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SPRING REVIEW

OF

LAND REFORM

JUNE 2-4, 1970

FINDINGS AND IMPLICATIONS FOR A.I.D.

AGENCY FOR INTERNATIONAL DEVELOPMENT
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Documentation for Land Reform Spring Review

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CONTENTS

		Page
I.	INTRODUCTION AND SUMMARY	1
II.	FINDINGS	5
III.	IMPLICATIONS FOR A.I.D.	11

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ANNEXES: Concluding Remarks Delivered at the Spring Review

Annex 1. Summing up of Preceding Sessions 19
- Erven J. Long

Annex 2. An A.I.D. Policy for Land Reform 25
- Ernest Stern

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I. Introduction and Summary

The Spring Review of Land Reform was designed to bring together experience from around the world on a subject of growing concern. The purpose of the conference was to determine:

a) the extent to which land reform has actually been an economic, social and political success in the countries which have carried it out;

b) the conditions that are necessary to achieve a successful land reform policy; and

c) the role that aid donors may play in this complex and politically sensitive process.

As defined for the Review, "land reform" is redistribution of land ownership and/or use rights, as opposed to all other activities involved in agricultural development, such as information flows (research and extension), credit flows (capital and operational), technical inputs (fertilizers, pesticides, new seeds, etc.) and access to output marketing channels. Colonization of virgin territory also is not considered "land reform", but only a substitute for or complement to it, and usually a high cost one. Commonly, the term "land reform" implies major equity considerations while "agrarian reform" includes other aspects of agricultural development as well.

Experts from A.I.D. field and Washington offices, international organizations and universities participated in the Review, both in preparing the documents and at the conference itself. Individual papers were prepared on about 30 countries. These papers cover most of the important land reform experiences of modern times outside the socialist world and four within that world. Twelve analytical papers were prepared on key issues, following study of the country papers. There are seven background papers dealing with various issues related to reform. For information on ordering these documents, see the inside front cover of this paper.

The major findings of the Review, as discussed in Part II, are:

1. The most important single finding is that the social and political goals of wider distribution of opportunity, power and employment among farm people need not be in conflict with, but can be consistent with, increased agricultural production and efficiency. In other words, equity and productivity tend to be mutually supporting objectives of land reform. There is little basis in fact for the common assumption that land reform, in reducing the size of land holdings, also reduces economic efficiency and output. Rather, empirical studies discussed in the Review showed increased production per acre in association with land reform. Further, the opportunities land reform provides for increasing employment, income distribution and hence markets in countries with high population growth rates and increasing unemployment are significant and are often the only alternatives to despair.

2. No amount of enabling legislation, administrative skill, or budgetary support can substitute for a dominant political will that land reform be effectively carried out. This will must be indigenous. However, a government's professed ideology is not necessarily a reflection of its actual will or capacity to accomplish land reform.

3. Whether land reform is destabilizing over the short run is dependent on a number of factors, particularly the degree of pre-existing social cleavage within the society and the manner in which the reform is carried out. Over the longer run the evidence is clear that accomplished land reform has a stabilizing influence.

4. Urbanization is not an adequate alternative to land reform. The industrialization process in urban areas is too slow to absorb the influx from rural areas.

5. Most experts think colonization has not been a sound alternative to land reform. It may be a useful complement but generally should not be considered its replacement. Even where unsettled land is seemingly plentiful, costs of essential infrastructure development, land development, settlement operations, and marketing of products, are thought to much exceed those of obtaining similar production increases through equitable

reallocation of rights on equivalent lands already developed, although actual cost comparisons have not been made. Furthermore, the socio-economic benefits which can accompany a change in the fundamental structure of rural society through land reform are likely to be compromised when colonization is pursued as an alternative.

6. Although redistribution of land ownership or use rights is the essence of land reform, redistribution alone is not a sufficient reform program. In addition to favorable economic policies, complementary measures to secure land titles and to supply improved technology, supplies, credit, extension, peasant organization, and marketing facilities are important to the structuring of a peasant agriculture that will be a positive force in the total economy. Lack of complementary facilities, however, has been used as an excuse to delay implementation of land reform.

The implications for A.I.D. of these findings are discussed in Part III. Briefly, they are:

1. Land tenure is a significant dimension of a country's overall development, and should be considered in preparing future Country Field Submissions or agriculture sector analyses.

2. Support of land reform need not be withheld for fear of adverse economic results of land distribution. On the contrary, the fact that production after land reform need not decrease must be made clear both to aid donor officials and to LDC governments.

3. Where a dominant indigenous political will for land reform is lacking, A.I.D. should take careful cognizance of what probable effects its assistance program may have on either prolonging or ameliorating existing inequities in land ownership and use. Particularly, A.I.D. should try to discourage (a) mechanization which is clearly labor substituting and (b) further consolidation of land holdings in LDCs where factor costs are so different from those in the U.S., and therefore "efficiency" in U.S. terms is not applicable. (The problem of microfarms is a special case.) A.I.D. should try to assure that assistance reaches the small farmer.

4. A.I.D. should not support a "land reform" scheme which is basically just window-dressing.

5. When a dominant indigenous political will for land reform exists, external assistance may be constructively applied on many aspects of the reform. USAIDs should let it be known that they are ready to consider proposals if asked and orally encourage government and private land reform measures where appropriate.

6. The Review was not equipped to decide how a land reform should be carried out and when. It is difficult to generalize in this area. Each country has its own individual problems which do not yield easily to outside prescriptions. However, a few general observations are made in Part III.

7. The above implications suggest that A.I.D. consider assigning appropriate staff, either direct hire or contract, to work on land reform problems.

II. Findings

1. There is a clear economic case for land reform. The evidence brought out during the Review shows that production per acre is generally higher on small holdings than on large -- that there is an inverse relationship between size of holdings and output per unit of land, in terms of both gross output and net income. This is not to say that output per man is greater on small holdings, but that output per man is not the relevant criterion in the majority of LDCs where labor is abundant, cheap and underemployed, arable land is scarce, and capital is both expensive and scarce. Land distribution may delay the coming of high returns per unit of labor and/or management through mechanization, but LDCs which are not industrializing rapidly and which have abundant, underemployed manpower, should maximize production per unit of land, employing maximum labor.

Furthermore, the evidence brought out shows that implementation of land reform has not generally resulted in production decreases. On the contrary, production has usually increased. In some cases, temporary production decreases have resulted from initial political instability or poor reform administration -- not inability of peasants to manage their own land; but alleged decreases in production resulting from land reform have usually proved to be either decreases in deliveries to traditional market channels, and use of new channels, or a reflection of higher peasant consumption of their own products and hence a reduction in marketing. This is not to say that land reform is always the most efficient device for promoting a rapid expansion in marketed food crops. In some countries the government has been able to encourage large land owners to adopt new technologies overnight, simply by tilting credit, pricing and purchasing policies in their direction. But such special treatment may be hard to maintain and may impose intolerable disadvantages on small farmers.

Factor prices are often distorted in LDCs, due to minimum wage rates, cheap credit, subsidized import prices for farm machinery, etc. But real factor costs should be carefully considered by LDC governments -- and U.S. technicians -- trying to conserve scarce resources for development. These costs usually differ markedly from those in the U.S. where labor is expensive and capital is relatively cheap. Often U.S. technicians in LDCs continue to think in terms of U.S. factor costs, particularly when they advocate mechanization and further consolidation of land holdings.

Labor and capital can be more easily and efficiently substituted for each other in agriculture than in industry, and most inputs are highly divisible. Land-saving, or yield-increasing technologies, such as improved seeds, fertilizers and pesticides, can be applied as effectively to small units as to large, to labor intensive as well as to capital intensive units. The allocation of capital to promote capital intensive agriculture thus may waste scarce resources and increase the unemployment of the abundant resource.

Although labor can be substituted for capital with efficiency gains in terms of real factor costs, large landholders will be inclined to shun labor intensive farming, because it is difficult to manage a large labor force. Large landholders prefer labor displacing mechanization which is not only easier to manage but also more profitable to them, given current factor price distortions -- especially if mechanization is directly subsidized or indirectly subsidized through cheap credit, low import duties or other tax policies, or assistance policies of external donors. However, in many large holdings, the technology is organized just as if the large farm were many small units.

On the other side of the coin, the incentive to apply yield-increasing technologies and make necessary investments is greater when farm operators have secure tenure and assurance that they will retain a substantial portion of increased revenues. Adaptation of new technologies takes time, and a farmer needs to be fairly certain that he will profit by it.

If an LDC is trying to develop on a viable, steady basis, it should have a distributive system that gives it a widespread base for employment, for profit and for demand. Otherwise development may eventually come to a standstill. Land reform can broaden and diversify effective demand and it can create a broader entrepreneurial class not only on the farm but also in food processing, marketing and farm related industries in the rural areas. This will stimulate overall development.

2. Both the political will and the political capacity for land reform are critical for success. There are a number of paradoxes. One is that although liberal democratic policy may favor land reform, liberal democratic regimes may have land reform legislation on the books for years without actually distributing land. Democratic governments supported in large measure by large landholders often lack the political capacity to implement land reform.

Another paradox concerns the role of revolutionaries and of conservatives. Social revolutionaries and radical democrats with little stake in the existing power structure usually strongly support land reform. Conservatives consider land reform a threat. But, some successful land reforms have been carried out by autocratic conservative governments, and many revolutionary governments have subordinated land reform to productivity goals or centralization of political control.

If a government is politically determined and politically powerful enough to implement land reform, then budgetary, technical and administrative difficulties usually are solvable. The evidence indicates that successful implementation of a land reform, if the government has the will and the capacity, depends not so much on whether that government is authoritarian or democratic, but on how the bureaucracy is organized to implement the reform. There were three basic variations of bureaucratic organization described in the country studies: (1) centralized implementation in a single government agency; (2) division of implementing responsibility among several different agencies; and (3) devolvement of authority for significant aspects of land reform implementation to local government leaders or non-government groups whose loyalties and responsibilities were to their own constituents rather than to a superior hierarchy of officialdom. Comparative ratings of results indicated that the latter approach brought about the most successful reform.

Where responsibilities have been vested in central ministries or land reform authorities, best results have been obtained in cases

where authority was decentralized to regional units possessing broad planning and adjudicating powers.

It was also clear from the country papers that the existence of nongovernment-controlled small farmer organizations involved in, or capable of exerting influence on, the land reform process contributed powerfully to land reform accomplishments.

3. In general, the results indicate that land reform can be politically destabilizing over the short run but if effectively carried out is highly likely to be stabilizing over the long run. In many cases, short run instability was more a reflection of the broader revolutionary atmosphere in which the reform occurred than a result of the reform itself. In countries in which the bulk of the population is in the agricultural sector and in which extreme inequalities of land tenure exist, instability is more likely to be a consequence of lack of reform than a result of reform. Thus the situation now evolving in many rural areas of the developing world is inherently unstable, and land reform has in similar circumstances in other countries directed change along constructive channels.

In land reform countries in which peasants were independently organized for participation in the decision-making process, the base of political power was restructured and widened, particularly in the rural areas. As a result, demands were made by small farmers for government intervention in matters which had previously been controlled by the landlord and his allies or left unattended entirely. The ability of a government to respond effectively to these demands has been a factor in determining stability in the post-reform period.

4. Urbanization is not an adequate alternative to land reform. In most LDCs, the industrialization process is in its early stages and slow, while population expansion is rapid, and cities have serious unemployment problems. Thus there is not usually a choice between land reform and urbanization. Both processes need to occur simultaneously. Much greater employment opportunities are needed both in the cities and in the country just to absorb natural population increases.

The evidence indicates that land reform increases rural employment and the incentives for peasants to remain in the country. By increasing the purchasing power of rural workers for products which the country is capable of producing, land reform also helps ease the urban unemployment crisis and promotes general development.

In most LDCs, the production of labor-saving agricultural machinery creates an insignificant number of jobs,especially since most of this machinery is imported.

Land reform is not irreversible. At later stages in an LDC's development, land may be reconsolidated and mechanized as the urban sector becomes able to absorb displaced labor, as is presently the case in Japan and Italy.

5. Colonization has not been a viable alternative to land reform. Often governments have favored frontier-type settlements for reasons other than to create economically and socially viable communities, e.g., to achieve national integration, to secure borders, or to satisfy regional economic interests. In other cases, they have been promoted to divert public attention and official priorities away from acute social conflicts and growing inequities in land tenure in the settled farming areas. Virgin land projects typically have entailed large infrastructure investments, the development of many supporting services, and the allocation of considerable skilled manpower. They either have had only a long term payout, or they have failed.

Some countries have tried both land reform and colonization, for instance, Venezuela and Mexico. In these two countries, even though the combination of new irrigation, frontier land settlement and large-scale land reform programs has had a substantial impact on overall production, greater impact on rural employment and income redistribution might have been entirely possible by a more consistent concentration on land reform. In Bolivia, allocation of manpower and funds to colonization schemes considerably slowed down the implementation of land reform. Further, where inequities in land tenure exist, it is probable that traditional patterns of ownership and use rights will evolve in areas in which colonization projects have been developed.

In South Asia, North Africa, and the Near East there is very little virgin land available for settlement that would not require prohibitive levels of investment in water resources and/or land preparation. In Africa, South and the Sahara, particularly in the heavy rainfall areas, the current state of technology, tribal land ownership patterns and rotating cultivation are such that there is not much additional cultivable land available. In East Asia and South America there are well-watered spaces, but roads and other costly infrastructure would be necessary before these spaces could employ more than a fraction of farmers. In addition to the high cost of building up these tropical watersheds, there are other problems associated with them:

First, land resources in any tropical area can deteriorate rapidly under leaching rains, extremely high temperature and the effects of erosion. Second, world markets for a number of conventional tropical export products -- assuming the freight barriers and storage problems are solvable -- are already overburdened. Third, government administration of capital intensive settlement projects in the tropics has been near catastrophic.

Thus, the employment problems posed in the settled, rural areas should usually be first viewed for solution in those areas. It does make sense, though, to put into cultivation previously uncropped but accessible lands which require a minimum of new infrastructure to become economically productive. New farmers could be encouraged to settle in these areas.

6. After land is redistributed, complementary measures are important for a reform's success. Agricultural supplies, credit, marketing and extension facilities should be made available. In areas where supporting services are inadequate or too costly, the government should intervene often in support of alternative private institutional channels. Without substantial infusions of credit, reform may not result in significant production increases. Marketing facilities and favorable product prices are needed to enable farmers to realize new production possibilities. Farmers should have access to improved technologies, including improved seeds, fertilizers, and pesticides, which do not require large mechanized farms for adoption. Finally, general economic policies may affect some of these complementary requirements and exacerbate or facilitate solution of tenure problems.

Redistribution of land ownership is not firmly accomplished until clear titles are based on land (cadastral) surveys providing incontestible identity, location and area of each parcel. Short of this, ownership is subject to legal attack, possession is subject to usurpation, the property is a poor risk for capital improvement, and the political and social benefits of the program are tenuous. The time and costs of surveys essential to give the acceptable level of control, particularly if aerial photography is used, have dropped precipitously. Lack of sufficient cadastral surveys -- as well as other measures -- is often used as an excuse to delay implementation of land reform.

Peasant organizations, such as cooperatives, can be extremely effective for making complementary facilities -- credit, inputs, technology, marketing, and even land titles -- available to the beneficiaries of land reform if they are well managed.

III. Implications for A.I.D.

1. If the Spring Review has proved anything, it is that land tenure is a significant dimension in agricultural, hence economic, hence overall development. This dimension must be considered when a Mission is preparing a Country Field Submission or agriculture sector analysis. Land tenure is somewhat akin to population which, until a few years ago was a dimension frequently and sometimes deliberately overlooked.

Countries which would be likely candidates for a thorough analysis of existing land tenure are those with a high man/land ratio in terms of readily usable land, and where the traditional land tenure system has resulted in a vastly uneven distribution of farm units, such as in parts of South and Central America. Here land reform may offer opportunities for remunerative employment and thus ameliorate a serious social, political and economic problem facing most LDCs, the emergence of a large and growing class of idle farmers and farm workers. This problem cannot be solved in the cities in the near future. Even if landlords are progressive, their displacement from control of production planning and marketing may be more than compensated by the build-up of a wider human resource base with expanding economic activities which can contribute significantly to development.

Land reform may not be the most effective short-term remedy for countries with critical food deficits. It may be easier to design a production campaign for large-scale farmers -- if they are present in significant numbers -- than for the beneficiaries of land reform. But to organize campaigns around the large-scale farmers could raise the costs of a future land reform as well as the opposition of the landholders. Since food deficits and rural unemployment co-exist in many LDCs, crop campaigns should not be based primarily on larger farmers without serious consideration of possible implications. It may be more time-consuming and require new techniques to get to small farmers, but it could be highly beneficial economically and politically to do so in many countries.

Countries may not seem candidates for land reform if high population pressures appear where farm units are already small and fairly evenly distributed. Then, regardless of whether the units are owner-operated or farmed by tenants, the opportunities for increasing employment through land reform could be minimal, such as in parts of East Pakistan and Java. However, even in densely and fairly evenly populated Taiwan, employment in the rural areas increased significantly after land reform; and Taiwan has about twice as many farmers per acre of arable land as has India -- about 80 per 100 acres as compared to about 40 in India. And, in these situations, there is a good case for land reform or at the least improved tenure security, just on the basis that it can improve incentives and thereby stimulate increased production in the small farm rural sector.

The land tenure systems in parts of Africa do not fit into the categories just mentioned. Lands are often held under tribal arrangements which may discourage modernization and expansion of agricultural production. Here reorganization of tenure might be profitable not to improve equity, but to increase incentives for the employment of modern techniques for increasing production. Further, it does seem important to ensure that rural development programs in these parts of Africa include measures that prevent the accumulation of large holdings by a small group of individuals and the consequent appearance in Africa of tenure problems it has hitherto avoided.

2. Support of land reform need not be withheld for fear of adverse economic results of land distribution. On the contrary, the probable economic success of land reform should be made known both to aid donor officials and to LDC governments. Many people in donor as well as recipient countries still believe the social welfare benefits of land reform must be weighed against losses in efficiency and production. There will be circumstances where a major goal of A.I.D. should be to reveal the strong economic case for land reform in terms of probable higher production and income per unit of land, the efficient use of a country's cheapest resource -- manpower, and the creation of demand and entrepreneurship in the country-side which will stimulate overall development.

At the same time, for most LDCs the case against labor substituting mechanization of large farms should be made in terms of its real factor cost -- the waste of scarce, expensive capital which could be used for other purposes where labor cannot be efficiently substituted for capital, and its damaging effects on

employment for which there is no recourse. It should be made clear that in countries where land is scarce and population is rising rapidly, higher labor productivity is not relevant, compared to the achievement of higher production per unit of land.

To make known the economic results of land reform, AID could promote the organization of seminars, for instance at local universities in LDCs, and encourage the use of land reform training centers, such as the one in Taiwan. Short of that, all or part of the documentation for the Spring Review could be distributed to appropriate people. Consideration should be given to translation of some of this documentation into Spanish at the Regional Technical Aids Center in Mexico City, and if possible into other local languages.

3. Where a dominant political will for land reform is lacking, A.I.D. should take careful cognizance of what probable effect its assistance program may have on either prolonging or ameliorating existing inequities in land ownership and use. Assistance is seldom "neutral". Development assistance which reaches only large or medium scale farmers may increase existing inequities and encourage large farmers to increase their holdings and thus their revenue. This can occur particularly with tractors and other labor-saving machinery, but even with improved seeds and credit support if distribution is not considered.

A.I.D. has often overlooked biases toward the medium and large scale farmers, and has frequently not considered the measures necessary to bring new technology and inputs to the small land holder. When an indigenous political will for land reform is lacking, A.I.D. can still try to steer resources for agricultural development to the small farmer. Further, A.I.D. can encourage LDC governments to correct distortions in factor prices such as subsidization of tractor prices, and to use credit as a tool to promote more intensive land use.

A.I.D. cannot, however, use its leverage to buy land reform when the indigenous will for it is lacking. A commitment to make the profound political and social changes which land reform brings cannot be purchased. The decision for land reform must be made in the recipient country. The most A.I.D. can do is quietly try to impart an appreciation of the development benefits of land reform to host country officials. A.I.D. can, however, assist land reform after the indigenous commitment to it has been made, as discussed in implication 5.

4. A.I.D. should not support a "land reform" scheme which is basically just window dressing. A government may pass land reform legislation but then not implement it because it lacks the political capacity, and/or because it fears the economic outcome. A government can purposely pass inoperable legislation in the first place.

A land reform program which changes only tenancy rights, not land ownership, should be studied carefully. Experience has been ambivalent. In some countries tenancy control has not been an efficient instrument in the land reform process. Tenancy laws can be expensive to administer, in terms of both money and manpower, and they may be beyond the capabilities of many governments to enforce, particularly if administration is centralized. On the other hand, in countries like Japan and Taiwan, arrangements that improved tenant security were an important and probably indispensable prelude to redistribution of ownership. Tenancy control in these countries, however, was administered cheaply and effectively by local organizations.

Selective expropriation may not be sufficient either, at least in terms of creating adequate employment. Selective expropriation may, however, encourage the remaining large land holders to make better use of their land out of fear of losing it. This may have happened in some areas of Chile.

Before A.I.D. assists colonization schemes, claimed to be "land reform" or effective substitutes for it, it should recognize that this approach to the accommodation of rural families has significant drawbacks. The cost factor alone, will probably preclude colonization on sufficient scale to solve the problem.

5. Where a dominant indigenous political determination to undertake land reform exists, external assistance may be constructively applied on many aspects of the reform. USAIDs should make it clear to host country governments that they are ready to consider proposals if asked. Often in the past USAIDs have been reluctant to get involved in what was thought to be (a) too sensitive politically, and (b) not necessarily of very high priority.

Particularly useful assistance can be given for technical training -- in cooperative organization and administration, land surveys and records, agricultural economics research capabilities, credit supervision, and marketing systems. Funding can be provided

for credit and for planning and performance of cadastral surveys, including aerial photography. In regard to the latter, the U.S. has a comparative advantage and that advantage grows as photogrammetry is continuously improved. Where needed, and if the host government concurs, A.I.D. can also assist in the creation or strengthening of organizations of small farmers, either directly or through concerned intermediaries.

A.I.D. could consider methods to support the costs to host governments of redistributing large land holdings. Perhaps selective measures could be developed for A.I.D. to lend partial financial support.

6. The Spring Review addressed the question of whether land reform is a desirable policy quite exhaustively. The question of how a land reform should be carried out, and when, was not well covered by the Review, mainly because it is almost impossible to generalize in this area. Each country has its own individual problems which do not yield easily to outside prescriptions. In other words, a country's land reform must be an indigenous product.

A few general observations can be set forth. As to how a land reform should be carried out, an a priori argument can be made for a gradualist approach, making the easiest shifts first, or the ones which improve the chances of success of subsequent measures. Some argue, however, that gradualism can be fatal to land reform, that action must be quick and forceful or else the threatened landlords will retain the initiative and deflect the thrust of the reform.

Another question which could not be answered on a global basis, is that of how, or how much, to compensate landlords. A number of participants felt that the purchase price of land need not be tied to considerations of market value, crop value, or assessed tax rates, but rather must satisfy what the landlords demand as a minimum inducement to surrender their ownership. The author of the analytical paper on the subject stated that the compensation level should be whatever "is required in order to tilt the balance of political power in support of land reform." This bow to reality was more than many could accept on this emotion-laden issue. They felt that, aside from being prohibitively expensive, such a politically expedient solution would in effect sanction and extend the inequity that the land reform is supposed to correct.

On the question of payments by beneficiaries, the author of the analytical paper argued that some real debt should be shifted to the beneficiaries since "repayment by beneficiaries tend to reinforce their expectation that their ownership of the land is stable and that land distribution is not an interim step to an arrangement depriving them of management and control of their land" and advised that the major criterion for payment should be the agricultural productivity of the land.

On the question of how farms should be organized, the evidence that collective farming has not been the most efficient form of enterprise organization and clearly does not maximize farmer welfare, induced the Conference to take a rather negative view of collective farms. (The word "collective" refers to a single management unit, not to tribal ownership with individual farm units). Proponents of collectives have usually thought that mechanization with large and expensive machines was the only route to increased production, a fallacy discussed elsewhere in this paper.

The question of when a land reform should take place can be put in an historical framework. Land reform is more urgent at some periods in a country's development than at others. Virtually all LDCs are at the stage of development where population growth is rapid, and industry is not expanding rapidly enough to absorb more than a fraction of the labor force. Jobs must be created in the rural areas to cut down the rural exodus and consequent massive unemployment in the cities. Rural markets for products capable of local production should be expanded. Land reform is one of the few means for expanding job opportunities and markets in rural areas.

Land reform may not be an essential instrument of development in economies rapidly undergoing the industrial transformation associated with a later stage of development. In Italy, for example, the land reform begun in the South in the early 1950s was overwhelmed by the concurrent rapid progress of industrialization. It was a reform aimed at improving employment, but the dramatic growth of industry in the North of Italy, and later in the South, opened opportunities for jobs at wages superior to the target incomes offered in the land reform. Beneficiaries of the land reform left their new farms for the cities.

Land reform may be reversed in later periods when industry has developed sufficiently to absorb rural workers. In Japan, postwar land reform legislation is now being revised because of the

growing shortage of farm labor. Ceilings on land holdings are being lifted. Prohibitions on tenancy are being lifted. The objective of the new legislation is to enable individual farm income to become more competitive with income in the non-agricultural sectors. However, land reform was no doubt as essential in Japan when it did take place, as it is now in a number of LDCs.

7. The findings and implications of the Spring Review of Land Reform point clearly to A.I.D. staffing needs. Since one or more Regional Bureaus were found to have potential areas for land reform, A.I.D. should consider establishing technical expertise in these Bureaus for dealing with all aspects of land reform -- the whether, how and when. Similarly, A.I.D. should also consider the assigning of appropriate personnel, either direct hire or contract, in the Technical Assistance Bureau which would deal with the problems of land reform on a world-wide basis.

With the assignment of such staff, A.I.D. would be able to work with international donors and other organizations concerned with land reform, notably the IBRD, FAO, IDB, and the Land Tenure Center of the University of Wisconsin, to develop mutual support for and assistance on respective programs, and perhaps ultimately coordination of policies and projects in specific countries.

SUMMING UP OF PRECEDING SESSIONS

Delivered by Dr. Erven J. Long
Associate Assistant Administrator
Office of A.I.D. Research and
University Relations

Spring Review of Land Reform
June 4, 1970

Thank you, Mr. Chairman.

Of course, the assignment you have given me I can't possibly do.

The presentations we have heard have been highly articulate. They speak for themselves. Furthermore, they were condensations of much longer papers by the speakers. These papers, in turn were condensations of findings from the country papers and of voluminous writings by these same authors. Now, somehow, I am to condense the condensations of the condensations. A bit like the Royal Cook who was ordered to boil down 10,000 oxen to a cup of broth -- that broth to be of such potency as to sustain a thousand troops a thousand days. I assure you, I have no such potent elixer for you today. But somebody has to talk while the crowd collects.

All I can do, of course, is to make a few comments on those things which this review indicates to me we have learned about Land Reform from the last 10 years or so of scholarship and experience -- with emphasis on those things most directly relevant to future action. These comments will, of course, be heavily weighted by my personal biases.

1. The most important single fact which this two-day review has impressed upon me is that the improvement of our understanding and factual knowledge about Land Reform during the last 10 or 12 years is enormous -- by a factor of 100, or so -- primarily, to be sure about the economic aspects. More importantly, it is moving rapidly toward consensus, and toward generalizability, which is essential if the knowledge is to be generally useful and serve as a reliable base for policy or program. A decade ago there was only a very small body of really well done analytical, professionally respectable studies. And most of what was believed by persons interested in land reform was simply wrong. Perhaps in few areas of national policy have as many noble purposes been expressed with as little reliable factual and analytical base from which to achieve them, as those on land reform in the late 50's and 60's. This review has established, in my mind, that this situation has definitely changed.

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Altogether, this is an extraordinary set of papers. For one thing, they join issue with land reform. A decade ago it was popular to have meetings, ostensibly on land reform but actually to discuss agricultural development -- or at best credit or coops. These papers in this meeting have actually been on land reform. Witness Domike's analysis of colonization and settlement -- important issues, but not substitutes for land reform. And Owens' similar analysis of credit systems -- to be properly understood as supportive of, but again not substitutes for, land reform. I believe -- at least sincerely hope -- that this review has established that the problems creating need for land reform cannot be solved by these substitute means where land reform is actually needed -- important as these activities are in their own terms.

2. My second point, closely related to the first, is the tremendous expansion in the number of people who are devoting substantial portions of their time to problems of land reform, and thereby developing genuine competence in this exciting but difficult field. About 10 years ago, it was the fashion for various high officials to request lists of names of persons specially qualified as so-called "experts" in land reform. The list of persons who would allow themselves to be so classified was short -- to be counted on one's fingers. In fact, if anyone normally on that list happened to be left off, he had reason to feel slighted and hurt. I am not being facetious -- as a few people in this room can attest. The number of Americans who have devoted five or more years to professional work on land reform is probably at least 10 times that available in the country as a whole 10 years ago.

The situation in the developing countries, I would judge from what I have read, has improved in almost similar proportion -- at least, in quality, if not quantity.

These two circumstances -- the improvement of knowledge and of human resources with this specialized competence -- are of extreme importance to the future of land reform efforts.

3. The most important finding of the review itself, I feel, is that the social and political goals of wider distribution of opportunity, power, and employment among farm people is <u>not in conflict</u> with but <u>consistent with</u> increased agricultural productivity and efficiency. This basic fact, in my mind, is what gives meaning, relevance and hope to the entire array of questions we have been discussing. Dorner and

Kanel's paper -- and especially the charts on pages 24 and 25 and surrounding discussion -- thoroughly establish the fact that at any given level of technological development, farms of the size which result when land is distributed as equally as possible among all who must live from the land are at least as efficient as larger size farms. I was personally thoroughly convinced of this from work I did in India in the late 50's. It is gratifying to see the principle hold with such consistency, in so many countries, as found by so many excellent scholars.

I was not quite so sure, then, that it would also hold in the dynamic sense: that technological improvements could as well be picked up by small as by large farms -- though every experience I had examined appeared to support the premise. Dovring's papers -- indeed virtually all those which brought any evidence on this point to this Review -- do strongly confirm that small farms are just as capable as large farms of achieving increased output and efficiency from the dynamics introduced by improved technology and the proper mixes of policy and support services. Unless -- as Mrs. Nair emphasizes -- the technology (or something else) is rigged against the small farmer.

I feel that the amount and quality of evidence on this point are so solid it needs no further debate as a general principle. Large farms -- i.e., larger than the relative factor costs of labor, land and capital would dictate -- are not necessary to economic efficiency. In fact, the opposite is generally true.

The real point, of course, is that made by Donor Lion -- that most people, including, of course, American technical advisors and policy makers, have always assumed otherwise. Thorough understanding and communication of this point, as a prophylactic against improper assumptions and hence program decisions, is a sufficient accomplishment itself to justify this Spring review.

The oft-posed dilemma, of the hard choices countries must make -- between distributive justice and economic efficiency or advancement -- is not in this case a real issue. The countries can eat their cake and have it too. The question is, do they want to eat that cake -- and that's tough enough!

4. A word for the political scientists. I feel that the theoretical formulations and treatment of evidence by French and Montgomery -- supplemented by the commentary of Penn and others about the strategic role of peasant organizations -- are very capable of being put together into patterns of consensus comparable to those already achieved in the economics area. I don't personally care whether economic and political analyses are done together or singly -- provided only that they are sound and relevant. For policy

and program purposes they will be put together by politicians and administrators who, happily, will accept only part of the analysis anyway. But how desperately they need to have what can be given -- if only it is reliable and will work out in practice. I really believe this to be true -- that genuine comprehension of generalizable political principles may be just around the corner -- closer than we were to understanding of basic economic aspects a decade ago.

5. Another word: on methods of compensation of landlords. I personally feel, having invested a couple of years on this issue, that there is little generalizable about it. Within each country, analysis of specifics is terribly important. But it all depends upon what the countries -- in overall political terms -- want to do about their landlords. In many ex-colonial countries, for example, expropriations of absentee landlords may be simply looked upon as the last step in the "freedom movement", -- landlords, heads of princely states and other such functionaries are appropriately to be removed along with the colonizers who set them up for purposes of revenue and control. Intuitively, I lean toward "buy the landlords off" -- and this is highly appropriate in some countries, especially those where landed institutions parallel our own and where land ownership reflects meaningful investments by the landlord. But what we Americans think about this question is, in a given country, of relatively little consequence.

Three last brief comments on what, I feel, the review has <u>not</u> thrown much light -- unfortunately and somewhat surprisingly, I feel.

1. It has not given much in the way of criteria, measures, or guidelines by which to determine when or whether a land reform is worth the effort -- to the country itself -- to say nothing of when or whether it is worth the effort to us to get involved with them.

2. Though Mrs. Nair, Phil Raup and a few others have pressed it, we have had almost no analysis of how technological development can be used as a variable instrument in achieving land reform goals. If these countries borrow or develop -- or have forced upon them -- technologies rigged toward large farms, large farms will out-compete the small -- and vice versa. Intelligent programming of investments in technical research will probably have as much to do in the long run, with the spread of employment opportunities and general economic organization of agriculture as will land laws -- or credit systems.

3. Lastly, though Dr. el Ghonemy has pressed it and a few have mentioned it, there has been no real discussion of the causal relation flowing <u>from</u> land reform <u>to</u> general economic growth. As one minute detail in this, I would imagine that compensation systems to get landlord capital into productive non-farm investments is a much more important issue than whether he is amply rewarded for at long last surrendering his right to exploit the peasants.

AN AID POLICY FOR LAND REFORM

Concluding Remarks
Spring Review of Land Reform
Delivered by Ernest Stern
Assistant Administrator
for Program and Policy Coordination

June 4, 1970

The task I have this morning is what is known as a challenge -- to translate the "clear consensus" of the discussions into a policy conclusion -- before lunch.

The value of the conference obviously should not be judged by whether it has thrown up an instant policy prescription, but rather by whether it has educated those in A.I.D. and other agencies about the place of land reform in the total development effort. To assure Mrs. Nair - one shouldn't look for converts among the experts but for understanding among the uninitiated.

I share the comments of several speakers that there remains considerable confusion as to

-- what land reform is

-- what purpose it is intended to serve and,

-- how one can best go about it.

In order to avoid compounding that confusion I think it might be best to start out briefly with a description of what I conceive to be the evolution in the role of U.S. foreign assistance in the near future. With this as background, it might be easier to see how land reform policy fits in.

The U.S. foreign assistance agency is, as you know, about to be reorganized, in part because we have reached the end of the road in terms of political commitment to the present structure, but more importantly because we want to reflect the changes that have occurred in development and assistance in the past decade. These changes include:

-- the greatly increased sophistication of the LDCs in their planning and programming capacity, and their increased ability to manage economic and social change

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-- the growth and multiplication of the international agencies, their increased knowledge of development problems, and their increased sensitivity to non-capital development issues

-- the expansion of many bilateral assistance programs and

-- the continued decline of the U.S. assistance program.

In most countries the U.S. is no longer the principal donor, and very often we are a marginal donor. Nor are we involved in much of the developing world. This year we have a loan program in only 13 countries outside of Latin America; a technical assistance program in only 42.* This inevitably affects our method of operation and the scope of what we conceive to be our responsibility. Nonetheless, the U.S. foreign assistance agency will continue to be concerned with a broad range of development problems. It is in this context that we need to look at land reform.

Before doing so, however, I want to add a footnote on the subject of leverage. It has been suggested that donor countries have considerable leverage and, that if they wish to exercise this leverage in favor of land reform they can do so. Donors, however, are more impotent than one is led to believe. Donors have the capacity to accelerate change, they have the capacity to affect timing and they can threaten to withhold relatively minor amounts of aid funds for relatively insignificant periods. In fact, there is no correlation between the self-help rhetoric of which development economists are so fond and the actual allocation of resources. It is quite true, as someone suggested, that this leverage can suffice to prevent the appointment of a Minister -- but that is hardly on the same scale as land reform -- except perhaps to the Minister. It seems to me therefore unrealistic to look on donor countries as the motive force for land reform. I entirely agree with Mr. Ladejinsky that the desire for basic reform must come from within.

In looking at the U.S. and land reform in the developing countries, I think we must distinguish between

-- the promotion of land reform and the support of land reform

*Excluding 23 self-help countries in Africa. Includes only TA programs funded from the TA and AG appropriations.

and also between

-- the financial support which can be provided and the technical advice that can be rendered.

The reason for the distinction is at the heart of the issue of whether land reform is a political, social or economic device. Like every policy it affects many aspects of life but nonetheless it must have a principal purpose -- which can be separated conceptually. In this, land reform is no different from other policy changes. For instance, tax changes in the U.S. affect fiscal policy, employment, income distribution and political events but we can easily identify the socio-political objectives of tax reform and the fiscal objectives of straight tax increase.

It has been suggested that land reform is really an economic issue and that if the economic case can be made, governments will be convinced and landlords can be bought -- if the bonds are guaranteed. I usually face an expansion of the economic domain with equanimity but in this case I find myself dubious. My first doubts were raised by the strange role that many economists seem to play in these discussions. Normally economists talk about incentives, prices, market forces, fiscal and monetary policy and other devices which alter value judgments and preferences. They consider policy alternatives in the light of costs and benefits, and even though the underlying data is often imaginative, they try to define for the policy maker the least costly approach. The policy maker then must assess the political and other costs of these alternatives and decide. In the discussion of land reform I find the economists generally performing the role of legal advisers, describing the kind of legislation necessary in order to achieve land reform, and expounding on the political ramifactions of failure to act. The doubt about the economic purpose of land reform was reinforced by the continued admonition of various speakers that land reform was a relevant central issue, which was inevitably followed by a broader discussion of general problems of agrarian reform or rural development.

On the economic side I think I am prepared to stipulate, as a result of this conference, that in terms of productivity and long-term production trends there is no case for very large land holdings. Indeed, the reverse <u>may</u> be true. It does not follow, however, that all small land holdings are now of optimum size, particularly in Asia, or that some large land holdings are not highly productive. I am also prepared to stipulate that in most Asian countries and some Latin American countries, it is very important to increase the labor intensity of agriculture. If these facts are true, we have a specific economic problem that should be subject to normal economic

analysis. We ought to be able to explore whether alternative tools such as taxation, limitations on further increase in land holdings, special subsidies of farm products for small farmers, easier access to credit, special credit for land purchases, improved marketing and extension programs, ground water irrigation programs, changes in tenure and rent regulations, and other similar measures to promote the operation of small farms cannot achieve the same economic objective. If so, there should be no impediment to our assisting developing countries in any or all these areas.

The noble Kaldor has been quoted several times to the effect that tax reform may be as difficult as land reform. Yet I doubt whether this is, in fact, universally true. But true or not it suggests one alternative approach which may, at least in some countries, be no harder than land reform.

In the general context of development land reform may be an appropriate method for dealing with the problem but we can dispassionately select it from a number of alternatives. The problems it seeks to address are endemic in the developing countries

-- low productivity
-- antiquated management systems
-- malfunctioning markets
-- outdated technology
-- inadequate incentives for innovation
-- growing unemployment.

In other sectors these problems can be tackled and so they can in agriculture. In some cases land reform may be appropriate, in others more gradual methods must be sought. To advance the discussion of the <u>economic</u> benefits we need to identify those countries where land reform is a relevant act today -- and worry about the methods of making compensation credible in the country context. In some external guarantees may turn out to be helpful, in others they may be superfluous. But above all we must get away from describing land reform as a universal cure. One of the few things we have surely learned in the development business is that the diversity of the developing countries makes global prescriptions unwise. This suggests we move away from single factor anaysis and look at farm size and rural income distribution as one of a number of important issues in development.

However, land reform is in fact conceived to be much more than an economic development problem -- it is thought of as a way

-- to improve distributive justice,
-- to reduce concentration of economic power,
-- to increase political participation,
-- to enhance stability and,
-- to redesign social power structures.

These are important objectives and undoubtedly have important economic side effects. It is these issues -- not the productivity question -- which create the passionate advocacy and opposition. But these are issues on which foreign advisers and governments have little to contribute that is relevant. We must not fall into the trap -- that because there is a problem we can cure it -- quickly -- if we only had the money. Social engineering is presumptuous at best; to redesign someone else's society is dangerous. This is not to suggest we can be "value neutral" but rather that we must recognize our limitations -- financial, technical and intellectual. These decisions are the responsibilities of the LDCs and, whether or not we have trespassed on their decision making prerogative in the past, they must discharge that responsibility.

It was brought home to me quite sharply that land reform is different from the run-of-the-mill development issues. We sometimes believe we can calculate the economic effect of devaluation; we are reasonably certain about the problems of population growth; we think we can demonstrate the economic benefits of education -- but we do not believe that we know how to change tribal patterns in Africa, caste relations in India, or family patterns in Asia. Admittedly, some of the economic policies we support affect these relations, and we have increased our sensitivity to these secondary effects and try to point them out and to satisfy ourselves that we are not further aggravating basic problems. Land reform however <u>is</u> political change, it <u>is</u> political action. The country examples demonstrate that effective land reform has occurred when governments, voluntarily or otherwise, decided on a basic restructuring of society. Such a decision must be an indigenous responsibility. Once a country decides on a land reform program, and seeks external assistance, donors should provide both technical and financial support. Support yes, promotion no.

Leaving these decisions to the LDCs is not to suggest lack of interest.

We are concerned with distribution.

We are concerned with employment.

We are concerned with urbanization.

But within our limited capacity we must establish priorities. Not promoting land reform does not mean supporting misguided mechanization

policies, or farm policies which provide incentives for increasing already large holdings and exacerbating tenancy and landless laborer problems.

Where does all this leave us? One important lesson is the importance of the small farmer and the trend in land holdings. Virtually no attention has been paid to this problem in our agricultural programs. In our sectoral analysis we have often overlooked the institutional biases towards the medium and larger scale farmers and rarely have we considered the measures necessary to bring new technology and inputs to the small land holder. Secondly, we have not treated land reform at all as an economic topic. Much more needs to be done to identify situations in which land reform by legislation might be appropriate and to sharpen the analysis of the economic impact. Equally we need to advance the analysis of what tools might be available to achieve land reform gradually, through a variety of economic policies. We must also begin to treat land reform as an economic policy variable and be prepared to support policy changes -- financially and technically in this area as we do in others. We can assist in the decision making process of the developing countries by demonstrating

- -- the compatibility of social and economic objectives
- -- the economic desirability of effective support for small farmers.

Equally important, we must use our position in the international financial institutions to avoid loans for mechanization and other capital intensive approaches which are often made without any regard to the existence or appropriateness of an agricultural policy, and to sensitize them to the problem of land ownership and tenure and to the positive actions they might take.

Finally, there is the question of nuance and style -- which is as important as the other factors. In the past the U.S. has been notably reluctant to become involved in any aspect of land reform and its attitude has sometimes actually prevented progress. I think analysis has come far enough so that we can replace irrational fear with rational interest. Where land reform is feasible, desired and enacted we should be prepared to participate. If I were to encapsulate my conclusion, I would characterize the change in style I am suggesting as moving from apathetic neglect to benign interest and a willingness to share in the effort.

I know that Dr. Hannah, who could not be here this morning, and my colleagues join me in expressing deep appreciation to our guests and the AID participants for making these last three days stimulating and highly educational. The purpose of any such gathering is not to end with a unanimous view -- issues are too complex for that -- but to give a better understanding of a particular problem and to provide a perspective on the role of that issue in development. In that, I believe, we have been highly successful.

Before I close I want to thank the Chairman for leading us so superbly.