political stability. Thus governments make investments and incur expenditures to maintain order. But these expenditures do not add greatly to employment opportunities. Equivalent investments in agriculture could concentrate on directly productive capital and create additional employment. /47/ 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." /42/

III

The above five areas define some of the major influences which land tenure institutions may have on the development of agriculture in particular and economic development in general. I must emphasize again, however, that land tenure is bound up with many other rural institutions that affect the

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[10]Cited by Schumacker, full reference not given.

development process. Long has pointed out that "economic underdevelopment is itself largely a consequence of institutional underdevelopment" and "social, economic, and political institutions developed through an ageless past to achieve accommodation to an environment are ill equipped to serve as vehicles of controlled and creative transformation of the environment to serve human ends." [27, see also 4] Land tenure arrangements are among the important institutions in this connection.

Given all these complexities, development is obviously not a simple matter. But all complexities notwithstanding, there is an urgent need to increase food production to feed growing populations and to earn foreign exchange. In responding to this need, governments frequently try to get this increase by focussing attention on the large farm sector. All the supporting services--information, farm inputs, credit, marketing, etc.--can be provided more easily in dealing with a smaller number of decision making units. But this simply delays, and does not eliminate, the need for positive steps to provide more viable opportunities for the large rural masses and to give them a more secure stake in the development process as well as a means of developing the experience and skills without which future development may be slowed.

To state the issues as a choice between equity and productivity is an oversimplification. The distributional issues are not confined to equity and justice considerations, they have profound economic development implications. In most developing countries, attention must be given to both distribution and production issues. And reforms that focus on only one may fail to achieve the developmental consequences anticipated. [35, 43]

Getting the millions of rural people hooked up to more viable opportunities on the land is of course an overwhelmingly difficult task. But governments must face up to these issues and the threats posed from various groups within the nation as a result of policy alternatives that might be adopted. In this arena of difficult political choices, the courses of action chosen will be importantly influenced by the extent to which there is active participation in the process by the rural poor. [18, 39, 40] But the prospects of achieving effective rural organization are not unrelated to the type of land tenure institutions.

The transformation of an agrarian system into an industrial economy involves major shifts in political and economic power within a society. Historically this process has frequently been characterized by violent upheavals. Present efforts are not free of violence, and it is with some assurance that one may predict additional violence in the future. What is less predictable is whether reasonably orderly political processes can control it and make sufficient changes to achieve rapid development and thereby remove some of the causes that underly such violence.

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