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FINANCING AGRARIAN REFORM

by

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NOTE: The views presented herein are those of the author, and do not necessarily represent the views of the Agency for International Development.

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FINANCING AGRARIAN REFORM

I. Introduction

It is customary to introduce any discussion of agrarian reform with its definition. Otherwise confusion often results due to misunderstanding of terms of reference.^{1/} I also include definitions for two major categories of agrarian reform which require distinct approaches to their finance.

"Agrarian Reform" is used here to include: "Changes in land tenure, as well as the establishment or strengthening of agencies or services of change in the agricultural sector whether governmental or otherwise. The term is used to encompass an integrated set of measures including tenurial change, designed to eliminate or substantially reduce structural obstacles which hamper balanced economic and social development of the agricultural sector."

Within agrarian reform, a predominant and perhaps essential first process in countries with traditional agricultural sectors is the redistribution of land and/or realignment/rights in land ownership.^{2/} I call this category "Land Tenure Reform".

The second category is "Other Structural Reforms". This includes the establishment or strengthening of those additional essential structural elements of a commercial agricultural system, required for an accelerated and balanced economic and social development of the rural sector. These

1/ Someone recently counted more than thirty definitions of the term "Agrarian Reform".

2/ One should keep in mind that the term "redistribution" can refer to both subdivision of landownership, in the case of large ownership holdings, and consolidation of landownership, in the case of fragmented (small ownership units) and fractional (one ownership unit made up of several disperse parcels) ownership. Further, it can include the adjustment of landlord tenant tenure relationships.

comprise such things as agencies, services, policies and investments relating to agricultural credit; provision of (and rationalization of) inputs, including water; marketing of output; rural labor and wage structures; taxation; extension and research. It may include colonization.

A crucial phase in the development of an agrarian reform finance strategy is the laying down of policy and investment guidelines, related to this second aspect of agrarian reform, which tend toward stabilizing equitable and balanced levels of (and security of) income to the farm operator and the farm laborer within the framework of the tenurial changes being effected.

The financial aspects of agrarian reform vary considerably for the two categories of agrarian reform described. In the case of Land Tenure Reform, the problem is the financing of: 1) compensation provided to existing landowners for land taken for purposes of (or involved in) redistribution, and, 2) improvements that may be effected before redistribution. The flip side of the coin is to finance the new beneficiaries (or existing landowners receiving improvement benefits, especially in the case of consolidations) in the acquisition of their land.

An integral part of financing these land transfers is the determination of the amount of compensation to be paid.

In the case of Other Structural Reforms, large amounts of capital usually must be mobilized in order to provide the goods and services inherent in creating a dynamic agricultural sector through the provision of production capability and production incentives, and the credit needed by farm firms in order to make use of such goods and services as they are made available.

In terms of establishing the framework for, or pre-conditions to, balanced economic and social development, most developing countries have determined that it is necessary to adjust tenure structures and relationships as related to farm operators and farm laborers. In many cases, large landholdings are concentrated in the hands of a small number of people, and the vast majority of the agricultural population are ~~shareholders~~^{CROPPERS} on small plots, or landless laborers, both groups being at a distinct disadvantage in terms of bargaining power—cultural, political and economical. Often, a concomitant problem is the existence of "minifundio"—extremely small operating units, usually incapable of supporting a family beyond a bare subsistence, and often with the added disadvantage of being made up of several disperse parcels.

In the first case, land acquisition is primarily a question of political economy; in the other, a difficult social problem is involved, in addition to the political and economic issues.

Financing of Colonization deserves mention. In certain developing countries, colonization can be an activity complementary to land tenure reform in that it might serve, at least partially, to resolve the problem of finding occupation for excess population in those cases where rational subdivision cannot accommodate all persons who qualify as beneficiaries, or where consolidation displaces plot holders. Colonization usually has unique financing features because of the large proportion of total investment required for infrastructure (social overhead) development.

I shall first provide a brief resumé of various methods and mechanisms that have been used or contemplated in a series of countries for financing the different aspects of agrarian reform. However, I propose

to be sufficiently brief on this point in order to leave the opportunity to raise issues relative to the impact of agrarian reform finance on development (social and economic) objectives.

I shall not attempt to indicate which alternative for finance might best suit in a particular agrarian reform program. That is a decision ~~which~~ ^{which} can only be made within each country, based upon the political, social and economic conditions that exist at the time of instituting the reform, and the particular goals involved. In this connection, it appears that most countries' development efforts could benefit considerably from expanded substantive research activities related to policy implications of land tenure reform alternatives, and the vast range of other structural reform alternatives, in order to better identify their options and the trade-offs involved.

II. Financing Methods

A. Compensation to expropriated landowners

There are basically four alternatives:

1. Cash payment
2. Equity instruments
3. Debt instruments
4. Confiscation (or sequestration)

Most countries have used some combination of these alternatives. Those of most interest for this discussion are numbers two and three. The others are relatively simple and self-explanatory. If cash payment is adopted exclusively; it normally means a very gradual process of redistribution,

because of the magnitudes of cash flows involved. Number four normally is not used as ~~an~~^a exclusive device, perhaps primarily for political reasons. There may be future economic growth reasons as well.

In those cases where at least some compensation is paid, the method of valuation is of considerable importance and a wide range of alternatives have been conceived by the various countries that have dealt with the matter. Compensation formulas generally fall into one of three classes:

1. Based on crop yields, usually a factor of $1\frac{1}{2}$ to $2\frac{1}{2}$ times annual production, most often used in Asia.
2. Land taxes, (or imputed income, assessed land value, or self-assessed valuation for tax purposes), used considerably in the Middle East and Latin America.
3. Combination of various methods, (including those mentioned above) taking an average, median or weighted average of various methods. Some of these include 1) Market value as determined by the established official body of valuers for other purposes, 2) production potential, less cost of improvement investments and other costs needed to realize the potential, 3) consideration of factors for discounting a compensation figure arrived at by other methods, including a) Farm size, b) whether held as absentee owner, resident landlord, owner-manager or owner-operator (management and labor input), c) level of capitalization, d) compliance with labor laws, etc.

Usually, whatever the formula, there is an attempt to arrive at some type of "Market Value." However, market value, as a traditional concept, is only partially adaptable to the determination of level of compensation to be paid in a land reform setting. Market value is the value at which a buyer and a seller are willing to do business. This is influenced by such factors as soil productivity, proximity to transportation facilities and markets, prices of products, subsidies, level of taxation, cost of non-labor inputs and technology, degree of "exploitation" of labor, hedge against inflation, political power of landownership, security element, etc. The value of many of these factors are capitalized into the value of land, especially in so-called traditional economies.

To the extent that "market value" of land is influenced by those factors not valued as highly by reform beneficiaries/ as by the old landowners; to the extent that infrastructure and other investments by government have been capitalized into land value; and possibly even to the extent to which past taxation and wage structures have not collected the "equitable proportion" of taxes on land, income, and value, (or paid an equitable share of income for wages), to that extent, the "transfer price" (level of compensation) for land tenure reform purposes, legitimately might differ from market value and still not be "confiscatory". Such a determination, in the final analysis, is in the realm of political economy, and each country must find its own point at which interests are balanced.

With regard to the "debt instrument" and "equity instrument" alternatives for paying compensation, the ranges of possibilities are vast. Debt instruments generally are conventional bonds. They vary in term from three years (Kenya) to 30 years (Peru), and usually carry interest at a rate considerably below market rates. In some cases, the bonds include some type of maintenance of value clauses, either in terms of cost of living or in terms of major commodities. Also, in some cases, bonds are negotiable, thus allowing the market to fix a discount rate covering interest rate margins and risk of failure to amortize.

A unique mechanism has been used in some cases to allow transfer payments involved in discount sales of bonds, to accrue to the new beneficiaries of expropriated lands. In such cases, bonds can be used at face value for making amortization payments on the land purchased by the new beneficiary. The weakness of this mechanism generally has been that new beneficiaries are not aware of the provision, are not aware of its value to them.

and/or do not have access to such bonds. In such cases, a useful function of a service organization to land tenure reform beneficiaries, could be to negotiate ~~land~~^{land} purchases and pass on the net savings (after administrative costs) to the beneficiaries. Such a procedure should be attractive to bondholders as well, since general experience has shown that most negotiable agrarian reform bonds have a limited market.

In the case of compensation paid via equity instruments, these generally have taken the form of shares in government enterprises. This has been done (as in Taiwan) by partially compensating landowners through the direct transfer of a package of shares in a group of enterprises. Less successful has been the offering of shares in existing government enterprises (or enterprises to be created by the government), in exchange for compensation bonds, i.e. a voluntary conversion plan (Iran, Korea, Peru, & Chile).

In Peru, the 1964 law provided for the creation of a sort of mutual fund, with the objective of investing in shares of new enterprises or existing enterprises that were expanding, and offer investment portfolios to landholders in exchange for their bonds. The plan was to obtain initial financing for the mutual fund operation from the government and/or international lending sources. Provision was made whereby an entrepreneur bond holder could submit an enterprise proposal to the mutual fund, and ^{if approved,}/(based on various criteria, including priority of the enterprise in terms of national development objectives) obtain equity investment capital in exchange for bonds, as well as independent equity investment by the fund, in an amount proportionate to equity capital contributed by the entrepreneur from his own independent resources or from other private resources.

The plan was never implemented, and, in 1969, the law was modified to provide for payment of a portion of large amortizations on bonds

in shares of enterprises created by the Industrial Development Bank. Further, Peruvian bondholders now can offer their bonds to the State Development Banks as security for loans to be used to establish approved enterprises.

Some other countries also have used this latter method. In Iran, for example, the 1962 law provided for amortization payments to be made as payment orders of the Agricultural Bank, which could be discounted with commercial banks for entrepreneurial capital.

B. Payments by Beneficiaries

A beneficiary may become an individual owner-operator, a member of a land-owning organization (cooperative or state), a tenant (of a cooperative, state or quasi-private owner), or the member of a tenant-operator organization (cooperative state or quasi-state). In any event, the recipient of the land title may or may not be required to pay for the land received.

Whether or not payment is required obviously has a direct effect upon the financing requirements of a land tenure reform program. On the other hand, requiring a payment in excess of reasonably expected disposable income, after deducting that required for "adequate" living expenses, may not improve the economic condition of the beneficiary; it may be simply one form of exploitation substituting for another. This consideration is viable whether an individual form of farm firm organization is used, or a group form of organization. In the latter case, this

impact will be reflected in wage levels. The group form may have some advantage in the administration of direct subsidization ^{To} farm enterprises, in cases where that method of improving agricultural incomes is used, so long as subsidization payments are fairly reflected in the wage structure.

The experience of many countries has demonstrated the problems that arise when beneficiaries are expected to pay more for their land than the earning power of the farm enterprise permits. In these cases, wide-spread delinquency in payment generally places an added administrative burden on the executing agencies; ~~and~~ the result is that the collection system breaks down and collection efforts are abandoned. In the end, the most industrious and honest beneficiaries make their payments, often at great personal sacrifice, and the least industrious and more "shiftless" end up not paying and receiving their land anyway.

There are some who argue that beneficiaries should not receive their land free; that security of expectation given by the security of ownership is crucial for capital formation in agriculture, which depends on a slow incremental process over a number of years, and that payments by beneficiaries tend to reinforce their feeling of security of expectation, and, thus, their willingness to reinvest in the farm enterprise instead of in consumption, or, in the case of his own and his family's labor, ~~on~~ leisure time.

Regardless of the value of the ^{above} argument, from a financing point of view it generally is attractive to government to require at least partial payment by beneficiaries for allotments in order to ease the financing burden for expropriations, thereby freeing government resources for other

programs, including the financing of other structural reforms related to a total agrarian reform program.

If, as is the case in many developing countries, the rate of inflation is ~~at~~ 10% or more, the cost of deferred payment obligations by beneficiaries will be a relatively light burden, especially if the first years are considered as a grace period. Of course, this advantage to the beneficiaries is wiped out if they are subject to a maintenance of value clause in their contracts of sale.

C. Other Structural Reforms FINANCE,

While the financing of land tenure reform is primarily a question of financing transfers of wealth,^{1/} financing of other structural reforms deals primarily with new investment in productive enterprise. Thus, the problems of financing are considerably different.

The available resources of financing are basically the same:

1. Domestic

- a. Ex - landowners
- b. Beneficiaries
- c. Non-agricultural private sector and "untouched" agricultural sector
- d. Public sector

2. International Financing

The differences lie in the degree to which government can shift the financing burden to ex-landowners, and the impossibility of deferring "payment to the piper". Nevertheless, the government burden is greatly affected by the extent to which initial investments in other structural reforms result in 1) complimentary inputs by other sources, and 2) productivity response and concomitant capital formation (i.e. savings for

^{1/} Land consolidation programs may have a major element of financing land improvements, as well, which is also a new investment.

reinvestment) by land tenure reform beneficiaries, and other farmers left relatively unaffected by the land tenure reforms.

Thus, the importance of selecting from among a wide range of possible structural reform programs becomes highly significant in terms of the response. Policy decisions become crucial.

The type of farm firm organization selected for the land tenure reform plays a major role at this stage, thus bringing into bold relief the advisability to treat the "agrarian problem" as an integrated effort, at least in terms of planning solutions; and not dealing with land tenure reform issues in isolation.

A number of alternatives have been adopted or proposed for distributing the burden of financing to those sectors or groups most likely to be able to call forth the magnitude of resources involved. ^{1/}

In the case of ex-landowners, schemes designed to assure investment of expropriation payments to establish and strengthen activities related to production inputs (production and marketing), marketing and processing of output, and other agri-business and service activities related to the sector, are attractive. They not only provide needed capital inputs into the follow-through after land tenure reform, but also provide a mechanism whereby entrepreneurial talent and educated capability which the ex-landowner group represents may be brought to bear on the resolution of many of these production-marketing systems gaps. The negative aspect of such a mechanism is the danger of ex-landowners continuing their role of

1/ For the moment I shall ignore the issues involved in terms of capital transfers to or for agriculture.

"patron" in the new setting, especially in the case of reforms creating new "family farms". However, proper government regulation and "awareness" should be able to adequately naturalize these aspects. Perhaps, ex-land owner participation needs to be limited to such activities that do not involve direct sale to, purchase from, or financing of, the new beneficiaries.

Some of the expropriation payment schemes mentioned earlier are effective *NOT ONLY IN* channelling the expropriation payment itself into such pursuits, but also to induce the ex-landowner to invest additional owned capital (or attract complementary capital from non-agricultural sources) into these activities. Such could result from the proper implementation of the Peruvian legislation, described earlier.

Some studies indicate that a considerable amount of capital might be available from agrarian reform beneficiaries through institutional mechanisms which induce them to 1) take their money out of hiding, and 2) monetize their accumulation of visible forms of wealth, such as numbers of sheep or cattle, size of communal feast offered, etc.

The establishment of rural credit cooperatives, rural regional banks, and voluntary or induced savings programs related to multi-service cooperatives, are the more prominent ways in which the savings capacity of beneficiaries might be tapp^{ed}. Further, if beneficiaries are required to pay for their land, and improvements made prior to acquisition, as well as administrative costs, such payments can be earmarked for re-allocation to the relevant zones for financing the other structural reforms. This, of course, means that the outlays of government in the first instance to institute the land tenure reform activities (including expropriation payments) are non-recuperable.

Another alternative (not often given emphasis) especially for the purpose of providing local infrastructure (access roads, irrigation canal facilities, schools, and other physical facilities) is taxation of new beneficiaries, as well as the surrounding rural non-agricultural

sector. A land based tax generally appears to be the more rational mechanism, especially because of its relative simplicity in administration. The tax of course, must not be onerous, and in cases where population density forces the creation of sub-marginal units, it perhaps can be only taken in ~~the~~ extent.

In some cases, it has been reported that new beneficiaries welcome some tax payment. It gives them a greater feeling of security related to their exclusive right to their land, and it gives them a sense of participating in the well-being of their community and a sense of proprietorship over its activities. Some argue that such an effect is a fundamental step to the implantation of dignity and self-reliance in a population recently "liberated from a patron". Such an objective implies local collection and expenditure in order not to lose the cause and effect relationship. This local activity undoubtedly will require a considerable amount of supervision and matching of funds from more central collections.

A complementary mechanism is the contribution of labor to infrastructure construction, either on a minimum wage or "free" basis, especially where distributions necessarily are ^{er} sub-marginal (or in over-populated group firms) and serious underemployment exists. Such schemes are especially feasible in areas of Latin America where the ^{former} Hacienda system and/or communal system involved periodic group works programs such as annual irrigation canal repair and cleaning, road repair, etc.

In some cases, positive results have been forthcoming, when such projects are combined with internationally or bilaterally financed "Freedom from Hunger" programs (called Food For Work).

In the case of non-agricultural and "untouched" agricultural sources, the most discussed probably is that of requiring the commercial banking system to put a certain minimum percentage of its loan portfolio into the sector. This can be further refined and require a certain minimum to be for "loans to small farmers", for example. Another way to achieve similar results, in some countries, is to require the State Agricultural Development Bank to shift out of lending to medium and large commercial farmers, and concentrate on small farmers, requiring the medium and large farmers to turn to commercial bank sources.

Although other alternatives from private sector sources of perhaps equal importance exist, I shall discuss only one more which might hold promise for some developing countries, but usually has not been tried in rural settings outside developed countries.

Private sector resources can be mobilized for a specific purpose by marketing negotiable Bonds or debentures through a financial institution. Such debentures either can be tied to a particular loan, or generalized. Such a mechanism is especially promising for financing medium term improvements.

Again referring to Peru, the Central Mortgage Bank has a long history of raising money in this manner for urban housing loans. There is considerable investor confidence in their debentures. If this expertise and confidence could be applied to a rural setting, perhaps significant sums of money could be made available for agricultural credit and related investment needs. The degree to which the farm firm would be expected to absorb all costs of such money is a policy question that depends on the desired balance between economic and welfare objectives, as well as

how much this channeling of investments into the agricultural sector at one point in time is expected to trigger a productivity multiplier which then transfers capital back into the non-agrarian sector.

Finally, I shall mention briefly the alternatives of finance through government resources and international lending agencies.

Those developing countries fortunate enough to have a strong non-agricultural source of revenue (especially from the exploitation of natural resources, such as oil) probably can, with just a little self-discipline, internally finance, without serious difficulty, the capital requirements of other structural reforms required by the agricultural sector. However, those not so fortunate must weigh a delicate balance of 1) heavier tax revenues, 2) curtailing investments in other sectors, 3) "cranking/up the money machine", and, 4) obligating future income via international loans (soft and hard loans, as well as suppliers credits), if they expect to adequately finance an agrarian reform program that is national in scope and impact.

It appears that international lending agencies are becoming more and more concerned and involved in the type of loans required by developing countries for other structural reforms, especially as related to credit and market structures for small farmers.

It is important for those countries that expect to finance a significant portion of the costs of an agrarian reform program from public revenues, to be highly selective in their choice of projects. They might find that the impact of certain income generating investments in favor of new beneficiaries has a considerably higher welfare payoff (in addition to

beneficiaries
 economic) for such/than an equal investment in a project with a more direct welfare objective. For example, if the government decides to make an expropriation payment of \$1,000 to the old landowner, but give the land free to the new beneficiary; the amount of income transfer is very uncertain, and only indirectly related to productivity response factors within the control of the beneficiary. Whereas, if the beneficiary is required to pay for his land, and, at the same time, the \$1,000 is invested in the net cost of a guaranteed market price for potatoes produced by the same beneficiaries, the result could be expected to be a much higher multiplier effect. At the same time, certain income risks are removed which more than likely will result in a production increase by the farmer, other things being equal.

An investment by government in a crop insurance program might have a considerably greater multiplier effect in terms of beneficiary income than a similar investment in subsidizing interest rates.

These observations impinge on the comments I wish to make in the next (and last) section.

III. Agrarian Reform Finance and Development Objectives

In economic terms, the subdivision (or transfer intact in the case of the creation of cooperative production firms and state corporate type firms) of large estates is primarily a redistribution of wealth and income from land (land rent). Land consolidation and other structural reforms have as their primary objective the generation of income through productivity increases, with the recipients of/ ^{that} income increase being specified (the new beneficiaries).

The former is basically a social objective, while the latter is basically an economic objective, although, if the economic results are

allowed to accrue to the beneficiary in this latter case, the social side effects may be greater than in the former case. This is not to say, however, that the redistributive transfer of lands is not a condition precedent to the accrual of social side-effects from productivity increases.

It is extremely important to relate both land tenure reform and other structural reform objectives to national development objectives. This is not to say that all agrarian reform activities must satisfy all, or even any, of the national development objectives. However, the trade-offs should be analyzed and made clear. If a decision to carry out a particular action is made, whether based on ideology, on whim or caprice, conviction, or otherwise, all alternative means for carrying out the

decided-on action should be examined to determine that alternative with the best positive fit to national development objectives (or least negative fit).

Objectives related to GNP increases, per capita income increases, improvement of income distribution, balance of payments, employment generation, all are legitimate backdrops for designing a development effort. To the extent possible, all activities related to agrarian reform—both categories—should be consistent with such objectives, and contribute to specified goals.

How do we equate one with the other? There is no easy solution. The social sciences have not yet produced a methodology which can accomplish the task in a neat package. One can only bring to bear the best knowledge and judgments available at any given point in time. I urge that, at the same time, a conscious effort and significant sustained investment ~~must~~ be made by all concerned—each developing country, both separately and in concert with each other and with assistance-giving countries and international agencies—in improving our abilities to analyze the agricultural sector, and then to apply the information we realize from such an analysis to obtain the desired results.

By sector analysis, I mean practical analysis that estimates the consequences of alternative policies and investment programs as related to chosen development goals, such goals having elements of productivity increases, improvement of income, income distribution and employment opportunities, within a context of equity.

We know relatively little about the factors involved in agricultural development in the context of developing countries. What intermediate technologies are available that can contribute to rapid productivity increases, while at the same time not being

labor saving? What do we know about why small farmers act the way they do and what policies will elicit a production response effort on their part? What do we know about the optimum use of credit for small farmers? About how to mobilize the talents of ex-landowners for business related to the agricultural sector, without recreating a relationship of served and servant between them and the beneficiaries of agrarian reform? These and many other questions are with us. We know something about all of them—but not nearly enough. The more we learn about them, and apply what we learn, the more effective will be the response, in balanced economic and social development terms, from government efforts and investments.

The technical capability of most developing countries to address themselves to these questions, within a high - quality research context, has expanded enormously during the past five^{to}ten years. Stepped up support now to research - in - action that objectively analyzes interactions, extracts relationships, both social and economic, and derives policy determinants, can go far to bridge the information gap which policy and program decision-makers face, as between idealized development objectives on the one hand, and practical responses to program and policy issues on the other.

Doreen Warriner, University of London, has written, "What the sophisticated educated class seems to need most, if politicians and officials are to be equal to their functions, is advanced education in the agricultural sciences. Again and again, in interviews with revolutionaries and officials, one was reminded that they do not even know that there is such a thing as good farming because they have never seen it." ^{1/} This is,

perhaps, an overstatement, but it does indicate the need for more practical knowledge related to the questions posed above. Again, with specific reference to Latin America, Professor Warriner writes:

"If this continent is to realize its potential, highly qualified people will be needed to undertake research, organize settlements, educate farmers. If aid-givers would set up research institutes, and offer opportunities for study in advanced countries on a really lavish scale, they could contribute much to the land reforms of the future." 2/

1/ Warriner, Doreen, "Land Reform and Development, in Development Digest, National Planning Association, p. 34.

2/ Ibid. pp. 34-35.

We might not agree with the emphasis, but the need for a strong commitment to practical analytical research is of considerable importance.

Again let me quote Professor Warriner in order to assist in putting the above quotes within context:

"In this world, there are these down to earth situations, where mistakes are certain and not to be feared. Ideals are needed, to give courage and decision, - but there is too much urban ideology about, [in agricultural development efforts] 1/ and it is responsible for many stupidies. If there is one lesson of universal validity that emerges from all this experience, it is the need for putting more practical intelligence to work". 2/

I make one final observation to bring more focus on the point I am trying to make.

A study published in 1968 attempts to provide a statistical explanation of economic and noneconomic forces directly and indirectly determining the capacity of a country for economic growth. 3/

The distinguishing features, as between three performance groups of countries, based on real GNP growth, include:

1) Attitudinal—degree of modernization of outlook, 2) extent of leadership commitment to economic development, and 3) degree of improvement in agricultural productivity.

The role of agriculture is crucial in development and we know only a little about the forces that can be brought to bear, and how to bring

1/ Words in brackets have been added by me.

2/ Warriner, Ibid. p. 38.

3/ Irma Adelman and Cynthia Morris, "An Econometric Model of Socio-Economic and Political change in Underdeveloped Countries," Am. Econ. Rev., 58, No.5 (Dec., 1968), 1184-1218.

them to bear, on increasing agricultural productivity equitably. A series of intangible elements, behavior patterns, attitudes and institutions must be understood objectively, and needed changes instituted by striking responsive chords. Time and capability invested now in social sciences research designed to realize such objective understanding can contribute immeasurably to much more rapid response to development efforts over the next decade than we have had in the last.