TRANSCRIPT OF PROCEEDINGS

LAND REFORM CONFERENCE:
"[to] focus on those questions related to ... redistributive land reform that is carried out by government expropriation of property from one private owner and reallocation to another owner...."
[from the Introduction to the announcement of the conference agenda]

Sponsored by the United States Agency for International Development

Hosted by Sequoia Institute

Ramada Renaissance
1143 New Hampshire Avenue, N.W.
Renaissance Room 1
Washington, D.C.

Friday, March 29, 1985

Commencing at 8:00 A.M.
INTRODUCTION TO THE TRANSCRIPT OF PROCEEDINGS

Greetings to conference attendees--invited panelists and representatives of the sponsoring organization, A.I.D.--was provided by Jerry Jenkins of host organization, Sequoia Institute. Expert panelists introduced to the assemblage were:

Manuel F. Ayau
Francisco Marroquin University
Guatemala City

R. Albert Berry
Scarborough College
University of Toronto

John D. Montgomery
John F. Kennedy School of Government
Harvard University

John P. Powelson
University of Colorado

Roy Prosterman
University of Washington

Joseph W. Recinos
Expandes
Guatemala City

William C. Thiesenhusen
Land Tenure Center
University of Wisconsin

Rick Tropp
U.S. Agency for International Development

Arlo Woolery
Lincoln Institute of Land Policy

Having graciously accepted Mr. Jenkins' invitation to moderate the proceedings, Mr. Montgomery received additional recognition at the outset of the conference.

Attention then turned to the agenda for the conference. This agenda was received by each of the panelists in conjunction with their invitations to participate in the workshop. It is reprinted here, in the three pages which follow, as part of the introduction to the Transcript of Proceedings.
Introduction

The purpose of this conference is to assemble a number of noted experts on the subject of land reform, and request that they discuss a series of issues with which the Agency for International Development (AID) has been concerned in its policy formulation. The agenda for this conference will focus on those questions related to agricultural asset distribution on which more information is required before a consensus can be drawn and a policy position articulated. The questions all relate to redistributive land reform that is carried out by government expropriation of property from one private owner and reallocation to another owner. For purposes of this paper, it is assumed that redistribution of land can positively contribute to the achievement of objectives outlined below, and that it will always be embedded in the more holistic framework generally termed agrarian reform.

Background

Under the Foreign Assistance Act of 1961, as amended, AID is mandated to emphasize the following goals:

- the alleviation of the worst physical manifestation of poverty, which include starvation, hunger and malnutrition, among the world's poor majority;

- the promotion of conditions enabling developing countries to achieve self-sustaining economic growth with equitable distribution of benefits, including creating productive farm and off-farm employment in rural areas to provide a more viable economic base and enhance opportunities for improved incomes, living standards and contributions by poor people to the economic and social development of their countries; and

- the encouragement of development process in which individual civil and economic rights are respected and enhanced.

The evidence from empirical economic research suggests that the first two goals are compatible. In order for the reduction of poverty and self sustaining economic growth to be achieved over
the long term, however, the first two goals must contribute to the third. Although other variables such as price policy, foreign exchange policy and access to credit affect land productivity, the relationship of farm size to productivity will be the focus of the discussion.

The literature indicates that land productivity is higher on small farms than on large, so that small, poorer farmers typically produce more food per unit of land than large, presumably wealthier farmers. There are several reasons cited for this fact. The first is that peasant families who cultivate smaller farms seek to maximize output (and profit) by applying family labor (the marginal cost of which is often zero because of a lack of alternative economic opportunities) up to the point at which its marginal product is zero, whereas large farm operators tend to seek the most effective use of their resources by using hired labor only up to the point where its marginal product equals the wage. Other reasons cited for the inverse relationship between farm size and output per acre include higher soil quality on small farms; higher rates of return for extensive uses such as grazing when factor prices are distorted; the prestige attached to land ownership per se, regardless of productivity; and the tendency to operate large land areas under certain leasehold arrangements that diminish incentives to maximize production and efficiency.

The idea has also been advanced that individuals who have secure tenure rights to land have a significantly increased "stake" in the success of a society, due to land's unique characteristics of permanence and immovability. At the level of the individual, it is thought that one with such a stake in a social and economic system will be more committed to its continuance than someone without it. In theory, then, improved opportunity to own or use land would address the third of AID's objectives cited above by improving an individual's economic rights.

Conference Questions

In view of the points raised above, AID must then examine the means available to achieve its mandated goals. Thus, the first point for discussion will be:

1. What are the means available to increase access to productive assets in the agriculture sector?

(This general discussion should be limited to one hour in length).
Assuming that one of the means identified in the discussion of the foregoing question was a redistributive land reform as part of a larger agrarian reform, three questions follow:

2. When is redistributive land reform to be the preferred approach over alternative means of improving access to agricultural assets?

3. What are the endogenous conditions for a successful redistributive reform? The discussion should include, but not be limited to considerations of the terms for:
   - expropriation
   - compensation
   - vesting of ownership rights
   - alienability
   - eligibility
   - economic viability
   - mode of production
   - administration.

4. What are the most important exogenous conditions (e.g., access to credit, markets, new technology, increased alternative pursuits for the rural poor, etc.) that affect the success of the redistributive aspect of an agrarian reform?

It is expected that the discussion will be empirically based, and that examples of both successful and unsuccessful interventions will be cited frequently throughout. Other mechanisms for improving access to agricultural assets - though they may be more desirable and/or feasible than redistributive land reform - will be covered only in the discussion of the first question.
Due to technical difficulties, transcription of the proceedings began about ten minutes into a discussion of the first question on the agenda, i.e., "What are the means available to increase access to productive assets in the agriculture sector?"

In response to this question, Mr. Recinos introduced an alternative to redistribution of land which entails a redistribution of ownership, but avoids government expropriation of property. While failing to capture his remarks in the transcript, the following recollection contains only his words—supplied, quite fortunately, by a Washington Times interview with Mr. Recinos while he was in this country for the purpose of participating in the conference.

MR. RECINOS: [The means taken by the owners of the La Perla estate in the highlands of Guatemala is to broaden ownership of the estate by including its employees.]

On March 1 of this year, 120 insurgents attacked the La Perla estate and were able to take control of the center of the estate. Following this, 200 armed workers attacked the insurgents and forced them off the farm. A number of workers and insurgents were killed.

Why would workers arm themselves and defend an estate purportedly viewed in the United States as being owned by very few people, that is to say, a landed oligarchy exploiting the workers? Well, in this case, the workers own 40 percent of the estate stock. This is, I think, unheard of in Latin America. Owners of a large farming estate have taken the initiative to broaden their base of capital ownership....

La Perla is a 9,900-acre coffee and cardamom plantation in northern Guatemala. It has 500 full-time employees, about 1,500 family members and approximately 4,000 other individuals who depend upon the economy of the estate.

Last September, the farm's owners set up a trust in which they allocated 40 percent of the stock. The stock will be paid for out of the future profits of the farm, but upon the signing, full voting rights were passed through to an employee association, similar to a cooperative. So the stock is owned and voted in block by the association.

It was paid for with future dividends plus employer and employee contributions to the employee association, which will average about 3 percent of the payroll each year. In the employee association, you have the equivalent of one man, one vote, although the profits and dividends received by the association on the stock and on other investments is proportioned according to salary.

The owners' principle reason for setting up the program is that the farm is located in the Ixil region of Quiche Provence, one of the principal areas in which the insurgents have been
attacking over the past several years. La Perla is the area's only farm still in production. All other large estates in the region have for the most part been abandoned because of the dangers of insurgent activity.

Its owners feel that if they are to protect the estate and keep it, it's important to build loyalty into the hands of the employees....

As far as the employees are concerned, it gives them ownership of land without breaking the estate down into small parcels, which has been the end result of many agrarian reforms and has led to a lot of problems and failures in the past.

Q: Would you say the La Perla project has definite advantages over the sort of land reform in which the government expropriates property and redistributes it?

A: Yes, because usually when the government expropriates property and begins to distribute it into the hands of the peasants, it doesn't give them the full rights.

For example, in El Salvador, the government expropriated large estates from past owners and began to turn them over to cooperatives. But the government, three years after the reform, still maintains control over management and over the providing of technical services to the estate, with somewhat disastrous results--mismanagement, misuse of funds and the creation of second-class citizens.

If you are going to expropriate land and turn it over to new owners, then turn it over to them. Give them full property rights--the right to sell, the right to mortgage, the right to manage the estate as they see fit.

From a practical point of view, the government is right in the sense that you cannot expropriate land and expect that if you turn it over totally to the peasants, they are going to be able to manage it effectively. Being able to act as an owner requires a certain amount of preparation. So using this type of model as applied at La Perla would be a way of gradually transferring the ownership of an estate to peasants.

La Perla's owners are fully committed to the idea that eventually they will sell majority control of the estate to the workers. By selling 40 percent of the stock now and being paid out of future profits, the farm itself will become more productive so that later, when the owners sell the majority of the stock to the employees, they will be paid a fair value.

As far as the peasants are concerned, by forming this alliance between the previous owners and the workers and having this gradual transition of ownership, you will maintain the technical and management expertise of the present owners and, of equal importance, their contacts with importers around the world. These types of relationships would be protected as the transfer...
of ownership occurs, and keep the costs, I think, much further down than if the government were providing the services...

Ideally, what AID ought to do would be to help lesser developed nations understand the kinds of tax incentives that have been introduced in the United States to promote ESOPs, and perhaps of greater significance, to give workers the ability to acquire ownership rights in productive capital assets....

Since we do not have the same tax and trust legislation in Guatemala as in the United States, La Perla has used existing mechanisms. One of these is the employee association. La Perla's owners took this concept and adapted it, combining it with some of the philosophy of ESOP financing, instead of trying to convince the government to pass the tax and trust legislation needed to set a more formal employee stock ownership trust.

The employee association has its founding in a movement in Costa Rica that started 35 years ago, a movement that now encompasses more than 700 companies and 120,000 workers, representing 42 percent of the urban labor force in Costa Rica. It's one of the strongest labor movements in Latin America....

In the last four or five years, more companies with employee associations are beginning to sell their own stock to the associations. Out of the 700 companies with employee associations, about 70 sell their own parent company stock to their employees through their associations....

[Thus, La Perla's uniqueness rests less with the technique it is employing for expanding capital ownership, than with its farm application.]

The various means for increasing access to productive assets in the agricultural sector which were discussed during the first hour of the conference, including Mr. Recinos presentation of the La Perla example, are very briefly summarized on pages 2-4 of the Transcript of Proceedings. The summary is that which Mr. Montgomery recorded during the first hour, and accounts for these several examples being attributed to him in the Transcript. This transcribing of another's transcript also accounts for the subsequent appearance, in pages 4-32 of the Transcript, of most of the discussion—in its original and expanded form—which is summarized in its first four pages.

- vii -
TRANSCRIPT
OF PROCEEDINGS

SEQUOIA INSTITUTE
MEETING

Washington, D. C.
Friday, March 29, 1985

ACE-FEDERAL REPORTERS, INC.
Stenotype Reporters
444 North Capitol Street
Washington, D.C. 20001
(202) 347-3700
Nationwide Coverage
800-336-6646
SEQUOIA INSTITUTE

* * *

MEETING

Ramada Renaissance
1143 New Hampshire Avenue, N.W.
Renaissance Room 1
Washington, D. C.

Friday, March 29, 1985
8:00 a.m.
MR. MONTGOMERY: Practices to increase assets include efforts by owners to share stock with tenants or employees. In a case in the highlands of Guatemala where 500 employees were given 40 percent of the ownership, they received dividends and accumulated severance pay, all under a private corporation undertaken because the owners were seeking to anticipate and prevent expropriation. What they did was to transfer the stock to a new corporation under the ownership of the campesinos and then transfer the stock over time in the form of annual payments. The loyalty of the new owners was demonstrated when insurgents attacked the estate and they organized and defended it and forced the insurgents to leave.

Other methods of increasing access include the use of technology that can improve stability of tenure. Examples in Chile and Panama show similar benefits, except that they gave more decision-making power to the campesinos. They were given in this case the right in common to the land, which they were to farm jointly for three years and then decide whether to divide it or keep it as a collective.

Another device is to transfer land to groups who are jointly made responsible for repaying the government or the original owners. When the government offers credit
for these purposes, the incentives to productivity are blurred. In practice, both countries tended to remain in the cooperative mode rather than to move toward private freeholding.

A third example comes from Argentina, which had a law requiring that 20 percent of a landholding be sold outside the family at time of transfer, so that in three generations half of the land would have changed hands to new families. A fourth model of improving access is to provide for security of tenure and contract by legal means.

A fifth involves the use of tax policy which can change the patterns of ownership as landlords seek tax advantage. The tax as applied in Taiwan assessed values as they increased during the reform, which provided up to 80 percent tax on large holdings as a result of land increment values. These revenues were used for social policies, but such action may have a detrimental effect on land prices and thus reduce the availability of land.

Sixth, price policies also affect access to resources, since government support to agricultural banks increases the role of government and reduces the opportunities in the private sector, and is used sometimes as a substitute for land reform. Governments sometimes use land reform as a device for displacing decaying rural elites. In these cases land reform becomes a means of
transferring resources away from farmers toward the urban population and the public sector.

Seventh, medium- and long-term financing for land transactions, including subsidized credit. This device also tends to favor clients who are in good standing with the government. But such distortions occur even when private banks decide which farmer to favor, a special problem in bimodal agricultural settings like that of Latin America.

Eighth, AID-sponsored rural development projects. Ninth, projects to develop human resources that will improve campesino access to productive assets.

DR. AYAU: Land tenure patterns, regardless of who owns the land, are constantly changing in a free market also. I'm fully aware that there's no free market anywhere in the world and there's no perfection and there's always intervention from this and that. There is intervention through the tax system.

For instance, in our country we have a property tax, not a land tax, and I think this makes a tremendous difference in the pattern of land ownership. Just to make an example, in my economics class I draw a picture of a silhouette of a city, one high-rise, one low-rise, and the question is which one has land tax and which one has a property tax. To that effect, it changes the pattern of
ownership.

Price distortions in the market, subsidies or expropriation of foreign exchange earnings, those are imperfections or interferences, you might say, interferences in a pattern that the market would not bring about and therefore doesn't bring about. So I do not claim for a minute that in the absence of government intervention and redistributive efforts we're going to have a just or the most economic land ownership pattern that we can find.

I'm aware that we are not ever going to achieve that kind of perfection, but I think that the market distribution pattern is generally discarded because it is not fully appreciated. It comes about in a distorted way in an abeyance of the law of comparative costs; which is true, which exists as an explanation of the phenomena of distribution of all assets and explains why certain patterns come about to optimize social well-being. And that is the end that the land reformer is pursuing: He wants to optimize social well-being.

Now we discard the distribution that's brought about through comparative advantage, I think, mostly because we weren't taught what that is. I wasn't. I have papers accrediting me as an educated man. I got them at the university. But I was not told, never explained this
is a very important phenomenon, and I have come to the conclusion that we discard the distribution of ownership of assets because we are not conscious and we're not giving due importance to the division brought about by comparative advantages. I think that that's generally applied to international trade, but it is to me more important to try to apply it to asset distribution if we really want to optimize social well-being.

MR. MONTGOMERY: Thank you. I think you've added three new models: One is to provide security of tenure and contract without actually worrying about redistribution of assets; one is through tax policy, which affects the desire of people to hold assets; and the third is through price policy, which affects the value of the assets. So we've got, I think, six different modes of affecting assets. Maybe you didn't finish?

MR. WOOLERY: I think the charge that we're having in this part one is to look at the evidence. We're supposed to be in the empirical arena in part one, and I would like to expand on one of the previous facets the previous speaker talked about, and that is the tax area, and talk about a program that I regard as quite successful: that's the one in Taiwan.

I think the fundamental principle that impresses me in the Taiwan land reform is the basic intent of
government when the program was announced was not to redistribute land, but to distribute the benefits of land ownership over the entire population. And that redistribution came through what I regard as the most intelligent land tax program that I know of, and that was to have an annual land value tax that was graduated based upon the increasing value of the land; and secondly to have a land value increment tax which was a realized capital gain tax that went to 80 percent after a large gain on the holding of land, and then those funds were in turn earmarked for the kind of social programs that would distribute the benefit of the land ownership and the wealth that came through that ownership back to government and then redistribute it with a minimum amount of 25 percent earmarked for education, certain amount for public housing and a certain amount to various welfare programs. But implicit in that program was an interesting facet in the agrarian area, and that was to have a relatively high tax on farm land, and to use that relatively high tax --

DR. AYAU: On land?

MR. WOOLERY: That's right. To use that tax on land as a basis for building part of the industrial complex, and that way creating job options for the people coming off the land. And it seems to me if we were to look at a model that has the announced intention to
distribute the benefits of land ownership, not land itself, we might have one more dimension to examine.

MR. BERRY: Following on the same point, I think while Taiwan sounds to me to be the case of the best thought through and best applied, there's certainly a general almost an economic theoretical strong argument for land tax, or both taxes, but I was thinking of the first type, because one of the results of the land tax on an annual basis in a well-operating land market would be to lower the land price because it constitutes an annual drain on benefits.

MR. WOOLERY: That's one of the announced goals which is an access goal.

MR. BERRY: That's right. Effective access as well as redistributing the benefits of land to the whole population. The access benefit which will result should therefore have a strong effect against holding land, and as a speculative venture should be very important.

MR. POWELSON: I have an immediate comment on what Al just mentioned. The idea of a high tax leading to a lower land price leading to greater access, I'm a little skeptical about that, because greater access would depend not only on the lower land price but also on the high tax the people purchasing the land have to pay; and consequently it seems to me that you've got a mixed bag
and you're just taking from one end or the other, and I'm a little dubious about access.

MR. WOOLERY: May I say, John, you are correct. The empirical evidence is that land prices have not gone down. In fact land prices have gone up to encompass the tax, because each of the land sellers wants to have an after-tax profit that would be equal to the normal profit for competing investment, so you're right.

MR. POWELSON: There must also be a buyer who is willing to pay that.

DR. AYAU: I think there's a qualification to be made there, because I think that when you say a higher land tax, you mean for a given government revenue, not just an increase in tax, because that will have the detrimental effect you mentioned. But if you are trying to get the same government revenue through a land or property tax, the land tax can be much higher than the property tax, but it's still taxes; the productive enterprise may be even less than a property tax, so doesn't have a detrimental effect.

MR. BERRY: What is the detrimental effect? I don't see that.

DR. AYAU: The land tax would lower the price and therefore create more access to the land. And I was considering the detrimental effect contrary to that, that
when you put the land tax on, the price would go up and
therefore decrease the access to land. That's what I
meant by the detrimental effect if we were going to
increase the access.

MR. JENKINS: I would like to hear the remainder
of Jack's point.

MR. POWELSON: I didn't want to get diverted
from my point. When I raised my hand I had something else
in mind. That was a reaction to Al's question.

I want to point out that in general, peasant
societies, even if they are peasants living in villages on
large haciendas where there's a superior ownership,
virtually all of them already have their own systems of
credit, of inputs, outputs, markets, sales, and they have
all these already organized. But a large number of land
reform programs -- I can cite cases if necessary, but
we've just done a study of about 18 different countries on
this and find that this is almost universal, that
governments will try to emaciate these programs and
substitute their own agricultural bank or inputs supplied
by the government at government-controlled prices, and
then the government must buy the outputs from the farmers
also at government-controlled prices.

And the actual pricing that the governments have
applied in large numbers of cases have been responsible
for the serious deterioration in agricultural output in
many countries, including the problems of drought in
Africa -- that is, the impact of drought, not the drought
itself but the impact of drought -- because agriculture
has been so discouraged by policies, many of which follow
up on land reforms and are contingent upon the land
reforms, and they relate to two factors. One is that the
governments have often used land reforms in order to take
land or the proceeds of the land away from a decaying
landed aristocracy that is losing political power anyway,
and instead of turning it over to the peasants they turn
it over to themselves. And the other point is that,
there's the urban bias that Michael Lipton and a large
number of other writers have spoken about, that land
reform is in fact used as a way of transferring resources
away from farmers and into the urban complex.

In short, land reform is used not to increase
the access of farmers to resources but to take it away
from them, to destroy their systems and to take it away
from them. And that's why, Arlo, I was a little skeptical
when you told me about the relatively high tax on farmland
used for the industrial complex to provide jobs, because
I'm wondering whether this is not another element of the
bias of the pro-urban, anti-agriculture bias.

MR. MONTGOMERY: Also pro-public sector. I
would just give Jack a little plug on this. He has a book
called "The Peasant Betrayed," which is in the process of
seeking a publisher at the moment. Maybe he's made his
deal already, but last time I talked to him -- the point
is there are a series of case studies. The prevailing
message, as I understood it, is that governments that
enter into land reform as a political process are sort of
in a sense concealing a hidden agenda, which is to
increase the dimensions and resources available to the
bureaucracy of the public sector politicians at the
suspense of a decaying rural elite. And I would say in
fact we could call this a seven kind of faults model, for
that is ostensibly intended to create improved access, and
in some isolated cases may in fact do so, but also at the
cost of a shift away from traditional rural needs.

MR. POWELSON: The original title was "Land
Reform Betrayed," but then we found it was very difficult
to distinguish agricultural policies that arose out of
land reform from other agricultural policies that were
occurring quite apart from land reforms, so we changed it
to "The Peasant Betrayed," and the subtitle is "Peasants
and Land Reform."

MR. MONTGOMERY: At last we have a voice from
the void.

MR. O'DONNELL: I wanted to throw in one
question. In my experience it seems to me that one of the 

things that seems to be limiting access to land is the 
lack of any sort of medium- or long-term financing for 
land transactions. In the developed world you have a 
pretty elaborate system for financing land transactions. 
In the underdeveloped world, it seems that transactions 
take place between the very wealthy or between the very 
poor, and that it's very difficult for the poor or the 
poorer or the people with more limited resources to get a 
chance to get into the market because there is no long-term 
financing. And I just wondered if people agreed with that 
view or if there were any studies of this situation.

MR. POWELSON: May I speak to that?

MR. MONTGOMERY: We have two people that want to 
speak. Jack and Arlo.

MR. POWELSON: Yes, I think that's a good point. 

Credit on all levels is in short supply, and that means 
much of it is needed. But I think we have to be very 
careful of the kinds of means that are used in adding 
credit, and I would suggest that these means should take 
into account the traditional means that the farmers 
already have. And the attempt should be to gear the 
traditional means into the modern sector, find more of a 
rapprochement between the sector and their ways of doing 
things and the modern sector and a gradual increase in
credits in these channels, as opposed to settling up a
modern mortgage bank that looks like one in the United
States which can then give some kind of subsidized credit
and simply wipe out the peasant institutions.

MR. O'DONNELL: Are there cases where this has
happened?

MR. POWELSON: Yes.

MR. O'DONNELL: Where is that?

MR. POWELSON: Most everywhere. In Mexico, the
Ejidal Bank has subsidized credit to those that have been
favored by the government, and this in effect extends the
credit to other people. There's only a certain amount of
real credit at any given time and I know it's changeable
over time, but that's an example of the wrong way to do it.
The Shah of Iran also did a lot of things like that. In
Egypt it's been done. I could name country after country.
The question is in what country hasn't it been done.

MR. O'DONNELL: That's what I was asking, where
what you're advocating has been done. Where have you done
that kind of mixing of the traditional and modern?

MR. POWELSON: It's not been done. It's the
next thing to be tried.

MR. WOOLERY: I might address your question from
the very limited experience I've had in Taiwan, where the
government made the landowners into indemnified
capitalists. They issued land bonds redeemable in the crop: so many tons of rice and so many kilos of sweet potatoes for each acre of land taken by the government for distribution to the farmers and the tenant farmers who had been paying about 75 percent of the crop as rent to the landlords. That was immediately cut to 37-1/2 percent, so the tenant farmer had his rent halved. The land bonds were then redeemable in crops, so there was no inflation erosion of the value of those bonds. They also had a unique circumstance in which government owned five major corporations -- steel, sugar and others -- and they gave the landlords about 20 percent of their compensation in stock in these corporations so they made capitalists out of them.

So effectively they had a win-win situation. The government was able to handle the land bonds through the 37-1/2 percent of the crop that they got from the new owners of the land. As industry prospered, the former landlords were now becoming rich capitalists and they were guaranteed against any inflationary erosion of the money, and in the studies that we've done in the follow-up of a hundred landlord families we find out they have made out like gangbusters. I'm suspicious of studies that quote -- the figure I saw was 228 percent gain in the crop productivity of the land under the ownership of the tenant
farmers. So I throw that out as a model that worked in one place. I would not suggest that it would work anywhere else.

MR. MONTGOMERY: One of the great sorrows of my life is when the Sandinistas came in they had an opportunity to do a similar thing, because they had access to corporations that they could have associated with the land reform, and they didn't do it.

MR. THEISENHAUSEN: Let me just back up one minute, and that is when you talk about access you have to ask the question access on the part of whom? And I would posit that answer is quite different depending on the sorts of agricultural structure you have in the various parts of the world. I'm thinking particularly of the Latin American situation, where as Edelmann has shown we have middle income countries and egalitarian distributions of income, and that reflects an egalitarian distribution of assets and what's called a bimodal structure of agriculture. And this modal structure is substantially different from the unimodal structure: Take the difference between Latin American countries -- particularly Colombia and Mexico -- on one hand, and Japan and South Korea on the other hand. And I would say that improving the access is a different kind of an issue in both of those kinds of situations.
Now in the Latin American situation therefore, to get back to Al's point on the land tax, one of the problems in a nonmodal kind of society of instituting a land tax -- two of them. One is that the landlords resist paying this kind of thing because of their political power. Secondly, governments are not organized to really be able to institute and to levy this tax. Those are the points on Al's point. The other thing is then other ways of improving access to peasants.

One additional point is certainly through the government projects that AID has sponsored; but then the question is if these peasant programs are to be fostered, who among the peasantry has benefited from these programs? And one thing I think some of the case studies show us is when they involved subsidized credit, for example, it may be only the very wealthy among the peasants -- and I use that advisedly, because a rich peasant is still pretty poor. I did a study of a credit program in Mexico this summer and found out that the credit program did indeed push the peasant to the average income in the sector, but in order to get the average income in the sector you had to be in the 99th percentile of receivers. So you still are taking the very wealthy among the peasantry and pushing them forward.

MR. MONTGOMERY: Are you thinking about say a
rural development project that would be externally funded?

MR. THIESENHAUSEN: I'm thinking of an externally funded subsidized credit program, and I make the hypothesis that in a lot of the rural development efforts, those peasants already have a foot in the door. And I would argue that our agrarian reforms over the last 20 years in Latin America have been the same thing, giving access to peasants that have a foot in the door, and have done little for the landless peasant.

MR. REINTSMA: I don't know Latin America and basically have no experience with it, but one of the things not talked about here seems one of the most important assets is the person's ability to deal with his environment. Give him capital, however you want to talk about that, talking about physical redistribution of physical assets. But I'm not sure how far that will get you, because it seems to me you can't talk about keeping the peasants in the rural areas. There's nothing magic about that.

When we're talking about social optimization, it seems to me we ought to be talking about people's ability to earn a living for themselves, and in that context you have to look at both rural and agronomic opportunities. And it strikes me you've got to get beyond talking about redistribution and land reform, and perhaps access the
people in rural areas to education and the other -- their
ability to cope with the world, not just physical
distribution. I would like to hear a conversation about
that larger transformation of society.

DR. AYAU: Regarding the lack of credit for poor
people, I think that in part that's due to another
intervention in the market: when they force the bank to
have limits on interest rates. Because after all, the
assets that the banks are lending out are not the banker's
assets, they are other people's assets; and sure they can
take some chances with them, provided that they can
compensate with higher interest rates. But in the efforts
to suppress interest rates, they deprive the poor people
from credit, and therefore again the pattern is started.

I do want to make mention, since we're talking
about access, that for a given government revenue; a land
tax will reduce land values and therefore make it more
accessible to the people. It necessarily has to reduce
the land value in comparison to the value of the land
under a property tax structure. In my country, Guatemala,
we have not a bad land ownership pattern, I don't think,
but we do have land held speculative in many places that
are using up the infrastructure and all that, and the only
reason why those can be kept forever as an inflation hedge
is because it doesn't cost anything to hold it, because
since there's no investment on it there's no tax on it.

Now a land tax would probably reduce the tax burden to produce a given revenue; I'm talking about a land tax to produce the same revenue we're getting from land today would probably reduce the tax burden on those people who are using their land profitably -- no doubt it would have to -- and it would increase the cost of holding down land speculatively. Land would have to be put on the market if it was a burden to keep it for many years, and that alone will bring the price down.

Now I think if different types of interventions like the interest rate ceilings, like the property tax or like the price intervening were done away with, I think most of the problems that you see in the deficient land ownership patterns would disappear. In other words, normally in case of land reforms we're not attacking the cause of the problem that we seek. We're trying to substitute a new model to offset the effects of prior interventions, and we get very much involved with that.

MR. MONTGOMERY: Al, were you going to respond to the question about human resource development?

MR. BERRY: Yeah. I think that's clearly an area that one has to be thinking about, because at least if you look not just at the agricultural sector but the whole economy, there's no question that human capital
becomes more and more important relative to physical
capital when it moves along. -And one of the things you
first face when you say, well, shouldn't improved rural
education, let's say, be a major component of successful
agricultural policy or good agricultural policy in Latin
America, Latin countries, is that the agree of rural
education is almost a perfect reflection of the income
distribution in the country. The income distribution is
very unequal as it is.

In Brazil, education is phenomenally backward
relative to the country's economic level, so Taiwan has a
lower income on the average than Brazil, but its rural
education is three times as good, probably. So one can
say it, but there is something in societies with great
inequality which just the working through the political
economy says they are not going to get it according to the
way that system functions.

Then I guess the other point on supposing
something can be done and there are powerful political
barriers to it being done, if you look at the historical
record, then you do have to worry about the fact that in
the current agrarian structures of the Latin countries,
what it will do primarily is increase the earning
potential of an individual in the urban areas, but not
very much in the rural areas. If he doesn't have access
to land, his earning potential will not go up very much there. So if you're worried about -- I'm not saying you should be, but if you're worried about excessive migration to the cities, this is probably one way to contribute to it.

MR. MONTGOMERY: By educating people -- has that ever happened?

MR. BERRY: Well, as I said, education is at a very low level in many poor countries; but for example, in African countries where it has increased very very rapidly since independence, a lot of people do believe it has led to excessive migration. It certainly has led to --

MR. MONTGOMERY: I know in Burma they were consciously working on educational programs designed to make farmers more capable of dealing with existing constitutional opportunities. I don't know how that worked out.

MR. BERRY: I think they do that, but the main increase in capacity is to get them out of the city, to be smart enough to leave. There's nothing wrong with that; I'm just saying if you're worried about migration.

MR. MONTGOMERY: The question is increasing access to --

MR. BERRY: At least in Latin countries which are in the midst of depression, if ever they have had too
many people in the cities it's probably right now.

MR. THIESENHAUSEN: We have to remember if you take a look at the data on education in Latin America, it's quite remarkable to see the total educational situation really improving over the last 20 years. The primary school enrollment is up, the adult literacy is up, and up rather substantially all over Latin America. Somehow these educational benefits have come at a lower cost, so that at the same time people at the lower end of the income spectrum seem to be getting poorer, some of them are also getting better educated. And nobody is arguing that going to the city isn't the outlook for many people, but in Latin America the population will be growing slowly in the countryside until 1990 and maybe even 2000. So the rural population, despite the enormous amount of migration to urban areas, is still continuing.

If you study some of the peasants, it's interesting to see some of the strategies they use to try to get their children educated. One of their major goals in life is not to increase consumption, but to send their kids off to get them schooled; and it's not just primary schooling, but some of them who have a base in land will tend to pick out one they think is the smartest and send him to secondary school. And the idea is to make the mobility to urban areas easier, and once they have a job
there they will send back money to educate the younger siblings and also the parents in their old age.

So there's kind of a strategy of improving human resources that's involved, and it's not just a matter of this access. The point has been sort of posed in a way, how are we going to grant access? It's remarkable to see how the peasants themselves are demanding and working for access; and if the land market is closed to them, they try to get money through the education system, however mediocre it may be.

MR. MONTGOMERY: Let me remind you that we told ourselves -- in fact, we were instructed firmly -- to spend only an hour on the question of considering alternate models of improving access. I want to make sure in the next six minutes anyone who is thinking of a different basic model for increasing access to rural assets, that you get it said now, because we're then going to move to a new question where Roy will have something to say -- welcome, Roy Prosterman -- which is well, then, among all these different options, when is land reform the best one? And so let's be sure we get the alternatives sketched out. I have noted, I think, eight or nine different models providing access.

MR. RECINOS: I think that in order to determine which is the best model we have to go back to the question
that Dr. Ayau raised whether people really want to own land assets or not.

MR. MONTGOMERY: "Access" is the term, not "ownership." You notice AID thought that right from the start. It's not necessarily a question of shifting ownership; the real purpose is to create, improve access.

MR. RECINOS: Does "access" mean actual physical possession of the land or just --

MR. MONTGOMERY: I don't think so. That's a good point; we didn't discuss that.

MR. RECINOS: Or just the benefits of land ownership?

MR. MONTGOMERY: I assume it means access to land benefits or opportunities.

MR. JENKINS: I think both of you are right. There is a larger access question. Nonetheless, as the introduction to the discussion points state, there is a focus on redistribution of ownership. That is what was found by AID personnel to be most conflictual in their own deliberations regarding a new land reform policy paper revolving around the redistributive question. And by "redistributive" they were talking about taking of ownership from some individuals and giving of ownership to other individuals.

MR. MONTGOMERY: I interpreted that to mean AID
wants to know, okay, we have a law that tells us to
support redistributive policies, but we want to know when
that is the best procedure, and if there are other
policies short of that, because of the risks that
redistribution will offend certain human rights which are
also specified. So therefore the question we're now
considering is what are the alternatives, what are the
other options to land reform; and then we have to focus in
on when land reform is the most appropriate intervention,
and that's what we'll take up next.

MR. JENKINS: I hope my erroneous qualification
served a use for further focusing this.

MR. WOOLERY: Aren't we really being forced to
that conclusion? It's impossible to discuss without
coming to the conclusion that land redistribution is there,
so what we have is a premised conclusion which violates
all the laws of normal logic.

MR. MONTGOMERY: That's the way it always works.

MR. WOOLERY: I don't think we have any options,
because you have to come to that conclusion. It's forced
within the statement itself.

MR. MONTGOMERY: We are permitted to consider
nonredistributive policies and then instructed to look at
this particular redistributive policy in that context. I
personally think that's a very good way to structure this.
I'm not the author, but I think it's a very intelligent --

MR. WOOLERY: One thing would be to have a quick
background in your experience in postwar Japan where
American foreign policy and part of the occupation
strategy was imposing land reform. Can that be done
outside of a military occupation? To what extent can
American foreign policy impose the kinds of things we
imposed on Japan?

MR. MONTGOMERY: Since I was so kind for Jack
about his book, he's celebrating my book. Actually the
book is published on international commissions as we tried
to explore the situations in which the U.S. was in a
position to develop policies favoring land reform, and we
were in such a position in Japan, Korea and Taiwan -- not
in that order. And it was clear to me in retrospect,
although in the occupation and in Taiwan I had the
impression that the U.S. placed a very heavy hand upon the
political apparatus. The later evidence of the occupation
has shown that there were powerful domestic forces and
capabilities in Japan and certain special circumstances in
those three cases, so that the United States hand which
appeared to be heavy was made to seem heavier than it was
in order to exempt the political leadership of those
countries from full responsibility for actions that
weren't universally popular. So I think there are not
very many cases where we can replicate that agree of
influence.

I don't want to cut you off. You had a
last-minute comment.

MR. RECINOS: I was really going back to the
same question of whether a redistributive land reform
actually means actual physical possession of the land
itself or not.

MR. BERRY: I guess I would like to speak to
that with the question of whether peasants, if you want to
call them that, really want land, which you relate it to.
I think it's true there are quite a few people in third
world countries who don't want land, and some of them are
the ones that head off to the city. But I think in the
rural areas themselves, the fact that an awful lot of
people do is readily apparent when you look at things that
they do to try to get access to land. And I think it
might be true that if the sort of initiative that's
occurring in Guatemala were to be successful and were to
have some quantitative scope -- which it never has, in my
opinion, elsewhere in the world so one has to wait and see --
then that would change things. But I think the historical
record is to have access to the fruits of the land, you
have to have the land. That's 99.9 percent of the cases
for small farms.
And I guess I would disagree with your observation that the risk associated with being an entrepreneur is a problem. I agree it's a problem, but I think the risks associated with being anything else are much greater: The risk of being thrown off if you don't have control of land if you're a share tenant or paid worker are so much more serious that that explains to me the fact situation, which is that people are dying to get land.

MR. MONTGOMERY: Are we ready to make the transition now?

DR. AYAU: Just a comment on that. I think that there was a survey made in Guatemala recently -- I have it upstairs -- asking the people what they thought of land reform, and this was a survey done out in the hills in four different Indian languages. I can tell you it's a nonissue with them. One thing they remarked was, "This is the first time that we're being asked what we think, not told what we are to think."

MR. MONTGOMERY: Maybe nonreform is a nonissue.

MR. POWELSON: I was going to add to the transition. I thought we already had moved into the next question. I would like to emphasize that point. I was about to comment there are no peasants around the table here.
MR. MONTGOMERY: I resent that.

MR. POWELSON: I have more to say about the approach to this question than about the question itself, which is it seems to me that AID needs a lot more anthropological and on-site information, and a lot more -- well, I hadn't heard of this query that Dr. Ayau had gotten out, but this is precisely the kind of thing we need more information on: What do the peasants think? We sit here talking about what we think the peasants think -- and I don't think we have very many answers like this -- and in the process tend to believe, but again without adequate justification, that what a peasant wants is some kind of security of tenure and improved income. And I believe this on the basis more of historical evidence, what I've studied in histories of agrarian societies and peasant movements that have taken place in earlier centuries, than I do on the basis of what third world peasants are thinking today.

MR. MONTGOMERY: So that is a transition indeed, and I thank you; I hope Dr. Ayau will bring that down. We're going to have a coffee break at 10:15. I think we would be interested this that. Maybe we can get it Xeroxed. We don't have much evidence about what peasants want, and governments and other do-gooders tend to think that they must want this, because if we were in their
place we would think, "Let's do it."

MR. RECINOS: One question for Dr. Ayau. What
actually did the study show, what did it indicate?

DR. AYAU: I think I'll save my comments for
later on.

MR. WOOLERY: In the transition phase I might
comment on a rather superficial thing I observed in the
Philippines about what the peasants want. After the land
redistribution of about 40,000 titles that we saw go out
as part of our observation, what we found was that the
peasant wanted to be a landowner: that when they got
title to the land, what they really wanted to do was to
rent that land to other tenant farmers. Don't laugh
because this is pretty important to what Dr. Ayau is going
to bring forth. This was a pattern that was developing,
that once they got title to the land then they wanted to
have their own tenant farmer.

MR. MONTGOMERY: I'm not against capitalism. I
want to be a capitalist.

MR. WOOLERY: There was a novel in which land
reform was discussed, and not every flea wants to have his
own dog. And it may well be what Dr. Ayau is saying gives
us psychological insight to an attitude we ought to be
aware of in approaching this problem of land distribution.

MR. SOLEN: Ray Solen, BBC evaluation. I looked
at a land resettlement project in Bolivia, the San Julian project which has been going on for a long time. Fairly famous. One of the things we learned from interviewing the pioneers down there -- these were Aymara and Quechuan Indians, primarily from the Bolivian highlands -- is that they really didn't think of themselves as farmers; most of them they thought of themselves as business people, traders. Their real interest was in moving to a city and owning some real estate, maybe some apartments or a small store or a truck. And the whole business of going to all the hassle that they go through for pioneering free land in the jungle was just an opportunity to acquire some wealth. They were working hard to build up the farms so they could sell them and move to town.

MR. MONTGOMERY: Now we get to topic 2, when is land reform a preferred option? Sounds as though it's not very often a preferred option, and sounds as though it may not very often be a possible option. But since we are progressing on this logical line, we should review those situations when redistributive land reform is preferred to other means of increasing or improving access. We have Bill and Al ready to speak to us.

MR. BERRY: Mine's a point of clarification. In the "preferred" here, we have been talking about what the individuals prefer, but I'm not sure whether this was
intended to be "preferred" in the sense of socially, or
policy preference that AID would have in mind. Whose
preference?

MR. MONTGOMERY: This also was defined for us in
Jerry's letter in which he stated, quoting from the law,
what the objectives of such programs are. And the
objectives seen at the macro level are, as I understand it,
the assignment we're given. In other words, we are not
supposed to tell host governments, "We will go out before
you do land reform and take a survey." We're supposed to
say to ourselves -- AID, the missions, the U.S. Government --
that's what AID is going to be saying: "When does land
reform bring about the objectives which are prescribed
under the law?" And there are three of them.

I think that's right. Correct me if I
misunderstand our mission, but I think that's what we're
supposed to do.

MR. THIESENHAUSEN: This depends on what you
mean by "agrarian reform." If you mean sort of founding
production cooperatives or --

MR. MONTGOMERY: Redistributive land reform is --

MR. THIESENHAUSEN: That's fine, but usually
these programs need to be done in concert one with the
other: You need certain subsidized credit, et cetera, et
cetera. So I don't think you can just say "preferred,"
MR. MONTGOMERY: Let me tell you what I understand to be our mission and how I suggested to myself that we divide our efforts. Jerry telephoned me a few days ago and asked me to do this, and I thought how do you mobilize this much talent and interest from AID? We were told we had an hour to talk about what we just talked about, which are the basic options for improving access, and I thought from 9:15 to 10:15 we would talk about when land reform is a preferred means of improving such access. And from 11:00 to 12:00 we would talk about principles for implementing land reform, taking a coffee break at 10:15, then continue from 2:00 to 3:00 with principles for implementing land reform, meaning expropriation, compensation, vesting of ownership rights, alienability, eligibility, economic viability, modes of production, administrative style -- those issues. Then at 3:00, I thought we would talk about follow-ups to land reform, meaning in the larger context that you're referring to of agrarian policies that are thought to be a necessary part of even follow-up or the context in which land reform takes place.

MR. THIESENHAUSEN: That's the difference in definition, because I think that's part of land reform itself.
MR. JENKINS: That's a legitimate conclusion that could be arrived at in response to the second question; in fact, it can be considered a second preferred.

MR. MONTGOMERY: Is everybody on board? Is that a reasonable way to divide the thing up?

Now we are staying within this range of nine or so different possible ways of improving access, ranging from the ownership decision to create stock options for the tenant farmers, through to the issue of educating rural populations so it can take advantage of existing institutions more effectively. We have eight different options that are within that range that we've talked about, nine different ones, so now we're going to say, okay, within that is the possibility of redistributive land reform. When does that look the best or look to be the only or most desirable procedure?

DR. AYAU: To answer that question, I was attempting to answer "never."

MR. MONTGOMERY: That moves us to the next question.

DR. AYAU: But you know, I think that if somebody were to ask me, "Do you like the pattern of ownership in Soviet Russia," I would say "no." "Do you think it ought to be reformed?" I would say "yes." "How would you do it?" I would say, "How do you privatize land
ownership in Russia? Because I do believe that there are cases like that one where land reform would be appropriate. I can't say "never," but what I think is important is to know whether it's a good idea or bad idea to do land reform is remember we're talking about a change in the pattern of ownership or in effect the pattern of ownership, no matter what we want to call it, in the real sense it's ownership even if it's just temporary but in effect what we're talking about is the change in the pattern of ownership.

The first thing we should have in mind, then, is what pattern of ownership do we think should exist? The next thing is where are we, and the next, I think, is how do we get from here to where we want to be? But if we don't have a clear idea of where we want to be, what are we talking about?

MR. MONTGOMERY: One condition you're suggesting is if you have a situation where there's no small freeholding, then land reform may be -- am I right, is that what you're saying?

DR. AYAU: That was just to leave myself open so I wouldn't shut the door completely. No, what I'm saying is, this is the point I want to make: If we're going to address this question of when is redistributive land reform to be the preferred approach over alternative means
of improving access to agricultural assets, first, in
order to be preferred, the preferred approach, we have to
know where we want to go. If we're going to choose
adequate means to an end, we have to have a clear
understanding where the end is.

This, I think, is the question that should be
first addressed: Do we want a land ownership pattern
according to comparative advantage, or do we want a land
ownership pattern according to something else? Because
after we know where we want to go, then we can say these
means are adequate. This is what we're talking about now,
when is redistributive land reform to be the preferred
approach. We don't know if that's a good or bad approach
unless we know where it is we want to go. Where are we
now? Where do we want to go? Is this means adequate?

MR. MONTGOMERY: I'll say; I'm always being
vulgar and putting you down in suggesting models, and you
suggest two at a time. One is a post-elective situation
where state ownership or large-scale collectives are not
serving the purposes of equity of access and maximum
productivity, and the second is a condition where the
comparative advantage of a production system lies in some
form of redistribution. This is the sort of economic
criteria that would call for some kind of redistribution.

I thought that was what you were just saying. Roy is
about to make his --

DR. AYAU: I wasn't making any proposals, I was
talking about methodology.

MR. MONTGOMERY: I'm converting this into models
or general approaches --

MR. THIESENHAUSEN: What I'm tempted to say, in
order to make for the most interesting and dramatic sort
of debate, is that the answer is "always," but I would
perhaps modify that somewhat. I suggest that we were on
the right track a moment ago when we were asking what the
peasants want. Certainly my own interviewing experience
in both Latin America and Asia suggests that while there
may be the exceptional case and the special case and the
fellow who wants to move to the city and the fellow who is
not interested in becoming an entrepreneur who owns his
own land, that the great majority of campesinos in Latin
America or peasants in Asia who are non-landowners, that
is, who are either tenant farmers or agricultural laborers
as a primary source of income, very many do want to own a
piece of land of their own.

No one can have interviewed a group of peasants
in the Mekong Delta in 1968 and seen the electric current
which ran through the room when you asked whether they
wanted to own land, or seen the amusement on the face of
Philippine peasants when you suggested that maybe instead
of owning land, rural electricity would be better. They
made it very clear that land to the tiller, not lights to
the tiller, is what they wanted.

One of the problems is the way we've tended to
find out that's so, in the past, is not through
interviewing or research but through revolutionary
activity. Instead of the peasants want land when there
are 10,000 of them out there with guns trying to bring
down the government, then we get to the point of crisis
land reform which is personally not the most desirable way
to bring about land reform.

I agree with Dr. Ayau that the vast majority of
peasants if asked will prefer individual over collective
ownership. I think we're seeing in China a striking
evidence of that moving toward decollectivization, but I
think one important caveat is we have to be extremely
careful in terms of the way in which the interviewing is
done, who does it, is it a member of an elite group who
obviously expects an answer from the campesinos that no,
they don't want land, and "By gosh, if you know what's
good for you, you'll answer the way I want you to." Is it
also a setting in which it's realistic.

You have to face the problem: To ask the
campesino whether he wants to own land is to jump into
that, maybe like asking whether he wants to be a
millionaire or win the lottery. And it's so distant a possibility for him that he may have difficulty relating to it, but as soon as it becomes something in the realm of realistic possibilities for him, which very often in this century has come to pass through revolutionary activities rather than through academic reform, it is an alternative. Once it becomes something in the realm of the possibility, I think you see in a very regular way the response: "Yes, by gosh, I sure do want to own land and I want to own it as an individual, not in the collective setting."

MR. MONTGOMERY: So there's a third condition when there's a strong peasant desire, and China is an example and you find it also in the peasants of southeast Asia.

MR. RECINOS: There's another question also, whether even if the campesinos want individual land ownership, if it's not economically viable under market conditions, then should AID still proceed to help campesinos acquire individual land ownership or not?

MR. BERRY: I would like to partly pick up that point and partly pick up the question of "where we should want to go," I think is the right question to ask. And I guess my one-word answer, although every country is different, if you can get to Taiwan you would have really done the job, because the experience of Taiwan after that
land reform has just about everything you could want:
extremely high agricultural productivity, very fast growth,
relative equality of distribution of income. You couldn't
really ask realistically for anything better to happen and
I think the reason is, at least getting back also to the
question of comparative advantage, by which I think you
mean economic efficiency --

DR. AYAU: Comparative efficiency, not

efficiency per se.

MR. BERRY: Comparative advantage means that in
total, if you exploit it you'll get the maximum ouat.
That's the way I would interpret it and I think there,
what goes on in Taiwan or any of those countries which
have moved to small family-operated farms, the reason the
productivity is so high is that they're taking advantage
of what we know about who has the comparative advantage in
production in general in agriculture. Small farms are
more productive than big ones in all cases where
cross-country studies have been done. So if you take
advantage properly of small farms and you can give it up --
but if you do it properly there's no question the record
shows that's the most productive form of arrangement.

And then finally, I think you get into an
interesting and tricky question when some of the farms
that are under consideration, let's say to be allocated,
are so small that they are, quote, "not viable," so that you know you could realistically say, "What sense is there to giving somebody half an acre?" Well, I think that that concept of viability is really misapplied there. I think for two reasons.

One is that what we see in many countries is a lot of people in their cultural sector who work elsewhere so they combine and those farms are the most productive of all. The unviable farms are the most productive use of land of all because you could say that in Russia, an unviable farm is that vegetable plot that the guy has. It's not enough for him to survive but boy is it extremely productive. And I think the same principle occurs across the board.

The other reason that I don't care for the concept of unviable is that what it always boils down to is we'll either give them half an acre or we'll give them nothing. Half an acre may not be too viable but nothing is worse, because that's the alternative we're always thinking of. Should we have a farm that's very small or I should say, should we have two farms that are very small or one which is bigger? The one that's bigger is obviously better for the guy that gets it, but the guy who's not going to get anything, his situation is going to be less viable. So I find that that concern, I think, is
misplaced from both a distributive and efficiency point of view.

MR. ANTHOLT: Again we're constrained by the question, but still the answer to Roy's peasant -- the answer is "yes -- well, maybe." It seems to me that you get that answer when you don't have access or the doors aren't open to get out of agriculture, where you have blocked access to nonagriculture jobs and employment opportunities; and if that's the case, then you can come back and say, well, maybe land reform is a solution in rural welfare but I expect you end up you're dealing with a symptom rather than the root cause. This is lack of expansion in nonagriculture areas and the Philippines are a good example.

MR. NILSESTUEN: I'm not clear if your point is that you would like to hear what the opinion is as to under what circumstances, what threshold do you reach, what unnecessary conditions for helping you to determine whether the other sort of rural development instruments are not sufficient to bring about development objectives and you undertake redistributive reform; or whether your question is that sort of how to undertake redistributive reform as part of a larger rural development strategy.

MR. ANTHOLT: The question is, when is it preferred? All I'm saying is you may get to land reform
as a preferred alternative but you may get there for the wrong reason. That is, your nonagricultural opportunities may be closed.

MR. MONTGOMERY: Or other rural access opportunities are closed.

MR. ANTHOLT: The question may be too small. On agriculture access --

MR. NILSESTUEN: Clearly we're concerned as a developmental agency with lots of interventions that promote rural development, and that seems like much too large of a question in terms of what I understand the end product is, to inform the agency about reformulating its policy.

MR. ANTHOLT: The bottom line is people, their ability to earn their livelihood, and it's not necessarily founded in the agricultural setting.

MR. NILSESTUEN: I agree. That's a pretty fair, straightforward proposition, Chuck. I'm just saying -- and it's really a question rather than a challenge -- is our task here today to ask the question of what are the alternatives to sort of classical redistribution or to know when redistribution needs to be undertaken if you're going to meet certain development objectives? Because the other rural development bag of tricks is not sufficient. Which question are we answering?
MR. MONTGOMERY: I thought the second one.

MR. ANTHOLT: I'm giving a caveat.

MR. MONTGOMERY: Absolutely. Just as land reform is in a context, so is rural development in a context.

MR. THIESENHAUSEN: I want to hark back to the Latin America situation where I meant to say the agriculture population is still going to grow, therefore it seems to me that we have to find a way that the peasantry can be more profitably employed in the agricultural sector. Everything else or many other things seem to have failed.

So I would submit that if we follow Dr. Ayau's recommendation, we can only follow that if we are ready to admit that we don't care how much underemployment is growing in the agricultural sector, we don't care that the lowest third of the population is receiving proportionately less income every year, and certainly if you take decades you see the income distribution is becoming worse. If you say you don't care about agricultural minorities or indigenous groups, I have no grief for holding land over holding any other resource. But we have to recognize that at least there's some productive land that isn't being utilized. That land might be pressed into service.
Two trends are important. One is the trend of increasing landlessness in Latin America. Second trend is, if you take all properties under one hectare and you take the last three or four decades, you see the average number, the average hectarage of farms under one hectare is growing smaller with each decade; therefore, people's claim on land is getting less. So I guess what I'm saying is, land reform appears under these situations to be just the only thing one could think of.

MR. MONTGOMERY: I'm going to list that as a sixth condition, and there are certainly countries where it doesn't prevail and countries where it does.

DR. AYAU: I have a personal clarification to make at this point. The motivations don't enter into the equation here because I'm also concerned about those things that you said that to follow my recommendation one must be unconcerned with the welfare of the poor and all that. I don't think that's called for, frankly, because what I'm talking about is also the welfare of these people, and when I'm talking about division of land through observing comparative advantage, that's the reason why I'm suggesting it precisely.

I want to make some comments. When we want to know what the people want, I agree that we have to ask them within the realm of their possibilities. And I think
the question has to be well put, because I know if we ask anybody, "Would you like to own some land or not," we all know what the answer is. But when I say that people prefer a contractual income, I'm talking about the generality of people, not only as far as land is concerned. Everybody that's not an entrepreneur but is employed is preferring a contractual income over a speculative income through entrepreneurship.

In our countries where we have severance pay, job security is very secure. It's very hard to fire anybody so there's no big risk of not having job security.

I certainly don't believe that revolutions are made by peasants. I think that revolutionaries use peasants to make revolution. But the real test of whether the people want to keep their land is if they get unrestricted title to the property. You will notice that most of the time people do not get unrestricted title to their property. Now, what they do with their title after they get the land is going to show their true motivation, what they really want. If they really want to keep the land they won't sell it. If they want something else, they are going to sell it. So that's the ultimate test really and that's one of the reasons --

MR. MONTGOMERY: A little too late to apply it.

DR. AYAU: But many people are afraid to do that
because if they give people unrestricted title to the land, naturally, and necessarily, land ownership patterns will revert to a market pattern, which is precisely the one which was attempted to be destroyed. So if you give it to them and let them keep the title, it will revert to a market pattern. So the whole thing would be self-defeating. That's why land reformers don't give unrestricted title to peasants. When I'm talking about comparative advantage I'm talking about comparative costs, not talking about compared efficiencies. I'm talking about comparative costs.

MR. BERRY: I don't see why you would do that if it's not a concern.

DR. AYAU: The efficiency of the whole based on the theory of comparative costs. In that sense --

MR. BERRY: I think I understand what you're saying, that specialization should -- the theory essentially says if you're good in one thing, if you're relatively good you do it, and if I'm good at something else I do it. My interpretation comparing Taiwan and Brazil is that small farms are both relatively and absolutely good at agriculture, so if you break them up you get more output.

DR. AYAU: This is the difference between absolute and comparative advantages. I'm talking about
comparative advantage.

MR. BERRY: I'm talking about both. I would make the same proposition with respect to both.

MR. NILSESTUEN: A question. The question that we're asking ourselves is when is redistributive land reform a preferred approach to improving access? My question is to all of you: What do we know about preferred -- the economics judged on efficiency grounds of alternative constitutional arrangements that provide access, particularly to land.

Redistributive reforms which transfer land ownership is one such example but you can also have lots of other kinds of tenure statuses that provide access and you can regulate that. Jim Rummus, who I believe was invited here but was not able to come, has written an article entitled "Agency Costs and the Agriculture Reform," which argues that in fact inside actual reforms, there's no single constitutional forum like the single owner-operated farm, which is inherently more efficient but it's rather sort of conditional. It's a function of the environment in which it operates. I'm wondering what the wisdom is around the table, what we know empirically about that. He offered only one example from the Philippines but I wonder what else the literature says or --

MR. MONTGOMERY: There's no particular
constitutional arrangement for tenurial holdings that is
inherently superior to any other as far as productivity is
concerned. That's the argument that you raise. This is
Berry's cup of tea, isn't it?

MR. BERRY: One would have to probably phrase
the question maybe in a more restricted way to deal with
it because I'm sure that he didn't mean to put it quite
that extremely. Certainly for some crops I'm sure the
proposition would not be true, that it would make a
difference whether you had, for example, owner operators
or tenant operators and so on, but I think maybe the first
cut at dealing with that proposition is to look at the
empirical evidence.

There have been a lot of countries in which
we've had a chance to compare small farms which are
owner-operated, various types of tenant/tenure
arrangements and so on, and obviously bigger and smaller
farms. My impression is that among those tenancy
arrangements, one cannot distinguish very important
differences. It's not generally true that if you simply
take a look at owner-operated farms of two hectares and
compare them with shared tenancy farms of two hectares
that one is more productive. Sometimes they are,
sometimes they aren't. Varies according to the country.

There are reasons for that. Sometimes the
sharecropper, because the landlord has good access to credit and so on, he will be actually more productive than a small owner operator because he's better hooked into the system as a whole. And in those cases, if one wants to talk about the different performance between ownership and various types of tenure, one is probably going to wind up concentrating not so much on the output performance but on the security. The basic problem with tenure is that in most parts of the world it doesn't give much security. If it did -- and where it does then maybe it's better, maybe it's safer. Likely it is, so it clearly depends on the setting.

But I think the main thing that comes out of empirical research comparing different kinds of farms is this systematic difference between larger and smaller farms on the average. There's always exceptions at the farm level, but on the average one simply finds that large farms are not as intensively operated and therefore don't produce as much. They get higher output per worker, lower output per acre. I'm not sure whether that's what he was referring to or whether it was just the tenure, but I think there is something one can say, and it's long been said by American agricultural economists, that there are diseconomies of scale above a certain size in the terms of number of workers -- not acres but in terms of workers.
You change the organizational hierarchy and you wind up with a system with employees who do not have the same incentive that an entrepreneur has. That's one of the reasons, one of several reasons I think, why one sees this major difference between productivity of a 1000-hectare farm on a per hectare basis to a small farm. That has a basis in economics and the same problem has plagued rural and agriculture, basically. They are inefficiently structured, too big given the way agriculture has to run. It has to be very flexibly run. You have decision-making every day. You can't do it efficiently on a large scale.

MR. RECINOS: I would like to ask a question. When you talk about large farms, are you referring to large farms that are owned by very few people as opposed to, for example, a cooperative?

MR. BERRY: One of the problems with the statistics is that in most cases we have it at an aggregated level so we're talking about the whole bunch taken together. When one, then one can make fairly clear quantitative statements. When you distinguish different types of farms, our evidence is less complete by the nature of its origin. I think these statements hold for large-scale agriculture across the board, but still it's very clear that -- for example, a large-scale capitalist modern farm is going to be much more productive than a
traditional hacienda. So in Latin America you see a
tremendous range of productivities in the sector from an
extremely low -- an absentee owner who has not been there
for years -- to fairly high, but not as high as a small
farm. It would have fairly decent productivity relative
to a small farm.

One of the reasons that small farms have such
high productivity is that they focus on very high product
crops which are very labor-intensive and which an
agribusiness would not, at least frequently, focus on.
But the evidence is not complete on this.

MR. ATWOOD: I would like to ask a question of
the group preceding with a statement which is, it seems
many of the conditions discussed are conditions under
which it seems to make sense to talk about a change of
pattern of distribution of access or ownership to land,
but there are different ways of getting to that changed
pattern. Now in this paper, does redistributive land
reform encompass tax policy or increased long- and
medium-term credit as well as sort of classic land reforms?
And if it does not, under what conditions are those
classic redistributive land reform approaches a program?

MR. MONTGOMERY: Who should answer that?

MR. PROSTERMAN: Do you mean "encompass"? Are
we allowed to include that?
MR. ATWOOD: Sure.

MR. PROSTERMAN: Seemed to me if we didn't allow, indeed urge that there be complimentary services -- but still you have to give ownership to the land before you compliment it with credit or extension or marketing and so on.

MR. ATWOOD: Earlier the possibility of medium- or long-term credit for the purchase of land as an alternative to classic redistribution was mentioned. Also I think the tax policies mentioned by Dr. Ayau concerned tax policies which would be an alternative to classic redistribution.

MR. PROSTERMAN: We have a couple variables that should be included at this point. Are we talking about voluntary or involuntary taking or sale of land? In other words, are we talking about mandating that land will be redistributed? That I would understand to be part of classic redistributive land reform rather than voluntary purchase and sale agreements, which don't work as far as I can tell. And another question would be, will the taking be confiscatory or will it be or more of an eminent domain law?

MR. MONTGOMERY: We're going to discuss that in our next question period.

MR. WOOLERY: I'm going to play any expert,
skeptic, or the student at the garden party. If I were
with the AID I would be terribly frustrated right now. I
think there have been two valuable statements: Dr. Ayau's
"never" and Dr. Roy Prosterman's "always." Dr. Ayau says
we have to find goals and if you don't know where you're
going, every road will get you there. I think we're
getting there very quickly.

I looked at the background statement on page 1, the Foreign Assistance Act and the mandated goals. I read
those goals through. Is there anybody here who doesn't
support those goals whole-heartedly? Anybody who
disagrees with those goals?

I would submit to all of you, if you don't
disagree with some of the statements made, those are
meaningless statements. And if you're going to operate on
the basis of those goals, I think we can just shut up shop
and go home. We have to get to some of the questions that
are really thrown out there and number one, define what
are we talking about.

MR. MONTGOMERY: I think "improved" is an
important one. These are not absolutes.

MR. WOOLERY: Are we concerned with the general
level of prosperity of people? Are we concerned with
increasing our food supply or just exactly what are our
goals? What would you define as the goals of an agrarian
reform program? What goals are we trying to reach? I don't think we have any.

DR. AYAU: One word. I would say general prosperity and then I would say better diet, more education, et cetera. Because what we want to do is use the productivity of the land to better the standard of living of the people. What pattern of ownership brings that about is the first question because -- let me just play with an idea. Suppose we agreed that if one person owned all the land, everybody would have better food. Would we be in favor of that?

MR. MONTGOMERY: Garden of Eden.

DR. AYAU: I think that's a silly question. It brings the point home, though, that is land ownership a means or an end? Which is what I was asking from the beginning.

I want to take issue with a few things. I don't believe that small is always more efficient. Depends on the crop. And not only on the crop, it depends on where that farm is. A cotton plantation might be most efficient in a certain area at a given size, in another area a different size. I think we have to analyze the problems on the margin, not on the average.

But I want to say that if we -- I think that we all instinctively recognize many things that we consider
bad with the land ownership pattern: this business of holding land forever and speculation and things like that. If we did away with some of the things that brought about the things we don't like, like for instance the property versus the land banks -- if we took care of a lot of those things I think this problem with disappear.

MR. MONTGOMERY: I did hear about your interest in this.

MR. GRAYZEL: I think one thing I find a little upsetting, frustrating -- yeah, I'm one of those people who may be frustrated to make you happy -- there seems to be a constant slipping to the equation of land reform and land redistribution with land ownership. And I question that in the sense that -- as an example, my experience is in Africa. First of all, the question of whether farmers want to hold land, my experience is if a man wants to be a producer, he's concerned with access and control. If he wants ownership, he wants to be an entrepreneur, he doesn't want to be an agricultural producer. So first of all, ownership is not necessarily what you want to aim for. The second thing is very often land reform can take forms other than ownership that are much more important. In Egypt you had both land redistribution in terms of ownership and you had caps on land rent and I think you can make the argument that it's the caps on land
rent that had far more extensive effect on production than land ownership pattern. And when you get back to the whole question of productivity and farm size, you see that in countries the difference, again, is farm size.

You go to a country like Morocco, you see very clear splits but you find farms of 200 acres that are totally rented. It doesn't matter who owns it. The question is, on what level of access do these people have? Do they have various methods to allow access to 5, 10 or 200 hectares? And the converse is how much control do they have. If they have land ownership but the government still mandates crop production, it doesn't matter.

We have to be careful not equating land ownership with land reform and land redistribution.

MR. MONTGOMERY: We're working within assigned definitions and that's the reason we have used that. We are certainly aware --

MR. GRAYZEL: Do we accept that land redistribution means land ownership?

MR. MONTGOMERY: No, we work with something worked out by AID and we talked about alternatives to transfer of ownership as a means of increasing access and I think that's where the Africa situation is.

MS. HERRICK: We're talking about access. It seems to me this group -- in the first hour some very
strong points were made that ownership is very important. But that's still a question.

MR. MONTGOMERY: We're now talking about the question of under what conditions is this redistribution of ownership the best way to improve the access.

MR. GRAYZEL: I think the conversation made ownership the criteria. The definition is ownership. I think we slipped into it. That's what I'm saying.

MR. ANTHOLT: The most productive farms are the ones that are fixed rent. My god, those guys did a lot of entreprenurialship with land and it's a very good point.

MR. MONTGOMERY: Jack?

MR. POWELSON: I was trying to think of the criteria that are asked -- there's a question of what are the criteria for redistributive land reform and so I was just jotting down a few criteria, but they are not necessarily criteria for redistribution of land. They are simply criteria for any kind of action with respect to land of which redistributive land reform might be one.

And I would say that whatever action we take should take these four things into account.

One is the mobility of resources. Do resources become more mobile as a result of the action? For example, if you look at a hacienda in which farmers are bound by obligation or -- I hope it's done in most places now, debt
servitude -- obligations that prevent them from moving from one hacienda to another, the farmers, then if redistributive land reform or any other mechanism would increase the mobility of farmers to make their own choices and do what they feel best, not just for ethical reasons but for comparative advantage as well, I would say that's an important criteria.

The next thing I would look at would be what restrictions are placed upon the redistributive land reform. I know of no circumstances under which there has been any redistributive land reform in which the government has simply given the peasant the land and said, "Go, take it and do what you want." And yet I'm reminded of an article that appeared about Turkey in one of the Land Tenure Center newsletters in which the researcher had questioned some of the peasants about the government restrictions and the answer of one peasant was, "Why don't they just give us the land and leave us alone?" And that struck me that if redistributive land reform carries with it prices and rent controls, I'm very dubious about it's usefulness.

And then the next criterion would be the extent to which power is disbursed, and there's in fact accountability for the use of resource because it seems to me the key factor here is how accountable are people for
the use of resources. When governments get control over the resources as they do through price controls and rent controls and certain kinds of taxations, very often those very government personnel that make the decisions are not accountable to anybody for the use of the resources and therefore they can be very profligate with them.

Those three criteria seem to me to be important ones in determining the situation, but then there's another question that comes to mind, and this question was emphatically answered by Dr. Ayau but I think left very wide open by Roy Prosterman over here and that's the question of when you say "always," do you mean that once you've done it then you do it again and then you do it again and again?

DR. AYAU: Every five years only.

MR. POWELSON: This is the question: Does land redistribution then set up a precedent so in a few years you have to do it again?

In one sense you can't do anything without setting up a precedent because whatever you do becomes a precedent, and we have -- there is empirical evidence that when land is redistributed widely, there's some consolidation afterwards. If you do allow alienability -- and I'm all for alienability, although many land reforms don't have it -- that's one of the restrictions of it.
You get the land and you can't sell it because you have fixed sizes and this restricts the mobility of resources. But when you have that kind of restriction -- when you don't have that kind of restriction, when land is freely alienable, then it becomes -- many farmers decide they don't want to be farmers and they sell the land and you tend again toward a market determined size of farm. I'm not quite in agreement with Dr. Ayau on this in the sense that I think in many countries the size of farm now is not market determined.

DR. AYAU: I agree.

MR. POWELSON: And therefore some changes would be optimal and this to my mind does imply redistributive land reform. But then I have the question for Roy Prosterman, when you say "always," are you setting up a precedent so you would do it again in a few years? I haven't answered question number 2 but I've made it more complex than it seems to be and I think that's an improvement.

MR. MONTGOMERY: Roy and then Bill and then I think we'll have coffee.

MR. PROSTERMAN: Let me briefly try to make the case for "always," more perhaps than half seriously -- three-quarters seriously.

First of all, we should be clear that from a
historical point of view we're dealing with a very fundamental sort of phenomenon of the 20th century. As nearly as I can tell, you have currently on the planet roughly speaking a hundred million families of tenant farmers or agricultural laborers, about half a billion people or so. If you had started at the year 1900 with the then situation of tenancy in agricultural labor on the planet and been able to predict growth of rural population and land population but had not predicted land production, you would have predicted a figure well over 200 million landless families. In other words, more than half of the landlessness that could otherwise have been expected in the year 1985 has been eliminated by redistributive land reforms on the planet. That includes both the Marxist reforms which have come through revolution and ended with collectivisation and it includes the non-Marxist reforms such as those of Mexico or Japan or Taiwan or South Korea and a number of others. So we're dealing with a very powerful current of happenings in this century.

I might just parenthetically note that one reason why we're talking about ownership or ownership-like interests, whether individual or collective ownership, rather than talking about rent control, is that with very rare exceptions -- and I think this is one of the very clearest things in the literature of land reform -- is
that rent control has not worked. It's worked in Egypt. I was amazed to see it because there were so many places that I had seen before that hadn't worked.

Take a look for example at Herring's book, "Land of the Tiller," which details the failure of rent regulation in all of south Asia. Same true in the Philippines. Same true where it's been tried in Latin America. You don't have the legal and regulatory ability to keep the landlord from pressing and pressing and pressing to undo whatever regulations you make. Even the Taiwanese tried rent control from 1949 to 1952 and pretty well gave up on it and shifted to full transfer ownership because they couldn't handle the deluge of cases and problems created by trying rent regulation. It demonstrably doesn't work.

The presumption has to be very strongly that it doesn't work and one has to have very clear reasons for thinking that it will work in some exceptional situation so you're talking about basically ownership or ownership like interests being given.

Now one major set of cases among the hundred million remaining landless families -- and it seems to me this is a perfectly legitimate consideration for AID and the State Department and the American government -- is the question of what the geopolitical results may be of not
having land reform. I would argue in virtually any setting where more than 20 percent of the total population is non-landowning in agriculture -- and that includes India and Bangladesh and Pakistan and the Philippines, and most of the countries of Central America and a few others -- that the prospect of revolution and in all likelihood of Marxist revolution occurring if land reform is not carried out is very, very high. Of some 21 societies that have had a quarter or more of their population landless in the course of this century, about 14 have experienced massive upheavals or are now in the process of experiencing massive upheavals and it seems to me a perfectly legitimate argument for redistribution.

Peasants are not the leaders of revolutions but they are the cannon fodder, they are the rank and file. They are the ones who are persuaded by their grievances, by the graduate students or others who lead the revolutions, to join the rank and file. And unless you have that mass joining the leaders, all you end up with is a Red Brigade or a Baader-Meinhoff Gang. You don't end up with a real grass roots revolution threatening the stability of the government.

So a large number of countries, including countries where about 80 percent of the landless people are 80 out of those 100 million families where you could
make the argument in terms of very legitimate political
stability considerations -- but more than that, I think
you can make the argument for the others and for the whole
100 million at least presumptively, by virtue of the
productivity contribution, the economic results that one
has in general had from land reform.

When we were talking about productivity before,
It's sort of interesting to note just in terms of macro,
macro data, that none of the 38 agricultures in the world
which are most productive in food grains in terms of
weighted per acre production of the basic grains produced
in those countries are agricultures in which either tenant
farming or plantation labor dominated. In terms of
potentials of the system, it's interesting that grain
production on the planet, the higher levels of grain
productivity on the planet have never been reached by
those systems which are tenant farming or plantation labor
systems.

I would argue that the tenant farming is
something prevalent and the Philippines is one reason why.
Despite all the sophistication of that country, you're
still talking about rice production of 2-1/2 tons per
hectare versus 5 in Taiwan and 6 in Japan and South Korea
and indeed 5 tons per hectare on the mainland, especially
under the responsibility system. I think you can make a
very strong productivity argument and I'm sorry that the
gentleman who asked the question before is not here to
answer but I would suggest that it's not only a question
of nonagriculture employment, it's very much a question of
what happens in agriculture often determining the
prospects for nonagricultural employment.

When the tenant farmers of Taiwan became owners
and began having a significant surplus and turning that
among other things into the building of brick houses, it
created jobs for people to work in brickyards and put the
bricks together into houses and build the furniture they
were going to put in the houses. There's a great deal of
linkage between what happens to agricultural productivity
as a result, I would argue, of land reform and --

MR. MONTGOMERY: I would like to suggest on that
note that we take our coffee break, resume with Bill. I
have some notes as to what I think we've said in answer to
question 2, which I will try to supply before we move on to
question 3. I think there are some announcements that
need to be made. Coffee is over in the corner.

(Recess.)

MR. MONTGOMERY: Ladies and gentlemen, we're now
to discuss the principles for implementation but I cut
Bill off before he had something to say, and I'm prepared
if requested to summarize what we have done in the last
hour. But I don't have to be requested because I have it on my computer and that's where it's going to stay anyway. Bill, go ahead.

MR. THIESENHAUSEN: I wanted to pick up on a couple points. John Powelson made a point about mobility. One of the important things in Latin America has been the elimination in this last couple decades of the service tenure categories, so the Indians no longer seem to appear to exist in the same form as before. And what we have is this landless labor group which has been removed from the hacienda and now tends to be your landless or have a small piece of land that it uses for part-time work and works off the farm a good bit of the remainder of the time.

Another point I wanted to make is in response to the point that there's no one institution. I think it's terribly important. Al made a point, that is, the inverse size between farm size and production per hectare. Somehow the post-reform institution has to be made in some way consistent with the prevailing institutions at the time, particularly in the case of reform mongering, fairly small reform programs. It's no use to establish a state farm in Chile of 1985. It has to be a blending of institutions.

This reference to Africa, which I thought was important and on the same point, of course we think
because we talk about Latin America we have been talking about freehold. But in Africa, the prevailing institution is not freehold but sort of a communal ownership and so that talking about, you know, everybody having their own piece of land in fee simple doesn't make very much sense when the prevailing tenure structure is one that calls for a communal ownership of property. Just those few diverse points.

MR. MONTGOMERY: "Blending of institutions" is the way I read that.

MR. THIESENHAUSEN: Somehow consistent between institutions. I don't know that blending --

MR. JENKINS: I have one question on the inverse relationship between farm size and productivity, which is that the literature by and large supports that association in LDCs, with some exceptions. But it seems that when that empirical evidence is linked to discussions of land reform, it is transformed from an associative relationship into a causative relationship and there is some problem with that, particularly with cheap food policies in most LDCs, et cetera.

For example, I imagine if I was a large tenant farm owner in a given LDC with cheap food prices, I would say it's not in my interest to produce more than I can consume because it's going to be more costly than not.
And I wondered so that in turn, then, there could be other possible variables.

MR. THIESENHAUSEN: Can I talk about one point? There may be an income maintenance idea that's important also. This is the association between this productivity idea and the income maintenance idea and it just may be that even in the face of dropping prices there's a tendency for the peasant farmer to make up for those dropping prices and some increased quantity produced to maintain the same level of income because that level is subsistence. So there may be some of that involved together with what Al said.

MR. JENKINS: Which accounts for the high productivity of the small owner. If I had a lot of land to produce and couldn't get profit out of it, why produce?

MR. BERRY: I think it is very important to distinguish association, but the last point, I think there are a lot of reasons for this general pattern that we see and certainly at some point there's a -- large farmers have not been given appropriate incentive, that's one reason. But equally frequently they're given too much incentive, they get the subsidized credit, they have the easy time. So it varies a lot across countries.

But what is striking about this negative association is that it's -- you see it everywhere.
 Doesn't matter what the pattern of polemics is, you just see it everywhere in the third world where a study has been done and especially in Asia and Latin America, less true in Africa where land doesn't seem so scarce. So although understanding the causation is obviously harder than getting the association straight, when you see it across a tremendous range of circumstances you have a pretty strong hypothesis that there's causation of worth. And I would say that some elements of the causation have been well demonstrated, although not all.

But following along with the association of causation, and why this farm size and productivity question is related to land reform, I think it is very important to not simply assume or take for granted that because existing small farms in a given country are pretty efficient you can just do a redistribution and bang, all the new farms will be as efficient as the discontinuing ones if you put normally landless tenants as entrepreneurs. It's foolhardy to think that they will perform as small farmers that have been farming for generations, and that's why the surrounding institutions and appropriations to affect the transition become important.

So I would agree that the existence of the negative association doesn't prove that land reform will raise output. I think the government can block that, if
it won't do anything for them. It may not be raised but it creates the potential. None of the small farms that exist have high productivity. We know they do. If we create a similar situation for the new ones then we have it working. The relationship between the negative association and the productivity against in land reform, I agree, has to be looked at carefully.

MR. JENKINS: For you, might there be other things besides redistribution of land or redistribution of access to land which would have equal or greater effect on that dependent variable, productivity?

MR. BERRY: That's a very general question.

MR. JENKINS: It's really related to number because we're talking about preferred: When is redistributive land reform to be preferred? If it is going to have that kind of effect on productivity, what other things might have that same effect?

MR. BERRY: It's clear that technological improvements are a major impact and a variety of other things can. What many of the other things can't have is the affect of cutting revolution off at the pass, which to the extent that our objectives are not only output increase but distribution and employment. A lot of the technological improvements can raise output but they will sometimes diminish employment, and so the output benefits
will go to a narrower and narrower group of people. That's what we see in some places. Now in Taiwan, which is the success story of them all, we have it all. Technological improvements have come along, yield increases have been impressive, cheap and very high and absolute levels, so the technological change and the impact of rural education -- everything has worked. And I guess a lot of people who look at land reform view it in many respects as the precondition which facilitates all the other things having their main positive impact. Rural education would be more beneficial in general if you get a land reform. The benefits of technological improvements would be better distributed and perhaps greater in size if we had a land reform.

So what you see in Taiwan is that the change in structure of not only the agricultural sector but the whole economy is changed by the distribution of assets. Not only agricultural but nonagricultural and human capital were all relatively equal from then on. So you have Taiwan is perhaps the only developing country in the world where there's been a systematic decrease in income equality over the last 30 years. By that time you're developed and I don't think it matters what happens in agriculture. Agriculture is now the tail of the dog and I would guess it will stay. Hasn't shown any signs --
MR. THIESENHAUSEN: That brings to mind another point. Land reform is a dynamic process. What's called for at one stage of the development is inappropriate at another. It's not a matter of doing land reform and forgetting about it. All these policies in agriculture, once they change, bring about other problems which need to be solved in turn.

MR. GRAYZEL: I wonder if you would give me a technological example.

MR. MONTGOMERY: I can give you my notes produced by technology but unfortunately are limited by intellectual capacity -- the human factor, pilot error.

I thought that we identified six situations in which one could make the argument that land reform was the chosen instrument for improving access, that is the preferred instrument in terms of our macro statement of goals.

First, in a post-collective situation, where you have an opportunity to break up state farms or large collectives, where land reform in the redistributive sense has to take place which will require the same kinds of steps that would be required if it were redistribution of private large farms.

Second, when there is a comparative institutional strength to the kinds of landholding arrangements which
are envisaged in the land reform. This is hard to
determine, extremely site specific, but can be analyzed as
a basis for making this choice.

Third, where there is a strong peasant demand
which requires some sort of political response.

Fourth, where it appears that even minimum
difficulty-scale operations can succeed because of the
presence of off-farm employment opportunities. These are
not necessarily autogenal situations, as you can readily
see.

Five, when all other forms of access seem to be
cut off -- and we had a number of examples of situations
in which farmers would be cut off from technology, so
forth -- and land reform might be the last alternative.

Sixth, where there is a squeeze on the bottom
tier of the population which can be relieved by land
reform. That's not the same exactly as peasant demand but
one which was cited with some data during the discussion.

Jack offered us some criteria for justification
of land reform which are slightly different but have to be
considered, I think, as alternative formulation of the
answer, that there's no mobility among peasants except
through land reform. A second is when there are
restrictions on land transfer which are not caused by laws
against it but simply by policy such as price and rent
controls, and third, where it seems to be the only case in which you can account social accountability for the use of this resource.

MR. POWELSON: I meant to apply those criteria to any source, not just land or peasants.

MR. MONTGOMERY: Very good point. Then just before the coffee break, in fact it's been reiterated now, the thought that no policy should be conceived as being a static condition, all policies are a response to previous policies and our present problems are the results of previous policies.

Therefore, when one thinks about land reform they should think about it in a dynamic situation where you have to say to yourself, are you creating expectations of continuing review of the tenurial arrangements if you have a land reform every five years, or should you think about a sequence of styles of land reform which might take place in countries where you have had what appears to be successful land reform but the social goals have changed or the advantages have disappeared or for some other reason it's necessary to intervene once again.

Everybody remembers things about the Japanese land reform dichotomy in the 19th century where they had the most tremendous land reform up to the Japanese occupation, but every generation they had to have another
land reform. It should be thought of in a dynamic context and I don't believe we know very much about successive phases of land reform. How does the second differ from the first, and I think that's a question we ought to think about and do some research about.

MS. SARLES: I wanted to ask for clarification on the first point. The first criterion was large collective farms in a post-collective situation?

MR. MONTGOMERY: If we decide to occupy the Soviet Union, for example.

MS. SARLES: Seems that's a substitute for low productivity and in some cases low rural incomes. It's those two conditions rather than the existence of a large farm --

MR. MONTGOMERY: Absolutely. I think you're absolutely right. Thank you. In fact, I suspect that was a tongue-in-cheek illustration that our friend Dr. Ayau gave but I put it down because it's a serious possibility. There are countries who have state farms that are considering how to get out of that business.

MS. SARLES: The key, for example, to state sugar farms is not because --

MR. MONTGOMERY: Eric was calling my bluff.

MR. GRAYZEL: Excepting this may be a somewhat marginal case and I apologize for coming in late. Was
there any discussion that perhaps there are certain
technologies which have terms to scale? What little I
know about coffee is that general speaking no one has
suggested that small holding collectives are more
productive than larger estates. I might think of things
uniquely suited to plantations and excepting this may be
the marginal case, we ought to say something about that.

There are certain technologies which have returns to scale
that need to be considered.

MR. BERRY: I don't think coffee is definitely
one of them. Definitely not one of them. Bananas under
certain circumstances. But your point in general is right.

MR. GRAYZEL: All the numbers say the estates do
not produce the quality but produce more.

MR. BERRY: They usually have more resources
under comparable settings. The coffee in Columbia, for
example, that wouldn't be true, but there are crops.

MR. MONTGOMERY: We did talk about the interface
between technology and farm size. That certainly is --
sort of a corollary to the general proposition about the
inverse relationship we were discussing.

Are we ready to move into the question of
implementation? Because we have been asked to consider
whether there are principles that should be applied to the
various functions or stages of land reform and the first
mentioned is expropriation. Are there certain principles that should be injected into any policy statement that might flow out of this discussion regarding the appropriate methods of implementing an appropriation policy?

MR. PROSTERMAN: One basic one is the principle of compensation, not necessarily U.S. constitutional standards of full, fair, prompt cash compensation but something reasonable under the circumstances.

Land reform need not be a zero sum gain in which the landless ex-tenants only gain as the landlords lose. It can be a situation in which both gain. As the landowners receive compensation, especially in forms where they are encouraged to redeploy it into productive enterprises other than land ownership in the society, so that at the very time that the ex-tenants or laborers are producing more on their new holdings, there are a variety of opportunities for nonagricultural and agricultural related enterprises growing up in the society in which the former owners can invest.

I think politically this is terribly important if land reform is to take place without drastic violence. It may well be an area where foreign aid has a significant role to play.

MR. POWELSON: Under most circumstances, however,
I don't think it's feasible for a government or even an outsider to pay anything close to the full market value of the property that is expropriated. In some cases such as Japan and Taiwan and Korea and Chile, this is taken care of by inflation. You give bonds that may have a current value equal to the value of the farm but they are not redeemable for a number of years and meanwhile inflation takes its toll on that. I don't think that full compensation is feasible in terms of the availability of resources. It may be a reasonable concept.

MR. PROSTERMAN: Maybe 30, 40, 50 percent of what may be regarded as market value which may be deferred in the form of bonds or cash. I think as a kind of rough assessment of the sense I've had in interviewing landlords in countries where land reform was in prospect, that if generally one thought in terms of compensation, that might in total be around 50 percent or thereabouts of what the going market value of land was, and with a fair amount of that monetizable either in cash or in some form.

For example, bonds that could be used as preferred collateral with the banking system to get credit for productive investments so they could redeploy part of their assets or resources into other areas but that turned cut to be generally the point at which they would grumble but wouldn't oppose the reform to the point of violence.
MR. WOOLERY: I think we have to have a minority opinion here. If market value is represented as the capitalized amount of net income produced by the crop on the land and you're suggesting you pay less than that to divide this into smaller more productive units, which if you capitalize the productive capacity should have higher value -- I find this to be a terrible contradiction in everything we're talking about, the suggestion that you pay at less than the fair market value if you're going to produce a more valuable asset by producing it.

MR. BERRY: The fair value is the market value.

MR. WOOLERY: I'm an appraiser and I think we better define our valuation terms and valuation process.

MR. MONTGOMERY: You're suggesting that land reform is possible only if there's some confiscation possible involved.

MR. POWELSON: I think that historically is the case.

DR. AYAU: I think that one of the reasons of the poverty among the underdeveloped countries is the insecurity that we have from the law. We don't have the rule of law. People will confiscate; you do not have a right to legally acquire property. When you acquire something respecting all the law, you expect society to protect your right of ownership otherwise you will not
invest or do anything. And we should differentiate here
between expropriation and compensation. This partial
compensation of course I'm against, but I'm also against
the payment in bonds and things. Because then it turns
out that the dispossessed of what was legitimately
acquired is financing the beneficiary of this confiscation.

Now if society wants to use that land for any
purpose, they should not obligate the persons who are
going to be dispossessed to finance the rest of society.
I think that's completely unfair and I think that that
kind of unfair treatment produces poverty.

MR. MONTGOMERY: Mr. Powelson?

MR. POWELSON: At what point do you suddenly
introduce the rule of law? I think there's a great deal
of property that's not legitimately possessed.

DR. AYAU: I'm not talking about that.

MR. POWELSON: Property that has been
confiscated in the past. Do you suddenly declare on March
28, 1985, that all these people are legitimate owners to
be compensated?

DR. AYAU: When do we start to stop redressing
past wrongs? When do we start saying from here on those
who have legal title, it is their own? Do you want to
start 10 years ago, 10 years from now?

MR. POWELSON: We do it gradually. We don't
suddenly start.

MR. MONTGOMERY: That's the way it becomes politically feasible. Is that what you mean, Jack?

MR. POWELSON: We defer to the professors of political science for that.

MR. THIESENHAUSEN: I would agree with Roy and Jack on their point on compensation. I think the point, Arlo, you're getting into here, it is true there's this inverse relationship production on the small farms finding its way into income and that income does imply that there's going to be more consumption on the farm of what's produced under an agrarian form. You can't expect the campesinos to give back that full amount. I think it's important that some compensation be made because this is equivalent to a tax in physical terms, it seems to me, and it's a tax that the campesinos are making on the basis of the production which they have which does not exist elsewhere in the sector.

Everybody in the agricultural sector who's a peasant is not going to receive a piece of land. There's not enough land to go around. So you can look at this compensation as being sort of tax which the beneficiaries must pay and because they were among the privileged to get land. Perhaps that also can be looked at from a physical spending standpoint. I guess you might spend some of that
money to redress the situation of the peasantry that was excluded.

MR. MONTGOMERY: I think Arlo's moral dilemma is one we all felt. It's the hardest question. One sort of salve that I rubbed across my conscience is to suggest that the value paid for land when expropriated for reform be based on the assessed value of the land on which taxes have been paid, and this suggests that those who have been cheating the public the most are the ones most injured by the incorporation. But that salve doesn't do any conscience very good for long but it's one primitive way go ahead.

MR. RECINOS: I think we agree that some type of compensation ought to be given for expropriated land but I would suggest just by the very fact of announcing an agrarian reform is going to have affect on the market value. So the question is how are you going to determine what is the true market value? Because I know landowners in Salvador, when the agrarian reform was announced asking them if they would buy farms in the second phase, weren't affected, but possibly could be affected. They weren't very interested in buying farms at all, so I think that type of problem has to be looked at very carefully.

MR. NILSESTUEN: I have a question. Much of the discussion in the last few minutes has been on the
economic case for compensation, but in fact I suspect that
frequently the decisions we were talking about,
redistributive reforms, are made on political grounds.
The argument that Roy makes intuitively is a political one
in which essentially you buy off the vested interests. My
question is what is the empirical evidence? What do we
know in fact has happened in practice, the effectiveness
of compensation serving as an ameliorating political force
to make it possible to go forward with the reform?

MR. MONTGOMERY: That's a good one. Norm, did
you want to speak to that? Roy?

MR. PROSTERMAN: One problem has been that
resources have generally not been made available, for
example, through foreign aid mechanisms for support of
compensation for land reforms. I think this is a variable
that has been neglected in most post-W.W.II land reforms.
The amendment that prohibits direct use in terms, although
legislative history suggests it wasn't intended to but
prohibits direct U.S. aid resources for --

The administration has passed a foreign aid bill
that moves that and gives the President the power to
determine that payment of compensation in a land reform
program is in the national interests of the U.S., which
would be a very important, from our point of view, an
important change in the law. This came out of the
Kissenger recommendations but reads not only for Latin America but locally.

But I think in terms of the experience we had, probably the best compensation that's been paid in a major post-war land reform program has been in Taiwan where they made it inflation-adjusting. It was tied to the value of rice and sweet potatoes and based on a fairly high evaluation of land and was repaid by the beneficiaries. The net/cost subsidy was very small.

MR. MONTGOMERY: They did use the tax base didn't they, in Taiwan?

MR. PROSTERMAN: And productivity, and there are a number of different formulas to use. You can use some multiple of productivity, either actual or some sort of constructive productivity based on land quality and what it should produce. You can use tax returns. Some of the big estate portions of El Salvador is based on 1976-77 tax returns in theory, and it's crept up from '45 in practice. It's interesting to interview, let's say X landlords in Japan or Taiwan a generation later and find that they say we all opposed the land reform initially but if we had it to do again we would accept it. Because even the Japanese case where the compensation was very inadequate, they said we now recognize that we're participating in so much bigger a pie, that we have a
smaller share but the whole economy has grown so much, in large part due to the land reform and the productivity results of the land reform, that we would now do it all over again.

But looking at it from the beginning, I think it's very important that some significant compensation support be made available so that in part that landlords can accommodate themselves, can reconcile themselves to the happening of the reform. But I see AID resources as potentially playing a very important role in that.

MR. MONTGOMERY: Norm? Did you want to open a new question?

MR. NICHOLSON: Maybe to come back to the original question, the question of what about the market value. I had a couple of technical questions that reflect my own ingorance here, but I just wanted to ask, how is it in country X, Y or Z to determine the market value of land?

Sometimes it's extremely impersonal, some places extremely informal and you would be -- I came back from Haiti. You would be hard pressed to find the fair market value of land in Haiti, although the land does change hands. But the insecurity is so high I'm wondering if that's even feasible.

The second question I would ask is some rather simple-minded economics, and that is although I think
we're in agreement that small holders, that productivity is inverse to scale in the proper circumstances -- at least the salvation data suggests that's true, yes, but that productivity is in relation to scale but the profitability is directly related to scale. Which means instead you may be increasing the social value of the land by breaking it up, but you are decreasing its economic value to the ilk.

MR. BERRY: This is profitability per acre? I think that's very often the case. The reason is that --

MR. NICHOLSON: If these don't affect one's calculation here --

MR. BERRY: The profitability is basically an incorrect measure of economic efficiency. If in this case the labor used on the small farm is free in the sense that we have little or no other alternative productive use, and that depends on the country, but to carry it to its extreme, the profitability figure which doesn't feed that in would be a biased figure. So I would say the basic criterion of economic efficiency is very likely to be very close to productivity per acre allowing also for capital and so on and then --

MR. NICHOLSON: One could imagine an agricultural income tax that would not be based on that but on some measure of profitability.
MR. BERRY: That generates almost no income. The other thing, I would focus not so much on profitability but on savings, because in a dynamic sense you obviously want to get savings. So one of the second generation or second round things you have to think about with land reform is will savings go down, because either in some sense the agriculture is generating less liquid profits or the income is much more evenly distributed, which it will be, and that's something which hasn't been analyzed as much as it might be empirically.

But one thing you can say, one of the things you need if land is to be redistributed is some change in the savings-inducing mechanism, I mean investment in general, so maybe you have rural banks where before all you had was the stock market.

MR. MONTGOMERY: Is it possible to take this savings or reinvestment probabilities or expectations as a basis for fixing land values on a net corporation proceedings?

MR. BERRY: Something along those lines. Not so much savings of the productivity -- I would say that would be pretty tricky. If it's difficult on the basis of productivity, in other words feasible but not easy --

MR. MONTGOMERY: Probably this issue will not affect the style of implementation with respect to the --
we should stick to that since that's what we're talking about.

MS. SARLES: We were talking about the Taiwan case when some of the money that was given was given essentially to the industrial sector. And I wonder, considering the underinvestment in the agricultural sector in general, that when one looks at the compensation mechanisms to be developed, that there should be an effort to keep that money in the rural sector, in agriculture. Or if that strikes you as inherently unjust but looks like they are giving a lot of money to people who put it in the banks in Miami or --

MR. PROSTERMAN: It seems to me there are two very important sources. Let's say in the reform where tenants are becoming owners. There are two very important sources of additional investment in the rural sector.

One is -- this is sometimes a little hard for economic theory to capture or quantify, but there's a sort of sweat equity investment of the ex-tenant who knows he won't be kicked off because he's made the land better or more attractive, who can now, for example, do the land leveling and put down the tube well or bring in water from some nearby source that allows him to get a second or even a third annual crop, and can do a variety of other multiyear improvements, much of which are done with the labor of his
own family, that he would not do as a tenant farmer. So
you get that additional source of investment in the
agricultural sector.

Secondly, what I would suggest is -- and there
were provisions in both the Philippine agrarian reform law
and there are in the Salvadoran reform law for this, but
they have not been implemented in either case -- but the
notion of having apportionment bonds that the landlord
receives useable as preferred collateral in the banking
system for loans for certain specified kinds of productive
investments. And the specification, I would agree, should
very much take into account the needs of the rural sector.
You may need new rice mills, new processing plants, new
agricultural products, new transportation facilities, new
storage facilities, and you can channel that investment into
those associated areas by that money.

MR. MONTGOMERY: The other point is sometimes
you want to use the process of land reform and
appropriation and compensation to create a new class and
that's what happened in Taiwan. So sometimes there are
cases when you might want to move the capital out of the
rural sector, but primarily I think in most cases --

MR. POWELSON: I'm skeptical of methods that
interfere with the market by declaring certain bonds or
certain portions of bonds eligible for this kind of loan
or that kind of loan. There are several reasons I'm skeptical of it. One is that it puts great power in the hands of the people who make these decisions. But the main reason is that I prefer the other method, which is to release all restrictions which make investment in the rural sectors less profitable than investment in Miami banks.

Some of them are questions of security. Others are simply questions of government policy, anti-agriculture policies that have turned the terms of trade against farmers. Let's get rid of those things and then I see no reason for putting on some restrictions saying you've got to invest certain things in the agriculture sector, or you have additional nonmarket incentives to invest in the agricultural sector because the agricultural sector will turn out sufficiently profitable to attract investment of its own right.

MR. THIESENHAUSEN: Couple things. First of all, in response to Norm's question I would like to put in a pitch for simplicity of administration. It seems to me if we come up with terribly complex formulas for figuring out market values, we're going to get the whole process bogged down in never-ending court battles and that's one way that agrarian reform has been prevented in many -- or impeded in many Latin American countries. Either you get bogged
down with how much to compensate for other criteria for expropriation. So administrative simplicity I think has something to recommend it.

MR. POWELSON: Even though you can't determine the market value, if you figure a general ball park estimate, the market value is somewhere between 5 and 10 but the compensation is between 2 and 3, then you don't need to worry about market value.

MR. THIESENHAUSEN: The effect that expropriation has on former landlords, I think some of the data we have from Latin America in the '70s at least shows that agriculture became more profitable and there was a fairly strong tendency for ex-landlords to be more entrepreneurial. In some cases they sold off some of their land and in some cases we no longer have all these idle estates that seemed to be around in the middle of the 1960s, for example.

There has been some tendency on the part of landlords to intensify their operations somewhat, to invest in the agricultural sector, and that's certainly occurred at the end of the 1970s. When the value of the dollar got too strong in the '80s, that began to change again, but certainly at the end of the '70s in terms of trade it turned in favor of the agricultural sector for awhile.
MR. NILSESTUEN: Are you talking about landlords affected by the reform becoming more entrepreneurial on the lands they're contained or --

MR. THIESENHAUSEN: I don't know about the case you're talking about. I don't have the data for it, but the second point I think is more important. They felt that they would be more likely to be expropriated if they continued the habits of leaving a lot of their land idle and using land as a hedge against inflation.

MR. NILSESTUEN: You're talking about --

MR. THIESENHAUSEN: They felt some danger in expropriation unless they made farming into a business.

MR. SHERPER: I would like to underscore what Bill said, it's an important factor, but in addition to on the expropriation side, a point about compensation being reasonable: I think it's important to point out part of the simplicity is the promptness of compensation.

Many land reforms have just wallowed because there hasn't been enough emphasis on the compensation side. Governments tend to let it go and this has really decreased the effectiveness of the land reform. With respect to the simplicity, the question of decentralization in order to do it and involvement to the local level where conditions are known by local people I think becomes an important element of successful
MR. MONTGOMERY: I think that first point is extremely important. If one of the things you're trying to do is release entrepreneur energies at the same time that you're redistributing land, you don't give the capital to the people who are supposed to be entrepreneurs. You're not going to have a private sector engaged in post-land reform investments. That's a very important issue.

MR. PROSTERMAN: I would also like to second the notion of administrative simplicity and to do so in relation to specifically the issue of expropriation. This is not so important perhaps in Latin American settings where you may have a relatively small number of, identifiably big holdings that are taken. It's terribly important in all of the land reforms I'm familiar with in which tenanted land has been taken that is in particular the question of reserve area or retention land.

If you tell the landlords that they can keep a hundred hectares or 50 or any number of hectares, you run into terribly difficult administrative problems in determining how many hectares they have and you have to expect that the landlords are going to lie. So unless you have a fairly good land registration system and are willing to hook a retention limit to what was on the land
records as of a time before the land reform came under
discussion, you're likely to -- the Philippines is a very
good example of a situation where they had horrendous
problems because of their 7 hectare retention, among other
things, that complicated an already difficult situation.

Rather, I think to take a tax of the Japanese
land reform, for example, had zero retention for all
absentee-owned land that had tenants on it and a very low
limit above zero for those who were in the village. In
South Korea they had essentially a zero limit and it was
universal. In South Vietnam they had a zero limit and
they finally got around to it in '70, '73 and it was in
South Vietnam they have a zero limit although there are
some producers that would like to produce a zero limit.

But I think simplicity in the expropriation
process calls for at least a presumption in favor of
universality when you're dealing with landlord and tenant
situations, a zero retention limit, and that in turn means
that compensation is very important. You're affecting all
of the landlords.

MR. MONTGOMERY: Let me -- am I allowed to speak
also? This is one of the cases where Roy and I differ
publicly and privately. I'm not sure that it's really a
difference in our beliefs but I think it's a difference in
the way we express them.
The most important single aspect of implementation of planned reform in my opinion is the simplicity question, and also speed. You can't get speed if you insist on having a perfect system in place before you start. So my strategy, my preferred approach has always been to figure out some way of making use of existing social institutions preferably among the local tenants, tenant beneficiaries or some local organization, to make the original redistributions and clean up the laws later.

You've certainly got to have land registration, title properly defensible in law and so forth, but if you do that first I think you're lost. If you do only the community action without the laws, you have a situation of anarchy. You have to have both, but the real question for implementation is which to do first.

MR. THIESENHAUSEN: I would like to just make one point on the retention limit that Roy made. I agree with you and Roy on this point. The retention limit is kind of important to think about, it seems to me, simply because if you allow the landlords to retain a fairly large unit there will be a very quick reappearance of these social relationships present before. And furthermore, there will be a tendency on the part of a landlord to be buying up that land again or somehow
getting hold of it again.

MR. MONTGOMERY: I don't think we're disagreeing on that. It's a question of how you do it.

MR. JENKINS: Are you saying that those from whom land will be expropriated, should you need criteria for how much land they would be left with?

MR. THIESENHAUSEN: They say you can keep 200 hectares, give up between 200 and 500. If that X number is charged, then there may be a tendency for those old patron-client relationships to be maintained. And furthermore down the line, as some of the peasants who got land fail, and some are bound to, there will be a tendency for the landlord to begin accumulating land once again.

MR. JENKINS: What I thought you were adding, though, were some criteria for making that determination. What is too much? Do we need to do that? Does AID need to do that?

MR. MONTGOMERY: Whatever the law is, the question is the procedure by which the maximum is retained and chosen for retention, and the speed with which the rest of it is redistributed. So I think that's an implementation question. I guess I think that that again is a tradeoff between the bureaucrats and the on-the-ground farmer organization.

MS. SARLES: Two questions. I thought before
there was a sort of consensus that there should be zero
retention rights. That was the simplest administrative
way, clear procedure and --

MR. THIESENHAUSEN: That would be my preference.

MS. SARLES: That seems to be a widespread
consensus. The second question --

MR. POWELSON: I don't think it is. Go ahead.

MS. SARLES: The second was the land
registration, the land title, because in Latin America
we're starting land titling projects even before really
pressing forward in some countries with an extensive land
reform program. That's sort of the step one. It seems to
me you're arguing that that should be afterwards or maybe
concomitant, but not necessarily trying to title all the
land before you start.

MR. MONTGOMERY: The question is what you mean
by titling. My general feeling about that -- Keith knows
a lot about this, I think -- that the titling should be
provisional in the first instance, managed through the
local people. There should be appeal processes available
to the courts and the bureaucracy and then there should be
an official title which confirms and records the
transaction and I think I would do it in that sequence.
Other people have other views about that. Keith has had
some hands-on experience with that problem.
MR. SHERPER: I would add that in most cases where there's a land redistribution program, you very seldom have an existing land registration system that's up to date or useful in most cases, and also you seldom have the basic instruments or situation where you can measure land, agree on debt I can control or land surveys, tend not to be there or tend to be so dated that they are not useful. So I think in most cases one would assume that you would start from those kinds of positions and the only way to carry out the effective land reform quickly -- and I think "reform" implies a certain amount of speed -- would be to do with a provisional system that's in effect what has happened in most cases.

MR. MONTGOMERY: I think that when we were at Annapolis and had a conference last year, I guess there was a discussion about this and somebody got up and said no, that won't work, you got to have it all straightened out in the law or you're going to have absolutely eternal fights in the court, litigation. And he was citing a case from Latin America -- Bill, you were there. I forgot who made that observation. It might have been --

MR. THIESENHAUSEN: It's been made a lot in Latin America. Chile got involved in that, certainly.

MR. MONTGOMERY: I think you have to be -- Keith and I agree on the strategy but the question is, if you
place yourself in the situation where litigation becomes eternally possible to rob the tenant beneficiaries of any sense of security of holding, then you have to deal with that in the beginning. You have to have a limit to the extent or nature of litigation or establish an agrarian course of procedures.

MR. THIESENHAUSEN: Or use size instead of productivity, or efficiency.

MR. SHERPER: Within the existing legal system, in many of these countries the court system has to be developed in such a way for these cases to be heard in an unbiased manner. And it may be in many cases where you take a landless person and put them into that system, may not work and that has to be --

MR. RECINOS: The reverse is true. During the expropriations, the Arbenz government in Guatemala, there was a bias against landowners for the same things we have been talking about. You have to be very careful who administered the courts.

MR. MONTGOMERY: I believe if you pursue this particular strategy it's necessary to change the attitude of the bureaucrats associated with the enforcement or implementation of land reform, because their natural instinct may not be to be in a posture of helping local organizations make these decisions. They may not be in
the direction of hearing appeals, and therefore they
probably need to be reoriented, retrained, possibly their
whole career structure for this particular assignment has
to be adjusted so they understand that their role is not
that of law and order enforcer, their role is to
strengthen the capacity of the local communities, to
resolve these issues and to introduce mechanisms for
bringing about justice once the action is started.

MR. NICHOLSON: What I don't understand just
technically is, accepting that the situation were as you
described, how do you give somebody title to a piece of
land if you don't know where it is? Without a survey.
just physically, what are you recording?

MR. SHERPER: There are ways of doing that.

MR. MONTGOMERY: Everybody in the community
knows where that land is. The only people that don't are
the people in Capitol City.

MR. NICHOLSON: They may all have different
versions.

MR. MONTGOMERY: I don't think so.

MR. THIESENHAUSEN: One thing you can do is
joint tenure. Assign that group that hacienda. They can
divide it up later on.

MR. PROSTERMAN: Especially in tenancy
situations, this is an important reason for zero retention
limit. If you're going to have fairly quick local
measures of determination, it's useful in effect to know
that all land is by virtue of its status tenanted land
included. Instead of having a threshold question of
determining who owns more or less hectares, it is a
precondition of whether the land goes into that system or
not.

I think it's true we sometimes say it a little
differently because we come from different disciplinary
backgrounds, but I think we probably don't disagree
fundamentally on this. I think the kind of approach which
was first used under MacArthur in Japan, then in Taiwan
and in the South Vietnamese reform where you have village
level administration in which most of the important
questions are determined by the people on the spot in a
very public way, disputes are resolved at that local level
in a very public way, is absolutely crucial.

I think that this has been one of the big
problems in terms of the completion of the process in El
Salvador. There was tremendous resistance to having sort
of local level campesino-dominated groups do this and a
fallback was at least they are democratic-dominated groups
letting them handle it. They didn't want the campesino
groups to get credit for it so you ended up with the
central bureaucracy doing it and that's a less
satisfactory way of handling it.

You can help in terms -- the way the law originally
describes their rights not only in terms of zero retention
but you can also, for example in terms of the de jure
situation, declare that by virtue of its status as
tenanted land, all tenanted land is on the effective date
of the law owned by the tenant who is its cultivator and
proceed to regularize that situation both through the
local village administrative operation and through the
more formal titling processes.

MR. NILSESTUEN: Before we run out of time, I
would like to hear some discussion of the issue of mode of
production. Given we have been -- the general focus here
has been redistributive reforms in which at least in Latin
America the principal land tenure problem still is
concentration of holdings and overwhelmingly reform
experience has been in expropriation or acquisition of
large estates, a major policy issue becomes sort of
constitutionally organizational how you organize the
effected lands, and frequently these lands at least in
part are in high-cost plantation agriculture: cotton, or
sugar cane, et cetera.

I guess I'm wondering, a debate about the issues
surrounding: Does it make sense to divide these up into
small owner-operated units or some kind of group farming?
And if so, under what constitutional rules to deal with management and risk, et cetera? What in fact do we know about both the important issues and what does the empirical evidence suggest about how to go about making those choices?

MR. POWELSON: They should be made on the local level by the people there. Whether they have individual ownership or cooperatives, let them decide. Let them decide on the terms. I don't think that's a question. We may have an intellectual interest in it but I don't think it's a question that AID or the government concerned ought to have an opinion on.

MR. MONTGOMERY: We have only a minute or two before lunch break and we haven't heard from Jean yet. She is the author of the first draft.

MS. ATHERTON: I wanted to raise the question of a situation in which time that those haciendas were expropriated it was said, whoever was in fact on them effectively became part of the cooperative. However, because it was not harvest time, it was an interim period there weren't many people on a number of the co-ops.

I think your solution raises a question of who in fact is included in this group of people that is to make the decision. Because we're not necessarily talking about a land to the tiller situation where there are
tenants on small parcels and you're sort of converting
them to a more assured form of tenure, but rather we're
talking about moving large groups of people or changing
the size with respect to the number of people you're
talking about and these kinds of things, making some
administrative decisions in there which doesn't leave it
as simple as a village-level distribution.

MR. MONTGOMERY: I wonder if we shouldn't start
on that after lunch. That's a very difficult question.

(Whereupon, at 12:00 noon, the hearing was
recessed, to reconvene at 1:30 p.m., this same day.)
AFTERNOON SESSION  
(1:30 p.m.)

MR. MONTGOMERY: How do you identify and strengthen local capabilities to implement land reform?

MS. ATHERTON: We were talking specifically --

MR. MONTGOMERY: I broadened it because I wanted to get our local expert here.

MS. ATHERTON: I don't want to get into the issues surrounding the compensation and expropriation issues we talked about. I would like to move beyond those.

MR. MONTGOMERY: I think the question of who the local actors are, how you choose and strengthen them, may be a question that would be applicable to any of the activities that you think could be improved by the introduction of local actors or the delution scheme, and Norm Nicholson told me he had to go to the office and he would be my favorite person to ask that question anywhere. Just happens that he's here, and before he disappears maybe you can give us an approach to that question of identification and strengthening.

MR. NICHOLSON: That's a pretty tough question. Let me kick it off by saying that what has been capturing some of our attention of late is what options we have in circumstances where your village situation is either highly conflictual or where, quote unquote "traditional conflict resolution mechanisms" have been so atrophied or
been tried by various mechanisms that the assertion that we can get the participants to sit down and agree on what's compensation and who owns what strikes me as a trifle romantic, frankly. And I don't doubt that there are situations in which what I consider to be a doctrine in-house solution, you sit the village people down and get them to solve the problem with you, will work.

But it seems to me that there are a lot of situations in which we're dealing currently in which I think the presumption that the problem-solving mechanisms exist within the village that are adequate to do the job may be a little heroic. I would like to add to Jean's question by stating that, and I would merely quote Sam Popkin's book, "The Irrational Poet." Anthropologists have done a great disservice by pretending that these gemeinschaft actually existed and that they don't, in fact, in many cases. QED, how do we get this resolution under those circumstances?

MS. ATHERTON: Let me pose a question back to Norm. Would you argue that there are no conflict resolution mechanisms extant or that they have been sort of changed or caused to become dysfunctional by various hybridizations of national and international society onto the village level or local level scene?

MR. NICHOLSON: I would suggest that we have to
consider both circumstances. Clearly we have plenty of
ing village-level evidence of changing economic structure
changing political structure, simply destroying or causing
to atrophy local conflict resolution mechanisms.

I think it may also be true, and let me state
the hope this is, it may also be true that -- let's say
we're looking at marginal land situations which are
increasingly problematic to us people being pushed off the
hillsides. My sense is in many cases these are fairly
atomistic groups of people. I don't even use the word
"community." They come from diverse backgrounds.

"Community" in the traditional sense of the term does not
exist, which is not to say they don't stay off each other's
backs, et cetera, but going to the village council as we
would have recommended in India and gotten a solution,
that isn't going to happen in that kind of situation. So
I would say in that case functionally they don't exist.

MR. MONTGOMERY: Would you say it was possible
to -- let's say that we're not now dealing with a
situation where there's no local organization. We all
know that in spite of our hopes that there are situations
where there's so much that there's no local community, if
one thinks of Ethiopia and so forth, because people never
have anything in common they do together. There are
countries like that.
Some people told me there are no villages in Latin America. I don't know what that means but the point is, let's assume that there is some kind of local community organization which is either a government structure or some kind of traditional structure. Would you say it would be possible to define the characteristics of an organization that would be viable for purposes of implementation of land reform? Could one describe what these organizations must have as a minimum requirement for

MR. NICHOLSON: Assuming a certain level of community organization.

MR. POWELSON: I would think the old Bicos experiment of the '50s would be a model for that.

MR. MONTGOMERY: Of course they had the patron still. It was Cornell University.

MR. POWELSON: It changed to become Cornell University and incidentally that reform is now all washed up and --

MR. MONTGOMERY: Yes, disappeared without a trace.

MR. POWELSON: Disappeared into the current administration of farms in Peru, and this is a very telling statement about what was initially a very hopeful reform, but the peasants didn't get any leverage out of it because they didn't negotiate it from their strength. It
was worked out by them in their interests by Cornell
anthropologists who had no personal stake in it at all,
except professionally I guess they wanted it to be
successful.

MR. MONTGOMERY: I don't think I would be quite
that hard on these guys. They wanted to -- they were
reformers.

MR. POWELSON: They were, but I meant there was
-- they were gracious reformers in the sense of a reform
by grace. There was not any quid pro quo for them the way
there is for governments that implement land reforms.
Governments never implement land reforms without a quid
pro quo. The Cornell anthropologists did this and worked
with a local organization. There was a peasant structure
in Bicos -- local leaders, they carried it out. But as
soon as the heavy-handed government came in with its own
kind of agrarian reform, they simply swallowed this up.
The Bicosinos tried to reject the government when the
agents first came and were successful for a time but
finally couldn't do it.

MR. PROSTERMAN: Just two brief comments. One,
I always thought one of the basic problems in the Bicos
experiment was that they were not really getting hold of
land in the sense of the equivalent of a fee simple
interest, they were just renting for 10 years. And I
don't really think that's sufficient for a land reform.
You have to be talking about a permanent interest in land.

MR. POWELSON: Excuse me, I think that's not quite right. That's the way it began but ultimately they were able to borrow money and actually it took Teddy Kennedy's intervention with the Peruvian government to get the loan for the farmers' cooperative so the campesinos themselves ended up owning the farm somewhere down the pike.

MR. MONTGOMERY: Anyway, this one example is very well documented in literature during its period of success. Not so well documented in its disappearance.

MR. POWELSON: Paul Doty has just written an article about it. I don't think it's published yet, on the disappearance of Bicos.

MR. PROSTERMAN: The more general comment is, I think a lot depends on what you're trying to accomplish in a particular land reform program. If for example you're giving land ownership to tenants in place who are already on particular parcels of land, the kinds of decisions that have to be made of course relate to who owns the land has to be paid for it, and what the valuation is, and possible conflicts between different people who may lay claim simultaneously to be the tenant on that land. Those are relatively easier, I would say in general, to resolve on
the local level than the question which you initially asked, which was how do we insure if we're taking over large plantations that it doesn't end up as a co-op of the permanent workers on those plantations but expands to take in the temporary laborers as well, and that I think can be a much more difficult problem.

It has the potential at least of pitting the interests of the permanent workers against the interests of the temporary workers. And I guess this is an area, Jack, where I would -- I don't know that we differ on this, but where I would emphasize that it is important to have a legal framework, that you have to have some standards set, for example, in which you're saying at the beginning that we take the carrying capacity of land to be determined by particular elements and we'll set some standards for how many people we think should be on these plantations so that there are some standards that are being implemented by people down at the local level.

And then you have to have in that sort of situation a fair measure of central government oversight and administration from a regime committed to the agrarian reform, in which you are making sure that the mechanism at the local level is appropriate to achieve that goal. That might be, for example in a typical setting, that the number of people to be settled will be around three times
the number of permanent laborers on the plantations. You really have to have a fairly activist role.

MR. MONTGOMERY: I think another approach would be to have in the law at the beginning standards not with respect to the actual end disposition of the land among the peasants but standards for the procedures by which these decisions were made. And if you did that, then you would in fact make the devolution part of the legal process and create conditions where there could be reviews of injustice or distortions or errors.

MS. ATHERTON: The first has to do -- it seems to me in the instance where your sort of titling tenants and doing land to the tiller sort of thing, one thing you're doing is disrupting that patron-client relationship that has existed and been the primary means of access by the tenants to inputs and markets and so forth. So that it is not, it doesn't seem to me -- and I am posing the question -- simpler than the second situation that we have been talking about where you have a large parcel and you're trying to figure out what to do with it.

But I want to ask a further question. Even if you put in the law things that allow the questions of access to devolve, what does that do to the questions of use? That is, should these plantations still be operated to produce those same commodities that they have produced
in the same manner, that is, you know, with larger-scale
where necessary, or do you also devolve the questions on
decisions of basically responsiveness to the market?

MR. MONTGOMERY: I think you would leave it to
the market, personally. I don't see how you can prescribe
that in the law.

MS. ATHERTON: That gets back to Wayne's
question of motive production and choice. As I understand
the sum of the choice made was precisely not to disrupt
the larger economy, but how do you decide that and what
are the tradeoffs?

MR. THIESENHAUSEN: This is really difficult
because certainly all the reforms in Latin America I'm
familiar with up to the Salvadoran reform, the land went
pretty much to the resident farm laborers on that estate
and there just wasn't enough porosity in the system to
allow the people that were outside of the system to get into
the system.

One of the things, and I hate to be political,
but one of the problems is that there's a certain
organization that develops among those resident farm
laborers, and they have worked together for a long time
and developed a kind of political organization and they
are rather successfully able to resist the incurrences of
the outside workers for admission onto the farm. The
reason they are resisting them is because they want to reserve whatever land rights there are for their own kids so they are thinking generationally, and they want to reserve that right whatever it may be to their own children once they come of age.

MR. MONTGOMERY: I think we ought to, Roy, next time we get a chance to work something like this out, we should try to collect our points of view and experience on this issue. Because I think there must be ways to create these conditions in the law which would enable the political process that Bill is talking about to take place and still deal with the questions of land use, carrying capacity, and so forth in a way that you don't make all those decisions up there with a small bureaucracy sitting up there knowing everything and sending orders out.

MR. NICHOLSON: But it strikes me that there are two discrete issues here. A lot of what we have been saying around the table is really a need for information. That is the reason you can't have a small bureaucracy making the decisions at the top is they simply don't know. They don't know where the land is or who has been sitting on it. So it seems to me, yes, a certain amount of quote "participation" is essential simply because you can't make rational decisions.

MR. MONTGOMERY: For the cases that Jean
mentioned, first where you have an existing structure of
ownership and tenancy and you have to find out who they
are; but if you have a situation that's not the case, then
it's not a question of information, it's a question of
judgment, politics, the possibility that Jerry was worried
about in his first statement --

MR. NICHOLSON: The second question becomes one
of under what circumstances and to whom does one transfer
the authority of the state. To a subordinate group? But
it seems to me it's important to distinguish those two
situations because a lot of our requirement for
participation is simply a requirement for information. As
a matter of fact I would guess that -- take a figure, 0 percent is simply an information requirement and a priori
there's no reason why anyone should transfer the authority
of the state to make that decision.

One of the most successful land reforms was
simply land consolidation in Punjab after petition. The
state never transferred any authority to anyone. It made
those decisions. What it did was to get information and
advice about the quality of the lands that it was moving
around among people but the state, i.e., the revenue
department made that final decision, and yet it held
because they had very good information about what they
were doing.
MR. MONTGOMERY: Roy?

MR. PROSTERMAN: Just a couple brief comments.

One, on this question of patron-client relations, this may be something in terms of information that's worth getting. I must say myself in terms of getting the Asian tenant farming settings that I've looked at in detail, and I would say the same in El Salvador of the tenant farming, there had not found there to still be frequent situations in which the tenants are dependent on the landlord for inputs and support. For example it was said in South Vietnam, and the Stanford research group did a thousand person survey in 1967 on it and it wasn't so.

MS. ATHERTON: Maybe not the landlord per se but those conventional institutions -- for example, banking institutions, they don't have those relationships established that require collateral, you know. In other words, I would agree with Jack there's probably a whole other traditional set of institutions but not the formalized ones.

MR. PROSTERMAN: You're not, by taking land from a landlord, not simultaneously disrupting credit. Those are separate relations and those can continue until they are displaced by private or public banking institutions or whatever other institutions you may bring in to complement the land reform.
Just to illustrate some of the possibilities for solutions to questions you raise, not to say these are different I know at this time or the only approaches, but for example, what's the scale of operation? I think that the basic principle is summarized in one word: Ask. That beneficiaries should have land reform done for them and to the extent possible by them and not have it done to them, and that means that they should be given the opportunity to decide. The Mexican land reform when there was a good deal of leeway given for the beneficiaries to decide whether they wanted collective or individual ejidos, it's worth pointing out about 90 percent of them ended up individual instead of collective holdings and I think what reflects a fairly general response.

You could provide in the law, for example, for the conduct of an almost labor certification type of election with secret ballots where people say do they want to be on a collective or on family farms or do they want some other combined or hybrid option, and try to give as many people as you can their druthers. Those who want individual plots can go on estates that are to be broken into individual plots and others can work collectively. You can be fairly flexible on that if you focus on the problem and try to solve it.

Or the question of how you accommodate the
part-time or temporary laborers: Well, one possibility might be under some circumstances to reserve in the law at least a certain portion, perhaps uncultivated portions of the land, if you're in an estate setting where you know in general 30 to 40 percent of the useable land is not cultivated. Maybe say we'll take some proportion of that, depending on the size of the holding and the amount of uncultivated land, and reserve at least that for small plots or microplots for landless laborers outside of the permanent labor force so they will end up with their hectare or half hectare of land that they own. There are not perfect solutions but I think one can go fairly far towards solving them.

MR. THIESENHAUSEN: One of the problems at the root of this discussion is that at the time of expropriation you somehow need to have a concentration of power on the part of the state. Right after expropriation you want to allow Montgomery's book of 1976, devolve that power into the system so some of these decisions can be made at a local level. This is kind of a fundamental contradiction and very often the state finds it difficult to let loose of that power that it has at the time of expropriation. This is another paradox built into it because the spending power that's required to do a certain amount of infrastructural improvement which is necessary
at the local level, if you're going to opt for small-scale parcels, for example, still exists at the central government. So you have a central government which has to be powerful enough to execute the agrarian reform, devolve that power somehow, but still have the funds to make the reform ride.

MR. MONTGOMERY: I would say that's the most important lesson we've learned. I think it's hard to put that into a policy but it seems to me that it's an issue that has to go in a statement like that because there's a political tension between the need for central power and the need to decentralize, to devolve. And I think the main problem in my opinion is a cognitive problem. People don't realize the difference between these two styles of intervention. Once we could get ourselves clear as to what that means, that may be a chance to have a greater influence on the successful outcome.

MR. NICHOLSON: Jack, I still would like to challenge the generic assumption that you've got to devolve power. It strikes me that ultimately it does depend on two variables and that is the political structure of the community -- you're looking at the degree of conflict, the constitutional situation, et cetera, for starters -- and the characteristics of the reform. In other words, what I hear mostly being suppressed is a
Latin American type reform: you have a large estate, you're breaking it up and giving it to tenants or laborers or something like this.

My image of a land reform is different. It's Punjab. The untouchables never got any land at all in Punjab. What happened was that the landlord got families who were agriculturalists, who had very large holdings, broke up those holdings essentially among their relatives. Now, there was, in that "class" sense, no redistribution. In an economic sense there was a very important change. That is, holdings were broken up into smaller units and in spite of the familial ties, the land laws would no longer permit the reaggregation of that land and therefore over several generations those in fact did become autonomous and smaller units. That's a very different land reform in terms of the politics and the institutions of it than in the Latin American case.

MR. MONTGOMERY: What you have to do is find some way of creating a legislative policy preference that enables you to deal with that range of activities, and I believe that's intellectually possible to do. I don't think we've thought enough about that question. I think that's the big policy void we should devote some major attention to, but I think -- I sense we share a feeling that this is an area where policy preferences could now be
MS. ATHERTON: Let me throw one other possible level into the hopper. Franz Afaleu at the Bank has written an article about regional authorities in effect which talks about a French case, and also one that's operating in Brazil under the Bank's funding, has been operating for about five years now in Brazil, which combines the sort of devolved authority of the state, of the capitalists, and a fair knowledge of that local — you know, the local level, because it's dealing with a circumscribed geographic region and I think in France there are a half dozen or more of these regional authorities. In these cases their purpose is to acquire by purchase sort of a renovation in terms of putting in the necessary infrastructure and making decisions about size of holding and so forth and resell. But it seems to me that even in an expropriated reform, one need not discard the idea of a regional level, something middling between that big state and the local level.

MR. RECINOS: I think once you allow the state into a position where it has political economic power of the mind, it's going to be very difficult for the government to let go of that power. And you need a counterweight to the power the government exercises and it's not going to come from the campesinos living on the
land, whether they be owners of the estate or not.

And I think that another option ought to be considered. We're talking about expropriation. If in fact the government, a local government arrives at the point where it's advocating expropriation, that it ought to give the owner a choice, a choice in which he as an owner would maintain some equity position in the estate, spinning off stock to the employees, or it could be people from the outside. You could bring in outside landless campesinos. It may not function in all cases but I think some landowners might consider it to be much more advantageous to them in that over the period of time as they sold more and more of the stock to to the campesinos, they would get a much fairer price for their assets.

Perhaps more important, you have a countervailing force in the process, again to government. Again, and I'll say it, I don't think the campesinos have the political wisdom or the power to press the government.

MR. POWELSON: Who's the "you" doing this? You say "you" have to have a counterweight against the state and "you" have to have this and that. Who is the "you" that you said? You say it's not the campesinos. Who is it?

MR. RECINOS: The campesinos need a counterweight. They can't provide it themselves. I don't
think it's going to happen.

   MR. POWELSON: It's not going to right away but --
   MR. RECINOS: They need an ally. They need an
   alliance and I don't think that we have to assume that --
   MR. POWELSON: Who is the alliance?
   MR. RECINOS: I don't think we have to assume
   the private sector is the total end.
   MR. MONTGOMERY: His example first thing this
   morning --
   MR. RECINOS: If the government has the
   political economic power to force an expropriation, in
   fact it's a threat, so the private sector or the present
   landowners are going to have to come up with some solution.
   I think that there would be some enlightened people in the
   private sector for their own vested interests
   MR. MONTGOMERY: Rick, are you feeling strong
   enough to get into the act?
   MR. TROPP: I think we need to apply the
   paradigm in some circumstances and not in others, and that
   Norm is more right than he is wrong.
   MR. MONTGOMERY: That's usually the case.
   MR. TROPP: If you look at Taiwan and Japan as
   examples where autonomous organizations did work well, you
   have one important condition present and that was that you
   had the power of the landowners broken politically. In
Japan that was so because they had been the people who backed the government during the war and were politically broken by us. In Taiwan it was because the people who did the land reform were the mainland Chinese who used the local landowners as an alternative political source of power.

If you take a society, somebody has land to the tiller over there. If you take the society described in that book, which is where Norm has had his experience, the basic message is: It don't work it, just don't work.

What happens when you devolve authority to the local level is that people who always had the power have more and people who are the most exploited ones still are. A, there has to have been some force that destroyed the previous local authority and B, some local authority buildup.

MR. MONTGOMERY: There also has to be affirmative support through the bureaucratic or legal instruments for the local action in the government.

MR. TROPP: It follows from that, I agree. What follows from that is where you haven't had A, and where the local people remain in control, it's detrimental to both the economics of what you want to get done.

This administration came in with the idea that we should be doing local enforcement wherever you can. In the case of civil rights that's fine where the local city
government is committed to doing civil rights enforcement. I'm surprised we now have federal registration in Alabama and places like that because the local authorities aren't committed.

MR. NICHOLSON: And it seems to me the clear implication then is that perhaps the problem is not that the state is too strong but that the state is too weak.

MR. MONTGOMERY: Not confident enough of its policy directions.

MR. NICHOLSON: And not having the autonomous and disciplined administrative structure at the district level capable of enforcing it. I would not quite agree that land reform didn't "work," quote unquote, in much of south Asia. It did not accomplish the redistribution of land to the poorest. I think it did accomplish a substantial reduction in the size of the average holding within the same class.

MR. MONTGOMERY: Better productivity.

MR. NICHOLSON: That's acceptable economic outcome, although it's not the social outcome we were looking for. But the ability to accomplish that was the revenue of the administration who was able to enforce land size holding if it was not able to enforce the class redistribution of the benefits.

MR. TROPP: I would like to turn the discussion
into a different question. From a politician's view, one of the things that has been stopping or inhibited throughout the world or in the Philippines now is the failure of the government to build a constituency for it. One, the central government hasn't succeeded in El Salvador, who are more numerous than the people who got the land, and in a number of other countries in Latin America the central government hasn't succeeded.

This is the case in the Philippines. It has succeeded in creating a coalition against it out of the smaller landowners that have had land taken away. The State Department commented in its report on El Salvador that the people who are against it tend not to be the richest landowner, who are relatively few, but the relatively slower ones have had their land taken away that is the source of their security.

How does one take the local administrator arrangements that we're talking about and so organize them that you diminish the negative constituents and build the positive? How do you make the land reform stick in the next administration and the next and the next and that you don't have fights or that you minimize it?

MR. PROSTERMAN: The most important variable is one we talked about earlier, that is compensation. I think that's one that made a tremendous difference in
terms of landlord or plantation owner perception of whether this is a zero sum game in which they are the loser or a zero sum game in which it's recognized that everyone can be winners.

Land reform is not a judgment on landowners as a class that they are bad guys. We do it rather in the spirit of an eminent domain proceeding in which there's a higher and better use for a particular resource. But that also implies that you pay compensation for the resource. That changes, I think, the alignment of forces quite significantly. But unfortunately it's only very rare that resources have been made available, and again the need I think for -- a very great need for foreign aid, not only from the U.S. but from other donors to be made available for that specific purpose.

I worked very closely at the beginning with the Philippine land reform effort and gave up hope on it in '75 and became publicly very critical of it. I think there was a late moment in late '72, early '73, in which if something like $200- or $300 million, perhaps even less in outside resources, had been made available to make the promises of compensation to the landlords credible, that their opposition to the Philippine land reform would have climbed to where a major land reform would have happened.

What we're seeing is the aggrieved peasants
seeing the New People's Army in greater numbers as the only way of resolving a grievance, and what I foresee is an explosion in which ultimately the landowners get paid nothing and maybe get shot in the process, and it's worth our while to think through compensation as a highway of resolving conflict.

MR. MONTGOMERY: Expropriation, compensation, creation of ownership rights, alienability, eligibility, economic viability, mode of production and administrative style. I think we've talked about administrative style. We have talked about compensation. We've talked about expropriation. We have not talked about the creation of ownership rights and we probably should do that. And the question of alienability which is closely associated with it, possibly we should move in that direction in order to meet our agenda, unless somebody has something else to say about this general question of local competence.

I'm sure that the creation of ownership rights as an aspect of land reform is one that many of us think is central to the successful commitment of the intended beneficiaries, and yet it's a very difficult task to do quickly. Maybe the question is how to define the nature of the ownership rights over some succession of stages or maybe there's some other approach you would like to explore.
Lead balloon? How did they get owner rights in the 40 percent, for example?

MR. RECINOS: It was taken up at the initiative of the landowners to provide what they perceived as an alternative. When they set up the program, they placed 40 percent of the stock in a trust with the employees as beneficiaries. In this instance the employees are members of what's called an employee association, simply a cooperative-like entity and the stock is held in block by the association in the name of the employees.

In terms of ownership rights, they perceived it as very important from the outset to pass through the right to vote on that stock so even though the stock hasn't been paid for, the investing schedule is for over a 10-year period at its maximum. But from the outset the voting rights were passed through so the employees through their association have the right to vote the stock and have members on the board.

MR. POWELSON: Vote on any issue whatsoever? Could they dissolve the corporation if they wanted to?

MR. RECINOS: No, they only have 40 percent. Now again, the question of why 40 percent?

The owners of the estate are not opposed to selling out majority control eventually but they want to be paid fair market value for it. And they consider that
the value of the stock now as depressed and by shifting
the 40 percent initially in the hands of the employees, it
will help solidify the estate, guarantee its security and
increased productivity, so in the future when the present
owners sell other blocks of stock, they will be paid a
higher price. In effect what the market value of the
stock is would go up.

Two, the owners are also interested in
replicating the model among other landowners and you're
just not going to get landowners to cede stock into the
hands of the board nor do I think it advisable. It's
extremely important to have an alliance between the owners
and the future beneficiaries.

Again, I think it's very important in terms of
the vesting of ownership rights to pass voting control of
those rights, whether they be stock or whatever, as
quickly as possible to the employees so they can begin to
participate in the ownership of the estate.

MS. ATHERTON: What about alienability of the
stock ownership. Does it have -- has it been valued at
this point? Could someone sell out and secondly, can
someone -- what about carryability? If a current member
dies, can the stock be passed to his heirs?

MR. RECINOS: The stock is held by the
association, not by the individual employee.
MS. ATHERTON: Then it would be members of the association.

MR. RECINOS: When an employee leaves, he's paid out in cash equivalent of the stock. If he dies, his immediate heirs receive the cash equivalent.

MS. ATHERTON: They can't take the stock.

MR. RECINOS: No, they decided it would be best to leave the stock in the hands of the association.

MS. ATHERTON: What if the heirs choose to remain in the association, can they do so?

MR. RECINOS: No. They are no longer employed. The association is limited to employees right now because the employee association was set up as a way to resolve severance pay obligations in Guatemala. Severance pay in Latin America in most countries is not a full right. An employee only receives severance if he's fired. If he leaves voluntarily, the company is not obligated to pay to him so what they have done is set up an association in which the employee contributes 5 percent of his salary and the company matches that and the company's match represents the severance pay obligation. So as long as the employee works for the estate, both his funds and the company's funds are invested.

Most companies that have employ associations -- about 700 of them in Costa Rica, 50 in Guatemala -- invest
in outside securities. Some are beginning to invest in corporate stock so the employee association fulfills various roles. Since the association is open to all employees, not just rank and file workers, white collar workers as well, the association acts as a device to try to eliminate or lessen the class conflict, tension within the company.

MS. ATHERTON: How is the stock valued? When you cash out for an employee that's leaving or has died, how is the stock valued?

MR. RECINOS: In a company in an agricultural state, usually it would be book value plus projected dividend value. What you want to try to do is establish a price that's reasonably equivalent to a market value. The problem that was mentioned before is that it's very difficult to determine what is the market value for stock in agricultural states in Latin America. Extremely difficult. In commercial and industrial firms it's a lot easier.

MR. MONTGOMERY: Is this a unique case or are there other countries and other farms that have done this?

MS. ATHERTON: This is one of the questions in Salvador. What are the rights? What if someone wants to leave? Those remain unresolved and they were glitches in the law in effect because nobody thought them through. If
you are thinking about some sort of at-the-outset cooperative organization rather than a fee simple transfer, then we have questions about, you know, how do you arrange these things, the vesting of ownership, the alienation, the descentability and so forth.

MR. RECINOS: It depends on the -- depends a lot on the educational level of the people you're dealing with, the beneficiaries. You can transfer stock to employees, for example, to a trust and not go through an employee association, so that the individual employee owns the stock and in that instance the share would be nominative shares and if the employ left the firm he could take the stock with him. But there's always a right of first refusal by the company. If you want to sell the stock to a third party, the company or the trust would have first right to repurchase that stock. You have to be careful not to have the stock disbursed because what usually will happen is it will reconcentrate in the hands of a few people.

MR. MONTGOMERY: You were going to say whether there were others like that and --

MR. RECINOS: There are some others in Guatemala, they are in the process of doing this, and in Costa Rico. Some of the largest cattle and coffee plantations do this and transfer stock to employee associations.
MR. PROSTERMAN: I don't want to offer a universal judgment on that kind of approach. I know there had been talk from time to time both in terms of what some people in the government have wanted to do with phase 1 and somehow you would set something up which would be a stock company and maybe 50 or 51 percent would be owned by the patron or former patron.

I know all the campesino reactions have been extremely negative on that. They very much prefer to get ownership of the land themselves, and I'm inclined at least in terms of presumptions to be as concerned about a resolution or attempted resolution that keeps the old patron-worker relationship basically intact, as I'm concerned about efforts to regulate land/landlord/tenant relations and keep that relationship basically intact. The latter with very rare exceptions like Egypt or three years in Taiwan have not worked and the regulatory problems one can perceive in this situation are extreme.

Assume for example an enterprise which has a profit otherwise equivalent to $200,000. How do you insure that the patron doesn't set his salary 180,000 and leave just the remaining 20,000 to be distributed to the stockholders? Or how do you set up accounting procedures to make sure profits are adequately measured and accounted for? How do you prevent overpayment to suppliers?
MR. MONTGOMERY: You're going to tell us how to
do that in the United States with the --

MR. PROSTERMAN: I would hope this would not be
a substitute for basic measures of transfer.

MR. MONTGOMERY: Bill?

MR. THIESENHAUSEN: I have a question and it
does fit in here. It seems to me to be theoretic, like
this plan is very similar to a land form with a very high
contingent rate, and I was wondering what it is that
protects the campesino from arbitrary action by the
majority stockholder, the landlord.

MR. MONTGOMERY: Is there an answer to that
question or do we move on?

MR. RECINOS: If we're talking about a voluntary
program in the case of Guatemala, where the owners have
taken the initiative to do it, for their own vested
interest, it's to their interest to make sure the program
works. The whole idea is to build a political
constituency among the workers or other agricultural
workers. If a government is going to enforce the idea,
giving landowners an alternative, either an expropriation
or this type of technique, then the government acts as
watchdog for it.

MR. THIESENHAUSEN: It's really not enlightened
self-interest that leads these landlords to do this kind
of thing, it's rather fear.

MR. MONTGOMERY: He said they did it to anticipate expropriation, which is an interesting circumstance.

MR. THIESENHAUSEN: It's fear.

MR. JENKINS: At least in part. Got to be.

MR. MONTGOMERY: Isn't that what you said? To preempt an action of expropriation which otherwise might have taken place. I thought you said that.

MR. RECINOS: In the case of Guatemala, they don't have threat of expropriation. I call that enlightened self-interest form. The owners are saying to themselves, there's a great possibility that some day it will happen in Guatemala.

MR. MONTGOMERY: So this is a long term --

MS. SARLES: Not to make more money at it?

MR. THIESENHAUSEN: They don't rise up and say we'll gladly distribute our profits.

MR. RECINOS: I think any type of social contract is one in which both parties have bended. I don't think anyone is going to do a good deed out of any type of self-interest. If they say that, I wouldn't trust them to.

In a case of a government that's bent upon expropriating an estate, I myself am not in favor of
government expropriation, but if a government made that
decision I think it ought to offer another alternative.
We're assuming the government, if in fact it's in the
position to enforce an agrarian reform, has sufficient
power to police a program at which the employees are going
to acquire stock and prevent abuses and I think that can
be done. I think there are ways. For example, in this
country, there are programs involving stock employee/stock
ownership plans and there's very concise regulations. For
example, how a company goes about doing a stock evaluation
in order to have the plan qualify. This same type of
thing could be done in Salvador.

MR. MONTGOMERY: I think Albert had his hand up.
John?

MR. POWELSON: I'm troubled by this because it
implies that the employers and the government are doing
things paternalistically for the peasants and I even sense
a feeling of incompetence on the part of the peasants and
the peasants have no power. They do not negotiate for
this. This is being done for them and I think
historically things like land reform is by grace as
opposed to land reforms by leverage don't work.

MR. RECINOS: Unless a government invests total
ownership rights into the hands of the employees
immediately after expropriation, the government is doing
the same kind of controlling and filling the same role as
the previous owners.

MR. POWELSON: I know of no government that has
given things to the peasants without taking its own share
in return. Looks to me as if we're talking about a
situation where -- like most land reforms where control
over the peasants is passed from the old owners to the
government and not really to the advantage of the peasants.

MR. JENKINS: Sounds like the case is more your
reform by leverage and by granting, because as I
understood it there's a concern at La Perla with respect
to employees either exiting for a guerilla participation
or attack by guerillas with no defense.

MR. POWELSON: This is not my concept of reform
by leverage. Maybe leverage isn't a good term for it.
It's where the peasants negotiate for it. They don't
exert their leverage by fighting or exiting, they exert it
by negotiating for it and saying what their interests are
and how they perceive their interests.

MR. JENKINS: This isn't quite by grace either.
Maybe a third category is needed.

MR. RECINOS: I think there's a closer alignment
in the vested interests in the landowners and the
campesinos and the government. The present landowners,
for example, in the case of La Perla, by selling a portion
of the stock now to their employees, not majority control
but minority interest, their hope is that in various
education programs, working with the campesinos — for
example one of their ideas is to set up several
agricultural projects, apparent company and the employees
are joint owners, as a teaching device. The idea is that
over a period of years, the farms and the financial
structure would be strengthened because of the employees'
involvement.

MR. MONTGOMERY: We have to bear in mind that
we're talking about a policy statement, and it seems to me
if we take a look at the La Perla example that we could go
back through the experience that Mr. Recinos has been
describing and figure out policy actions on the part of
the government that would encourage owners to move in this
direction. I could imagine a perfectly acceptable policy
action in the form of taxation, in the form of tenurial
legislation and so forth that would in fact encourage this
type of thing. So it wouldn't be just a matter of
noblesse oblige or even a matter of preempting guerilla
activity or insurgency or peasant disloyalty, but might be
a good extension of market rationality. Does that make
sense?

MR. JENKINS: It does in the U.S. --

MR. NICHOLSON: Damn right.
MR. MONTGOMERY: Okay?

MR. BERRY: I think the La Perla experience is certainly an interesting one and obviously it has to applaud the foresight and so on of the owners.

One of the things that one would worry about in at least -- that one would try to affect perhaps in the process of that sort of change in the distribution of rights to land would be like the following problem which I would sort of predict to come up. I think very frequently the large farms which would opt for that sort of arrangement would be ones which do not have a lot of workers, and at least I would see it as rationale for that set which would typically be pretty well capitalized, pretty modern, pretty mechanized farmers to say, well, we only have a certain number of workers. It's easy to work out a successful arrangement with a limited number of workers. There's a lot in it for them. So just pursuit of mutual interests would tend to probably produce the results that this would go on in that sort of large farm, less likely on a large farm with 10 times as many workers.

Then that raises a problem because that gets us back to the question of who is going to wind up with access. If that process goes on on a large scale, will the three-quarters of the farmers without access -- in fact I can sort of foresee in the process the number of
employees would go down because it would be to the mutual interest of the original owners and the remaining employees to do it that way. Profits get built up, they can build a machine, they don't need that last employee so they will behave the way the farms in Yugoslavia did: they hired too few workers.

It's a general phenomenon. Worker-managed operations leave you with a continuing problem of access, so I think that has to be weighed against the fact that this outcome is clearly an improvement on existing reality. But I wouldn't predict that it would resolve a great deal of the employment problems at sort of the aggregate level and therefore I wouldn't predict that it would resolve a lot of the income distribution problems. I think to get that you probably got to wind up distributing the land widely and guaranteeing access to a pretty wide group right at the start.

One final point, I'm not sure whether we're coming back to alienability --

MR. MONTGOMERY: We are. This is still on the same subject?

MR. THIESENHAUSEN: Yes, and this does remind me of something done in 1963, '64. It was called profit-sharing in Chile and it was one of the programs in the National Society of Agriculture. An article was written, but two
of the problems they found was the decisionmaker still could decide what kind of technology could be used on the farm and what kind of technology was capital intensive technology. It was still the landlord that kept the books and when that happened he was able to really pull the wool over the eyes of some of these campesinos who didn't have that kind of acumen.

MS. ATHERTON: Could I encourage us to sort of shift focus back to alienability and ownership rights? Let me pose a different sort of a question.

The next situation we're looking at is basically one of improving tenure security in Africa, which is somewhat different than the Latin situation or even the Asian situation which is largely being characterized by a high rate of tenancy.

One of the ways of looking at any interventions in the African land situation has been to move toward fee simple type of ownership or, you know, an individual identified with a parcel-type of access, on the premise that once that occurs you will have market functioning which will distribute land in an economically optimum fashion. This is the premise worldwide but in Africa we have a different starting point. We don't have a starting point of a lot of haciendas and some fairly inequitable arrangements to start with. I would like to pose to the
group: Is this a reasonable foreseeable outcome? That is that the ultimate end point is one of individual ownership or tenure rights of some kind, full alienability and in other words disposition in whatever form you wish, leading to an economically optimal distribution of land, or are we thinking along wrong lines in thinking that way?

MR. MONTGOMERY: That's the tough question.

Jack has his hand up.

MR. POWELSON: I think in many cases this may be the outcome way down the road but I don't think we should say that it's by any means inevitable. For example, in certain marginal precarious lands, nomadic and communal tenures are probably the most efficient. In one of the chapters of our book we have somebody writing on Somalia who is arguing that the nomads have and continue to progress very much away from the traditional idea of nomads, that they are simply people that move around wherever the feed is best. They are converting themselves into private entrepreneurs, some of them sedentary, some nomads. In the early '70s Somalia was the second largest exporter of cattle after Australia, I believe, exporting largely to Saudi Arabia, and the entrepreneurial capacity of these nomads and their capacity to husband the land, she makes out as being extremely efficient. And the attempts on the part of the Somali government to settle
them or to take the land away from them and give it to
other people who will be settled are among the aspects
that are deteriorating the agricultural capacity of this
particular land.

Now I say this as a sort of exception because I
think for the most part the situation you described is
probably the one that we're leading to, free alienability
of land promotes a greater mobility of resources,
including both land and the labor and the capital upon it.
But I wouldn't want to press this for everywhere. In fact
as Bill pointed out, even in non-nomadic African societies
where there's communal tenuring, this ought to be left to
evolve for itself on the basis of tribal traditions. Some
of the studies that the Land Tenure Center has done at
Botswana have shown what devastation central government
policy in land reform can do to tribal communities and to
the prestige of tribal leaders as well as to the
deterioration of agriculture.

MR. MONTGOMERY: I lost track of your argument
there. I think we were trying to address the question of
alienability after a land reform and then we talked about
whether that's possible in Africa and you gave the example
of a nomadic people. I didn't follow that because I
wasn't aware there had been any land reforms of transhuman
land use areas.
MR. POWELSON: Depends on how you define "land reform," but the attempt to settle nomads or take land away from them and give them to other people who will settle them, these I would define as land reforms. And I would extend the argument beyond nomadic communities and say that in tribal situations, tribes which are not necessarily nomadic tribes but do have communal ownership should not, I believe, have fee simple alienability ownership forced on them.

MR. MONTGOMERY: That's what our friend John Bruce is working on, I think.

MS. ATHERTON: But the other side of that is how do you sustain those rights? In fact what Bruce is largely working on is the flip side of that. That is, there's encroachment on the basis of both technology and too many people for too small areas on these traditional rights. And to the extent those are breaking down, how do you -- for instance in Lesotho there's summer and winter pasture. How do you preserve those rights in the face of increasing crop production on some of the land that's been traditionally grazing land.

MR. POWELSON: I think by not interfering with them.

MS. ATHERTON: But that's not a possible solution. There's one group of agriculturalists who are
moving in on somebody else's pastoral rights. It's not a non-intervention situation.

MR. POWELSON: Well, intervene to preserve them or set up some means. I don't know, I'm just thinking out loud, but set up a means by which they can defend their rights. Introduce some kind of market situation in there but the market situation is between the tribe and those who wish to purchase the lands away from the tribe.

MR. MONTGOMERY: Are these lands thought of as commons?

MR. GRAYZEL: I think there's a lot of confusion in the case of these lands. The land reform that's taken place that's been most destructive is that governments have refused to convert traditional rights into legally enforced prevent rights so that a concept as simple as easement, which we would understand in any urban setting in America, is not recognized. So what has happened is you have cases where you have very well-structured rights in Mali, you had structured rights of grazing, access where government has sent in troops to open access. Land reform has been a destruction of established rights. If you had just the opposite, legal recognition enforcement, they were collective rights of a nature that weren't recognized by the government.

But in terms of the alienability question, I
would like to pose a hypothesis and that's that one of the
greatest mistakes we're making is this relentless march
toward fee simple. I think we're logically inconsistent.
The minute you talk about land reform you're recognizing
there's no such thing as a fee simple, that government has
overriding policies that it's going to enforce over the
ownership rights of the individual. Once you accept that,
shouldn't we say: Let's do it right once around. Let's
really accept what are those rights.

I think of two cases where serious things are
happening. You're having land reform in areas of the Near
East where you distribute farm land if you have
compensation -- and the more we talk about public
compensation, the more it becomes serious -- the farmer
sells off the land as urban property and makes a
speculative killing. First of all, do you want to give
compensations to somebody else down the line who makes a
speculative killing in urban land, totally ignoring the
productive needs of that land for much longer term
purposes? Then you even have that same problem of whether
the land doesn't have to be retained for productive
purposes in the case of allowing sale and reassumption of
ownership by rich people.

In other areas what you find is that land that
is redistributed slowly becomes the property again of a
few wealthy people who then turn it into a production
management title that's not the most productive for the
society, just happens to be the most productive for
absentee rich landlords. So you take it out of wheat
production and put it into tree crop because that's easier
to manage as an absentee landlord. And yet those are the
real policies that face us: How to feed these populations
in the long term. And inherent in any government
performance that involves compensation is inevitably what
are the legal restrictions you want to put on that land in
the future. We just do not introduce zone into these
countries.

MR. MONTGOMERY: You might put your legal
restrictions on the inalienability of collective or
communal lands.

MR. GRAYZEL: I think the whole concept of fee
simple should be thrown out and what we should consider in
any land reform redistribution is what are the limited
vested interests you want to give.

MR. MONTGOMERY: Okay?

MR. PROSTERMAN: One has to draw from the
language on concept of fee simple and a concept which goes
about in common law systems. You can use a fructure right,
which involves having full control and management of the
land, ability to pass it down to one's heirs or
descendants, freedom from any landlord or landlord-like figure, but it does not involve in many cases the right to sell it or to rent it.

On the other hand, you've got in many settings the argument that you want at some point perhaps more of a market to emerge from a generation. At least after the Japanese land reform was carried out it was appropriate that the guy who wanted to take a city job and not farm part time could sell his one or two acres to his neighbor who would then end up with three or four acres. And the same in Taiwan and the same in South Korea. And you also, as you pointed out, want to avoid the problem of immediate improvident disposition where somebody who's not a part of the cash economy suddenly lands the title in his name. If it is freely transferable, what happens when the city slicker comes out with his equivalent of a thousand dollars or $500 and it's sold without thinking about the consequences and it's lost?

In practice, a kind of balance has been struck in many of the major land reforms which have given what amounts to use of fructuary rights for 10 or 15 years and then transform them into fee simple rights so you couldn't rent or sell, for example, until some period of time such as 10 or 15 years or such as the time it took to pay for the land was completed. Thereafter it was thought the new
owner would have had enough experience and gotten
sufficiently used to the cash economy that -- and also
would have made enough improvements so that it was less
likely that he would make any ill-considered or
improvident disposition.

In Salvador they picked a 30-year period because
essentially the Christian Democrats didn't trust the
campesinos. They thought they didn't know what they were
doing. I think that's an excessive period. I think it
should be more like 10 years or something like that. It's
a tough balance.

MR. POWELSON: How about 30 days?

MR. MONTGOMERY: Okay.

MR. BERRY: I think the question of alienability,
I agree one should think of it in a more subtle and
certainly complex way than right to do everything or right
to do very little. But I think also the implications of
alienability depend a great deal on the setting and it
seems to me that alienability has its obvious advantages
in terms of mobility of resources and that's why we like
it. So that within certain productive senses it can be
moved around properly, and the reason we're afraid of it
is that it can lead to concentration. I think it's
virtually a contradiction of terms to say that that
concentration ultimately is going to reflect efficient use
of resources, because that's the process which led to the concentration in Latin America which most people agree has generated extremely unproductive large farms.

So I think alienability is highly complimentary with the post reform setting in Asian countries that we're talking about and really I think de facto is complimentary with a land ceiling, because the basic reason you don't want to, at least a basic reason that one should be afraid of alienability apart from concern with the person selling the land is that ultimately you generate large inefficient farms which will not employ very many people so you wind up with an access problem. So I see alienability, that question is just as important in the macro sense and perhaps moreso than in any other sense. So I think it works perfectly in a situation where you have some other guard against concentration of land.

Then you move resources around efficiently among, in this case, the relatively small farms who on average seem to be productive. In the African context I would guess that fee simple will lead Africa down the same road as Latin America has historically progressed along and I think for very much the same reasons. You can see it clearly in many countries like Kenya. Land is one of the very few resources in which a rich person can confidently hold a lot of wealth. Too much inflation, so financial
assets are no good. The urban sector is not big enough, and so on. So I think the demand for land as a store of value by rich people is going to be very dominant in Africa over the coming years and will, if allowed, put that resource into the hands of people who, one of whose major concerns is not productivity, and that will be the Latin American mold all over again. Land ceiling is what I would do.

MR. NILSESTUEN: But you don't have -- in many cases you have, I believe, fairly traditional tenure systems where cultivation is by slash and burn and land use rights are allocated by some kind of chieftain system. But it's that kind of system, because of pressure on changing technology, is now being increasingly put under pressure. What is the prescription to contend with those increasing forces?

MR. BERRY: I don't feel the expert here but I guess my immediate reaction would be to agree with Jack, for example, that to the extent possible sort of a natural evolution of those traditional systems would occur and then to diminish the conflict, I think the conflict -- where the conflict is coming from minister X who has a big chunk of land, that is increasingly the way land is being obtained, I think you have to control that.

MR. MONTGOMERY: Let's take a short recess at
this time.

(Recess.)

MR. MONTGOMERY: Are there other comments on this question of alienability and so forth? If not -- fine.

MR. PROSTERMAN: Just one note on the African issue. I wonder if we may be thinking about some of these African problems in the sense -- in the wrong context, where these are not so much problems of tenure reform as much as they are problems of productivity support. For example, that in some settings at least your slash-and-burn farmer was using 20 or 30 or 40 acres and covering it over an extended period of time. If given appropriate credit and approved seed and technical support, he might be able to engage in fixed farming on 10 of those acres and free the other 20 or 30 for marginal lands needing to be reforested or improved in some way, or freeing them for a possible distribution to other families of 10 acres each. One possible tradeoff would be the resources to improve and fix productivity on 10 acres in return for the customary rights that he has of the other 20 or 30 that he is presently using. But I don't think it can be solved as a tenure problem alone.

MS. HERRICK: In Africa the more extensive land parcels, let's say, are those in the lands that lack water
and have to be used for extensive animal husbandry. I
don't think that we're worrying today about slash-and-burn
using amounts of acreage, but as you started out I was
interested because there is the question of how a farmer
can obtain credit. When you have a situation that has
formerly been fructural or had a communal domain basis,
then the modern sector doesn't know how to look at the
question of collateral. If he doesn't have a title he
can't go ahead with credit so we -- there have to be ways
of dealing with that.

MR. PROSTERMAN: Change the regulations in that
area is perhaps more important than changing tenure as
such.

MS. HERRICK: But a change in regulation isn't
going to get a banker to give credit. Some of us have
been kind of down on this today, the artificial creation
of governmental agricultural role in the banks --

MR. PROSTERMAN: How many of those banks are
owned or controlled by the government?

MS. HERRICK: Another approach is for there to
be some way of there being a recognition for the local
organization as the responsible party. Again, if you're
going to have private sector solutions, definitions and
regulations aren't going to do it. So you get back to the
type which may not be -- it's a piece of reform. It's a
reform in structure maybe, not necessarily an
expropriation and redistribution.

MR. PROSTERMAN: One might have questions as to
whether you could have private sector solutions with
credit. Maybe one of the problems is that you need hybrid
or publicly-controlled or guided institutions for credit
in many of those sectors to do that job and to be told by
the regulations or the state management, look, you don't
need a formal title or a western fee simple style title to
give credit.

MR. MONTGOMERY: Joseph?

MR. RECINOS: I wanted to comment on a point Roy
mentioned earlier. I don't know if it was in favor or
against it. He was talking about --

MR. MONTGOMERY: He'll interpret it as being
favorable. He's a lawyer.

MR. RECINOS: He was talking about limitation of
property rights. For example, allowing campesinos to have
the use of land but not being able to sell it. And there
were some comments made after in Salvador they were
limited in property rights to a 30-year period. Whichever
way you cut the cake you're creating second-class citizens.
I think that the question of whether it's just or not has
to be very carefully considered.

Secondly, you're opening up a Pandora's box to
abuse. The case that comes to mind first is abuse that's happened continuously in Mexico with the Ejidal banks. The ejidatarios cannot sell or buy the land, sell the land really, so they can't mortgage it so the only recourse they have is to go to the Ejidal banks. I know of cases where a loan officer for the state Ejidal banks will almost force a campesino to take credit so that the loan officer can show that he's fulfilled his amount of credit for the month. I think that can lead to a lot of abuses and the question of creating second-class citizens has to be carefully considered, and I would agree that instead of 30 years it ought to be 30 days, frankly.

MR. POWELSON: I second this simply because I believe that every kind of restrictive measure that's put upon peasants has a way of getting around it, and a way of getting around it generally involves paying somebody off to do it. But even more than that, I think in all land reform schemes there is somehow a general feeling that the peasant is unintelligent, unentreprenurial, not very quickly perceptive of what's going on around him --

MR. MONTGOMERY: John, I've come to the conclusion that sometime in your life you were really bested by a rational peasant and you've never forgiven him.

MR. POWELSON: To the contrary, for most of my life I have been a rational peasant. But I think the
recent research by both anthropologists and economists as well as historians has brought out that the peasant is extremely perceptive. I'm not thinking just of Popkin, I'm thinking of many others as well, that the peasant is extremely adaptable and if he sells his property he has a good reason for doing so.

MR. MONTGOMERY: How many people in this room think that peasants are stupid, inflexible, unadaptable and incapable of managing their own affairs?

MR. RECINOS: Let me make a comment that happened at La Perla. When the campesinos, the workers were assigning the transfer of stock through trust, most of them -- 99.5 percent are illiterate, neither read nor write. One of the owners mentioned they were all signing with their thumbprint and one of the owners asked the worker, did he understand what was going on, since he couldn't read or write. And the campesino looked at him and said, "I may not be able to read or write but I can think."

MR. GRAYZEL: I don't think that's at all what has been said because what I certainly believe is just the opposite. The peasant today is the smart owner tomorrow. He will do what is in his own economic interests. He'll put himself in an advantageous position and exploit the situation just as he was exploited and it was exploited
before him. And it's the same situation that gave rise to
the need for land reform now will give rise ad infinitum
unless you kill the vicious cycle, and we're being asked
to pay for it.

The fact of life is the best agricultural land
in the world, when it's nice and flat and near water, is
also the best land for urban settlement. So throughout a
large part of the undeveloped world we're being asked to
increasingly invest large sums of money in marginal lands
for agricultural production because smart farmers are
converting their land into high priced urban real estate.
That's going to happen over and over unless you put zoning
regulations in. You say this time around, if you get the
land you can't do it. Doesn't have anything to do with
the intelligence of the peasant.

MR. MONTGOMERY: I would like to suggest that we
move to another topic that is on the agenda that we
haven't talked about: the question of eligibility.
Sometimes we think that it's very obvious who the people
are who should be eligible. Sometimes we try to create
conditions of eligibility, put them in the law and leave
somebody to define them. Is there anything on that
subject that we need to introduce into this discussion?

MR. WOOLERY: Probably should look at priorities,
and the sense that I have in the limited exposure I've had
is that the existing tenant on a piece of land was the
priority recipient as far as the land title was concerned.

MR. BERRY: For political reasons in part?

MR. WOOLERLY: I'm not sure just for political
reasons. He knew the land, he had been doing it, had
established a track record and he was the logical person
to continue as the new owner of that land parcel. But I
think you probably have to rank, and in the little bit
I've seen in the Asian context the priority was given to
the existing tenant.

MR. BERRY: I like the idea that Roy was
mentioning earlier that -- and perhaps it sort of is
consistent with both the political and the economic
factors that might be at work -- where you have quite a
few tenants or sharecroppers and also quite a few landless
families there would be a pattern for both to give
priorities to the tenants, and that seems reasonable. But
I think with the trends we're seeing towards landlessness
in some countries, were one not to make some imprint upon
that landless share, which is where the revolution is
liable to come from, then one will be in big trouble. So
perhaps one gives priorities but tries very firmly to
guarantee some access probably to a smaller amount of land,
to the landless, and with the expectation that the failure
rate will be higher. What we're doing in a sense is
letting the market work and the landless chaps who can adapt more quickly, who already had been more observant, who had more entreprenurial skills, will move up from there. But when we get them onto the bottom step and sort of let the market take over, if one doesn't get them to the bottom of the step I think one is going to have a lot of pressure down the road with population trends the way they are going.

MS. SARLES: I don't see how that solves the problem. In five years they will be about where they are now. Why use land as a mechanism for giving those people a stake in the system? That's where I go back to the first question in terms of education as a possible mobility system or better transportation for easing into the city, whatever those mechanisms are. There's not enough land.

MR. BERRY: There's not enough land but my feeling is, at least for what it's worth, is that the urban areas have -- they are as impacted as anybody else. It's easier to work people in on the land than anywhere else.

MR. WOOLERLY: If you're going to make this land available on what we now take as a given, we're going to increase the productivity, is it possible to share that increased productivity to go through the landless and at
least make their lot in life better?

MR. BERRY: As an economic theory on the black board it's possible, but has it ever happened?

MR. WOOLERY: Good practice follows good theory.

MR. BERRY: There are some tremendously strong political and social aspects which tend to prevent it.

First of all, there would be a failure rate but I would predict that the very small units you give these people, even though some would fail, would have very high productivity.

MR. MONTGOMERY: They might be organized too.

MR. BERRY: Might be, but the smallest farms are the highest productivity. Some fail but others get one foot there, one foot somewhere else. I don't think it would be a waste of resources to give a fair number of previously landless people a part.

MR. ZUVEKAS: It might be useful to look at the El Salvador situation. I can speak about the macroeconomic strengths and this is relative to what are the alternatives. Right now the budget is constrained by the war effort and by the declining economic activity, although it is starting to come up a bit. But how can you finance, for example, increased education and things of this sort under such circumstances? The problem now is to keep the education structure from deteriorating even more.
So investment in human capital, while it's a very worthwhile thing, is very long run in a place like El Salvador. In terms of industrial activities and associated services activities, I think the willingness of both the domestic private sector and foreign interests to invest in the economy now is a little restricted, so there are not many opportunities here.

Now in the reform that has taken place with the phase 1 and phase 3 situation, you have two very different classes of beneficiaries, with the phase 1 cooperatives providing rather large amounts of land by Salvadoran standards to what is it now -- 30,000 some-odd beneficiaries, and the average side is between 5 and 10 hectares, isn't it?

MR. PROSTERMAN: If you take cultivated land it's about 3 hectares. If it's uncultivated it's about 7.

MR. ZUVEKAS: There's a great resistance on the part of the cooperative beneficiaries with the larger amount of land to let anybody else in, and I gather there's a good deal of resistance or perhaps inability on the part of the government to force the cooperatives to let anybody else in. But this is tending to create an inequitable situation even within the lower income groups so there's potential for some conflict here.

MR. WILKINSON: There's about half a million
displaced persons in El Salvador now that the government is trying to put back into phase 1 cooperatives and they don't know how to do that.

MR. NILSESTUEN: Here you have two reforms fundamentally different: One, a traditional Latin American reform expropriation based on size of holding, and the other land to the tiller, benefiting two different classes of the peasantry. No one case -- in the first case, those are fairly long-standing permanent relationships with the hacienda; in the other case, those who were tenants. But Salvador was like many Asian countries in terms of the percentage of landless, close to 40 percent, and that class did not benefit appreciably for either one of those classes, from either one of those reforms.

So I guess my question is to you all -- you're going to have a very sweeping reform, in fact two, yet it failed to make a significant dent in franchising the landless. Do we have any meaningful examples where land reforms really make a significant contribution?

MR. MONTGOMERY: To the problems of landlessness?

MR. NILSESTUEN: Without talking about the special cases of Taiwan and --

MR. MONTGOMERY: Are you asking the question about landless peasants as a special group?
MR. NILSESTUEN: Which specifically enfranchise the landless.

MR. MONTGOMERY: Landless floating workers, how has experience with that been? We have three examples.

MR. ZUVEKAS: I'm not sure what you mean by "enfranchising the landless."

MR. NILSESTUEN: Providing them secure access to land.

MR. ZUVEKAS: If every rural family is to become a landowner and every rural family during certain times of the year needs hired labor, a large proportion, where is the labor coming from? I'm not sure it's feasible to think of converting everybody into --

MR. NILSESTUEN: Give me an example where there's been significant participation by the landless.

MR. ZUVEKAS: My question is: Should there be or to what extent?

MR. MONTGOMERY: Don't fight the problem.

MR. POWELSON: I would suggest -- not as a complete example, it may not satisfy you -- but Bolivia as an instance where not only the tenant farmers have gained but also the landless in a number of different ways, not by becoming landowners but by participating in the marketing structure, in setting up markets, carrying goods into town, setting up stalls in town and doing a number of
ancillary activities that did not necessarily require
ownership of land.

The farmers have also benefited -- that is, the
small farmers, peasant farmers have benefited greatly from
the Bolivian agrarian reform in increasing their output
and increasing their ability to make decisions over the
use of land. And I've wondered why this was the case and
the only answer that I can come up with is that the
Bolivian's government was so disorganized that it was
simply unable to co-opt the farmers in ways that other
governments did, and the result was that agricultural output
in Bolivia increased enormously during the '60s but during
the '70s the government was so disorganized that the
disorganization of society has actually interfered with
agricultural output and output has gone down. There's a
golden means of disorganization.

MR. RECINOS: I think we have to take a hard
look at the question that in spite of land under
utilization, there's some sound economic reasons why you
have landless peasants. Land is a limited resource.
There just isn't going to be enough to go around. Any
kind of reform that's proposed has to create rural
industries to absorb landless peasants, either that or
have them migrate to urban centers.

MR. MONTGOMERY: Bill?
MR. THIESENHAUSEN: This is what the People's Republic of China is trying to do now and the trouble is in Latin America, at least it's been really remarkably unsuccessful, and I would put Wayne's question as terribly important for the '80s to answer. I think John's example is a good one. In Bolivia you did this in the '50s, population growth wasn't nearly as rapid, landlessness wasn't as predominant a problem and there was a safety valve in Bolivia. People could migrate, which they frequently did. John is right but I don't think we can use it as a model.

MR. POWELSON: Surely we can't. Paraguay is another one but that's a case of land abundance.

MR. PROSTERMAN: There probably are -- first let me just remind us of some things that Bill said before, that by and large the absolute number of families in the rural sector is going to grow in most of these countries, at least for the next generation, even with the highest plausible figures for urbanization, industrialization. So we're going to have to accommodate not only the existing numbers of agricultural families, including landless families, but somewhat more of them even under the best of circumstances.

The land reform obviously neither creates nor destroys land but it can bring those families into a
relationship with that productive resource which will increase both the productivity of the resource and the equity with which the results of that production are distributed. So you can in fact have a larger pie for that agricultural population and for the subclass who are presently landless, and you can do it in certain ways that involve land redistribution as a major element. It's not that somehow people who are temporary agricultural laborers can be fobbed off on some nonagricultural sector. They have to be supported by the land and the question is how can they best and most equitably be supported by the land.

Nearly as I can tell, going back to a figure I cited before for about a hundred million landless in the sense of tenant farmers, sharecroppers, permanent and temporary laborers, of those 100 million families all total, about half of them are tenant farmers mostly found in the Indian subcontinent, and about half of them are agricultural laborers. For those who are agricultural laborers you may have significantly different problems not only as between permanent and temporary but of the temporary laborers. A quite significant number are not temporary laborers who work on plantations but who work as -- let's say in Indonesia or parts of India during peak seasons in the smallholder sector. The policy in
administrative issues in finding land for that group of
temporary laborers may differ as between a program that's
taken big plantations and a program that's transferring
ownership to tenant farmers. I think you can probably
administratively and legally work it out more easily to
find a substantial amount of land for temporary laborers
when you're taking plantations, although few if any
programs have done so successfully up to now, than —

MR. MONTGOMERY: I wonder if Wayne is aware of
the Cornell studies of landlessness as a policy issue.
They tried to look at alternatives and have documented it.
The author told me that he had written it nobody asked him
for a copy and nobody paid any attention to it.

MS. ATHERTON: I know a number of people who
read it.

MR. PROSTERMAN: We should not underestimate —
especially with the off-the-shelf agronomic improvements
coming down the road, to mix metaphors — what can be done
for a family even on a fraction of an acre. I've looked,
for example, on garden plots, home plots in Java in the
last couple years and many families get 20 or 25 percent
of their income and nutrition from a plot that may be a
20th or a 30th of a hectare. I've seen garden plots of
300 square meters, three percent of a hectare, that
produced for a Javanese family crops worth a total of $300
a year, equivalent to the full-time wage of one fully
employed adult in Java, so with appropriate support,
technical and other support for these folks, even a very
small holding can provide not the whole of their income
but a significant supplement to their income and certainly
a sense of having a stake in society. They will continue
to work partly as laborers or in the agricultural or
nonagricultural sector but they will have much more than
they presently have even with a surprisingly small stake
in the land.

MR. WOOLERY: It strikes me that the concept of
land for everybody is so unrealistic. I'm not sure that a
group like this should be --

MR. BERRY: Why is it unrealistic?

MR. NILSESTUEN: That was not the intention of
my question. We're looking at land reform as a device for
pursuing major developmental goals and I was identifying
as one distinct class the rural landless, which I would
define as those who have no access to land whatsoever.
And I'm simply posing a question: What is the experience
and what is the empirical evidence that any land reform
had made a significant contribution to that class of
people's access to land, which is an important development
problem. You know, the responses I heard is that there
haven't been very many or the landless have benefited in
other sorts of ways or we need, as Esmond suggests, to
sort of be concerned about other sort of rural development
strategies.

MR. WOOLERY: The perfect example: I can
remember in the late '20s and '30s virtually every farm
that I lived near I what had a hired man, a landless hired
man who was engaged in agriculture but with no equity
stake, and I don't think that group of hired men aspired
to ownership generally. They had a job, a living, and it
seems to me if you were now to say we'll divide up the
farmland in Iowa so each hired man has a farm, it would be
unrealistic. And I'm not sure you're going to create land
to take care of the population growth that Bill is talking
about.

MR. BERRY: Doesn't basically every family has
access to land there?

MR. WOOLERY: The children go to town and work
in factories until you have a recession, then they live
off the farm.

MR. MONTGOMERY: Or take the bicycle to a
factory down the road.

MS. ATHERTON: Let me throw in a point of
clarification and get back to the access question. What
we have been talking about is access to the opportunity to
own or use land. The problem with landlessness in LDCs is
that largely those people also lack the access to
opportunity; and that is, if your hired man in Iowa wanted
to, he probably could have saved the necessary income to
become part of the landowning class in this country and
that seems to be the difference. What we need to talk
about here when we're talking about issues of eligibility
is not so much the land per se as it is how do we widen
access to get into the market in the first place if you so
desire?

MR. MONTGOMERY: Looks to me in terms of a
policy statement on land reform we're going to have to
concede that it's not going to make a big dent in the
problems of the landless but that the next question which
has been assigned to us, which is what are the policies
that make land reform a success, what he calls here -- I
believe he used the terms "exogenous" variables -- but
other policies we sometimes think of as agrarian reforms,
what kinds of things have to be done besides
redistributive actions. I would suggest we move to that
but I don't want to cut off discussion of the landlessness
if there's more discussion.

MR. BERRY: I think one of the reasons that one
cannot cite many, if any, probably no cases where you've
simply taken a big chunk of landless workers and given
them land is that this is an accentuating phenomenon of
recent decades. Many of the experiences which are on the record which we're now drawing on occurred at a time when this was a relatively minor problem. But the proportions have been changed, according to recent studies, so the recent period overlooks this aspect. The accentuated problem doesn't seem to have formed. That's one aspect.

Secondly, I would say that even though certain reforms have not taken enough benefit of this class directly, I think one would have to say that the famous — you say we shouldn't go back to the Taiwans and Koreas but clearly one of the things that happened was that those reforms were part of a process which raised total rural incomes, raised the demand for labor and pulled up agricultural wages. You look at the agricultural wage pattern for Korea and it was rising 4, 5 percent a year. So to the extent the reform — whoever the initial beneficiaries are is successful in the output side and in the sorts of technologies that are employed, you can certainly predict that you will help the landlessness through that method.

MR. THIESENHAUSEN: There's a reason Wayne is so worried about the landlessness. One thing is that the clientele for land reform were people who already lived on these farms. As soon as it became clear to the landlords that these were going to be the primary beneficiaries,
there was a concerted effort on the part of the landlords
to get rid of these folks and to bring in mechanization to
substitute for them. What this has done then is to create
a new -- not a new but an augmented group of people in the
Latin American context so we don't have that resident
labor force existing on haciendas any more, and so any
future agrarian reform is going to have to depend on a
different kind of clientele group. Indeed the pressure
will come from a different clientele group and that's the
growing class of landless.

MR. BERRY: I would certainly dispute the
proposition that we should concede that the landless group
should not be a major focus for future land reforms. And
indeed, I wouldn't concede that there's any economic
reason why they can't be taken care of in the sense of
everybody giving land.

If you cut the farm size down enough, you raise
the output that much higher, you would have maximum output
per unit of land. Everybody would starve but they -- I
think it's important to recognize, when someone says they
are not going to take care of the landless by giving them
land and if one admits, as I think one has to, that one is
not going to take care of them in the city or in rural
industry unless one has an agrarian reform, one is
basically saying they are not going to take care of them
and they are going to die. That's an outcome which will
resolve the land problem in a certain degree but one has
to face that fact: that is the tradeoff.

MR. THIESENHAUSEN: I wonder, if we made that
assumption that we were going to benefit each campesino
family with land, could we also assume in the next
generation there would be some cutting of the birth rate
and cutting down on family size. Because people would
have some stake in the system and they wouldn't be so
worried about having a large family, so therefore there
would be a labor force growing at a decreasing rate.

MR. BERRY: That's the big question, frankly.
The land reform is probably a mistake if it keeps so many
people alive that -- and if they don't reduce their
population growth then it's going to be --

MR. THIESENHAUSEN: From what we know about
demography, once they get a foot in the system they will
have fewer offspring?

MR. MONTGOMERY: Are we ready to move to
supporting policies? I will not cut off any additional
new helpful remarks, however -- I've just suddenly
established a new criterion for interventions. Shall we
turn to the question of what an essential support policy
is to land reform? Everybody agrees that it can't stand
alone or shouldn't stand alone, but what are the minimum
additional policies?

MR. THIESENHAUSEN: It seems to me that many agrarian reforms have floundered because the primary reforms in terms of land distribution have occurred but somehow the secondary level institutions have not been reformed. So that the secondary level institutions, like extension of credit, et cetera, continue to serve the large-scale farmer who remains in the sector and that appears to be a real bottleneck for agrarian reform in Latin America. This is partially due to the fact that none of the agrarian reforms has been widespread enough throughout the peasant sector. If it were, I imagine the credit sector would adjust to loaning to small-scale farmers. But as long as there are enough large farms left, they continue to serve the large-scale farmers and exclude the small-scale farmer.

MR. ZUVEKAS: A question relating to Bill's comments on credit. It seems to me what I read on the Asians' situation, which is not very much, that some of the Asian countries have had more success in serving the small farmer than the Latin American countries, and private banks profitably serving small farmers so the coverage of small farmers in the credit system seems to be higher. Why is this so? The comment is that in addition to looking at the institutional side, I think we ought to
look at the macro policy side, what kind of policies might
be inhibiting production of food grains and other crops.
And I don't mean just food price policies but I think we
ought to get into PL-480 and things like this as well.

MR. MONTGOMERY: What do you want to say about
that?

MR. ZUVEKAS: I'm suspicious of it, certainly,
and I think quantifying this is trying to catch the
willow-the-wisp. But I'm concerned about what we're doing
in Central America now. It's being used as balance of
payments assistance and called something else, but the
quality of assistance is such that it seems to me that it
can't but have some sort of depressing effect on the price
level and incentives to produce locally. Certainly a lot
of trade within the region that had been going on before
1980 has been cut back.

MR. MILLER: It's generally agreed that land
reform, to be successful, has to be embedded in a good
agrarian reform context. But does agrarian form to be
successful have to be in a good agrarian context?

MR. MONTGOMERY: Right.

MR. BERRY: Just a brief comment by way of
example. I think the Bolivian reform is probably a good
example in a bad context in the sense that not much was
subsequently done in support of the reform sector.
MR. POWELSON: That's its beauty.

MR. BERRY: Certainly, but I want to point out, as John or Bill said before, I think while one wants to emphasize these desirable concomitants of the original step, a lot can happen without those. Under certain circumstances. Obviously it will depend on the circumstances.

MR. MILLER: Even successful reforms like in Taiwan, that was part and parcel of a larger package that included monetary reforms and --

MR. BERRY: I'm just sort of putting a base there that some things happen even when the government is, at the very best, indifferent.

MR. ZUVEKAS: On the Bolivian situation, first of all, I'm not quite sure how rapidly I would describe the increase in Bolivian production. I'm rusty on the figuring. The '50s are sort of controversial but there's enough -- if one looks at differentials they are something like 1 to 8 or something like that, maybe 1 to 3, but compared to maybe 1 to 1.25 in Korea where they are much closer together -- I'm not sure what we have in Bolivia. Also a lot of the increased production was down in the lowlands where there was a tremendous rate of migration, which I don't think was fully realized until the 1976 census. That was basically large and medium-sized farmers,
heavily favored by distorted price policies and policies that encouraged mechanization and all sorts of things. The other strange thing in the Bolivian situation is that crop which we can't mention which seems to be rather widely produced.

MR. MONTGOMERY: We can mention it; we can't use it.

MR. ZUVEKAS: We were talking before about a possible decline in the '70s. Maybe this didn't happen, maybe there was a shift out of recorded production into much more profitable unrecorded production. I haven't seen any studies of Bolivian rural income in recent years, probably because I haven't looked for them, but I suspect -- I'm wondering what they would show. Has there been a general increase in rural incomes and an increase in demand for rural services to absorb some of the landless? I don't think we really know what happened.

MR. Powelson: I don't think we have any aggregate data for the Yungas and the Altiplano separately, but we do have a lot of individual studies and indications that show that output has been increasing and especially around Lake Titicaca, and there's a lot more marketing. I was in Bolivia with AID in 1960, and AID then had people out simply counting the trucks that were bringing produce into La Paz, and they had increased enormously since then.
This was 1960 and the reform was in '53 and they had increased enormously since then and it was obvious also that the peasants were opening up shops and participating much more in the markets. There have been some studies since then -- I can't remember the authors but I have them in my computer at home -- that have shown that that has been the case.

MR. ZUVEKAS: I'm wondering how much this was really sustained. When I was looking at the Bolivian situation almost 10 years ago, I had the feeling that it had reached a certain level by the '60s and that that leveled off and --

MR. BERRY: I think that's the difference between the Bolivian's case and the Taiwanese case, because Bolivia got the one-shot affect of a change of crop composition. Some of the studies looked at the regional haciendas and looked at what was happening in reform. The government of Bolivia did not support the small farm sectors, technological change, et cetera, and it may be we will have hit a plateau in the arrival of --

MR. NILSESTUEN: I would like to step back from the specific case examples to the more general question and I sort of heard, on the one hand, Bill's point that land reform without dealing with sort of the second level institutions that provide beneficiaries with access to
markets, input, credit, et cetera, may be no reform at all. In fact they are very important and those functions are performed and that's one point.

Then John, I heard you referring to your recent work much earlier in the day in which you were saying that if I understood sort of the thrust of your research, it is that typically land reforms involve sort of a transfer of power, you know, sort of from landlords, from the landed aristocracy to the government, to the state, and in fact the way they enforced this power was through retaining control over the institutions that allocate credit, access to markets, et cetera.

It seems to me we have here sort of a dilemma, a major issue: on one hand the importance of these services being performed and on the other hand --

MR. POWELSON: Exactly. It is a major dilemma but I think there's a way out of it. Nobody seems very much interested in trying. There is a group of people that have been characterized as avaricious moneylenders but who are actually, I think, simply retailers of credit and supplies and private enterprisers. Most moneylenders are not monopolists, they are not rich. They do things in traditional ways. They can provide fertilizer by the teaspoon if that's what is needed, or credit without a lot of papers, and I think that these people need to be
encouraged and need to be linked in with the modern credit
system so that credit going out into the countryside can
be channeled, can be increased but channeled through the
traditional sources. Instead, most countries will set up,
say, an agrarian bank like the Ejidal bank in Mexico, and
make all these other things illegal by giving that
agrarian bank a monopoly. Consequently all the old
sources of credit are wiped out unless they take place
clandestinely, and the new one turns out to give its
credit only to the middle-sized and large farmers.

MS. ATHERTON: I want to pose you a problem. It
seems to me that there's been a recurrent -- you and
others have recurrently suggested this afternoon that we
either consult beneficiaries or reach out to these
traditional, largely informal organizations. I would pose
to you the problem of a large institution, be it a state
or even commercial bank or a donor agency, in fact, being
able to do that. It turns out to be very difficult. I've
spent a lot of my time in AID thinking about this issue of
local or participation in development. For a formal
banking institution to make an arrangement with a
moneylender whereby that institution's risk is covered, as
it would conventionally be with a more formalized borrower,
it turns out to be to involve a whole other set of
considerations that make it, especially in an overall
economic environment, as risky as LDCs tend to be. It makes this simple statement that these guys are out there, very nice but not necessarily operational.

MR. JENKINS: You're just saying the state should make it illegal?

MS. ATHERTON: Deregulation is not enough. If you're talking about passing larger amounts of resources, making additional credit available through those traditional channels to the newly reformed sector, I think you have different problems.

MR. POWELSON: It's a problem and I don't think a large organization like AID would be able to do it except through smaller, possibly private organizations. I'm thinking for example of partnership for productivity where some of us know -- I'm a bit disillusioned with some of the things they are doing, but in their original thrust, I think they were very effective in Kenya. In the western province in Kenya, for example, they set up ways in which small rural enterprises -- and the same could be done with farmers -- were making contact with banks.

MS. ATHERTON: Let me suggest that we've put in, what, a hundred million dollars, something like that, into agrarian reform in El Salvador? It's something like on that order.

MR. POWELSON: You're only going to do it on a
small scale.

MS. ATHERTON: But the need is that great.

MR. POWELSON: By their nature they have to be, or they are not going to work. They are going to take a century or they are not going to work at all. That's the dilemma that Jean is posing.

MR. MONTGOMERY: Okay. We have a friend back there.

MR. SOLEN: I think Jack is right. I think you can move money through the indigenous system. I know it's complicated. I have been doing some work on this. I have sort of a generic proposal that to do that sort of thing through an AID project, I don't think that we're limited to partnership for productivity type organizations. It's very complicated. I don't think we want to get into it here but if anybody would like to see a proposal for doing this, and a few of the academic people have seen it -- I received a letter from Dale Adams last week giving it a very strong endorsement -- I would be happy to share that proposal with you.

MR. MONTGOMERY: Could you give us the title of it? A proposal to do what?

MR. SOLEN: I'm calling it "A generic proposal for small farmer credit working through indigenous systems." Sounds to me very much like what Jack is talking about.
My name is Ray Solen. If you give me a card or your address, I'll send you a copy:

Mr. Montgomery: All right. We have a project proposed to respond to Jack's small-scale operation.

Ms. Herrick: It seems to me there's two aspects to this problem. Jean has been posing a dilemma of how interested organizations, governments, donors, can channel resources to the traditional credit systems. But I think when Jack originally mentioned it he used the term, "encourage," and I think it might be useful to think about how we can encourage and whether in encouraging, I mean after the encouragement has taken place that has to do with certain kind of deregulation -- perhaps it has to do with other kinds of positive acts, incentives of some sort -- then you come to the question whether there's a limitation on resources that the traditional systems that know how to work have insufficient access to the capital that they will be cycling. And perhaps if you go at it that way you figure out where somebody with resources can come in, because it's only when there's a lack of resources, as long as the encouragement is working, that you are stuck. If by simply encouraging you can do -- enough has been done, then you don't have to face the second part of the problem.

Mr. Recinos: I would like to address myself to
two or three points. The question of channeling resources through the traditional credit system, we talk about access to credit, what we're really talking about is the ability of whatever campesino organizations we have to repay loans. And I think it's important to look at a model that was developed in Mexico a number of years ago in which the then private banking system conditioned loans to campesino organizations. They hired private consulting firms to provide technical and management expertise. Something happened in El Salvador a number of years ago in which Wayne was involved, trying to look at ways to involve the private sector, provide technical and management assistance to the cooperatives, phase 1 of the reform. But I want to leave that thought for the group, that I think ways ought to be found for linking up private consulting groups in terms of management and technical input and as quickly as possible get the government out of management. Technical assistance you may be able to make an argument for, get them out of management. I don't know what's happened in El Salvador recently but it's a disaster.

MR. THIESENHAUSEN: When I said reforming the secondary institutions I didn't mean the government to step in with an enormous role, but that this function of credit and inputs be channeled to the private sector as
soon as possible and perhaps AID could provide bridge loans for a certain period. There's a necessity for this kind of help to the new beneficiary of agrarian reform, but one of the counterreform or counterrevolutionary measures that's made all the time is, "Let's consolidate the reform," which means, "Let's dump all the resources we can think of on these beneficiaries and forget about the distributional phase of the reform," and that's a terrible problem too.

MR. RECINOS: I would like to make one other point. The question of markets. I think that redistribution of land does not necessarily mean that the government should control markets. Referring specifically to El Salvador, perhaps initially an argument could have been made that by having the public sector involved in controlling the markets it was helping campesino enterprises, contacts that had been broken in transfer of ownership. But now where a large number of your larger farms have been transferred to cooperatives, I can't see the reason why the governments continue to interfere in controlling the markets.

MR. MONTGOMERY: I have a feeling that this particular set of advice which we all seem to be agreed on could not have been uttered 10 years ago, perhaps even five years ago. I think that my impression is while we
were talking about agrarian reform and the necessary
follow-ups and the necessary land reform, we always talked
about agriculture extension services and credit programs
and so forth, and am I wrong about that, that this is
something of a new thing? May have more to do --

MR. THIESENHAUSEN: Credit coming from the
private sector inputs?

MR. MONTGOMERY: The notion that it's not only
deregulation and nongovernmental organizations but also
providing technical assistance to the private sector,
going the government out of the management of these
things with a notion that if resources are available, the
private sector will respond to them and turn them to
productive use?

MR. THIESENHAUSEN: We've learned that it gets
to be a tremendous subsidy if we dump all these services
on the few beneficiaries of agrarian reform.

MR. TROPP: I want to throw a question out. I
wonder whether the discussion is going to get around to
the issue of how you engage in a policy dealing with a
government on land reform issues. It seems to me there's
probably some good experience sitting around the table and
that this is, after all, a discussion to lead to an agency
policy, the first leg of which has to be getting into a
policy dealing with the host countries and it's a highly
politcized subject. How do you do it?

MR. MONTGOMERY: I'm going to ask Jerry whether we are permitted to go into that. It was excluded from our agenda. It was decided this was not one to go into here. I don't know how to respond to you, Eric.

MS. ATHERTON: Could we put that in abeyance? It's not on the agenda and in a way I'm not sure, Eric, that it's an appropriate question.

MR. MONTGOMERY: I suspect you guys know more about it than we do.

MS. ATHERTON: Could I get us back to this other subject, because I think we're sort of skimming the surface and saying very nice things about these things being necessary but I would like to question whether there's a priority order, to go back to the question that John O'Donnell raised about medium- and long-term credit vis-a-vis short-term production credit. How important is new technology and how quickly is the development of new technology important? How far do these tentacles spread? Are we just talking about extension short-term or are we talking about credit short-term or things that have to be phased and a lot of longer-term things? How quickly do we move from a modality of support for specifically reform beneficiaries into a more broadened agricultural development or rural development program? I think we've
all sat and said this is great, we ought to get the private sector involved, and obviously we're confronted with some resource constraints.

MR. ZUVEKAS: I just wanted to say that what we're all doing, we're groping toward the subject of savings mobilization and the Ohio State Mafia has been invoked and I think we're getting into it a little too slowly. How can we distribute more resources unless we mobilize the resources? If we do it through foreign aid, that's a short-term solution. We really ought to be thinking long-term. I'm worried about, you know, leave it open to the markets, free interest rates and let the credit be allocated where it will. I'm not convinced it will reach agrarian reform beneficiaries and other lower income groups better than it does now, but at least it mobilizes more money.

We have to focus on the mobilization of the resources but then once mobilized, how can we devise a system or set of incentives that will get more money out to the small farmers? Again, I'm asking a question for those with Asian experience. Why is it that Asian countries seem to have been more successful in mobilization than Latin America? Are there institutional factors here?

MR. BERRY: I think there's a couple of
hypotheses. It's hard when you have to have a big cross continental study. The institutions are different in the sense that the rural coverage of the financial sector is much better in those successful Asian countries than it is in Latin America. I think that reflects the recognition of the government and the private sector that this is the sort of agrarian sector we're dealing with, it's small farms if we want it to work and it produces our food, we better collaborate with it. That feeling is not shared in Latin America because there's the alternative of the larger farm, so I think it's partly government attitude and partly the economic logic of the situation.

Then I think the other thing that immediately helps to explain higher savings by small farmers in Asia is that they have gone through a process of tremendously rapid income growth and we know from a savings theory in general, there's nothing like fast-growing income to give you that sort of bit of surplus which you tend to save. So without having seen a study to demonstrate that, I would strongly hypothesize.

MR. ZUVEKAS: How did that get started?

MR. BERRY: Combination of land reform, technological changes, et cetera. Once you get the engine going, it has shown a lot of momentum.

MR. MONTGOMERY: People seem to suggest that's a
first step, savings, and there are constitutional ways of bringing that about and technological ways and land reform ways of bringing it about.

MR. PROSTERMAN: Just one point seems to be worth underlining and that is that government support, at least in the usual stages for credit to beneficiaries, it seems to me is very important, and it has to be recognized that that credit has to be given in a way which is replicable over the whole universe of beneficiaries. They don't need $5000 or even a thousand dollars for beneficiary families. Often they need about a hundred dollars for a beneficiary family in production credit. Maybe if you add mid-term credit they might need another 3- or 400, but it's not a really large amount.

An associated point is that there are some very interesting developments some of them being supported by AID in terms of credit programs, which are informed government programs but have many of the characteristics of private credit programs in the sense that interest is at market rates, that collection is at virtually 100 percent. I would suggest looking very closely, for example, at AID's own recent experience with the small farmer production project in Egypt, which has been extraordinarily successful. And also, this is nonagricultural but it's for very small borrowers in rural
Java. The credit project carried out, both very much are charging at essentially market rates and are having close to 100 percent repayment.

MR. RECINOS: I think that if we want to mobilize financial resources from the private sector, we have to look at ways of tying the invested interests of the private sector with those of the campesino enterprise. Let's say the cooperative. Whether interest rates are high or not, or market rates, I think one of the ways of doing it would be to push arrangements in which financial institutions, perhaps more so than consulting firms and administrators, have a percentage of the profits, of the agricultural estates, so they have a vested interest in making sure the loans are repaid and productivity is high.

MR. BERRY: Going back a couple, what sort of credit -- long, medium, short -- may be relevant. I think that's definitely something which one could not generalize, but in thinking about a credit program in a particular country, what we really want to focus on is what are the particular types of investment or technological change which you feel would be economically efficient and beneficial. And I would think that when one is talking about revolution or good technology, one is talking about short term and that's probably where 80 percent of the benefits we're talking about around the world come from.
So I think one is therefore largely talking about small amounts to get started and short term, but there would be other situations where you're talking about pumps which are relatively devisable, used on small to middle farms or used collectively, and there you would need longer running credit. I guess I would look carefully at credit used for land purchase and my initial feeling would be that's probably not a good idea. Land is in fixed supply. I would suspect that unless it were constrained more than one might want it to, then the government should be relied upon to constrain it. It would lead to speculation in land and have the effect of increasing the price of land, which is not clear that you want to do.

MR. MONTGOMERY: Several of you have asked me to bring these proceedings to a close at 4:30. We have 15 minutes. I want to make sure that anyone who has been suppressing a bright idea is encouraged to desuppress it and deregulate it. Go ahead.

MR. O'DONNELL: I was asking whether he was saying that, whether it would be wise to make long term credit available to developing countries for purchase of land because it would result in speculation and increase in the price of land. My question was, should we apply the same standards to a country like the United States?
wonder why you apply it in the case of developing countries.

MR. BERRY: This is one of the policy areas where there are different results according to the socioeconomic structure. If you start with relative quality and distribution of land, fine, it will help to smooth the efficient mobility of resources. But if you start with a system where there's a lot of inequality in it from the first and where it sounds to me highly implausible to assume that much of that would ever get to really small guys, because I can't imagine any banker doing that unless he's being told to, then I would worry about the thing becoming too mechanistic. So I would expect the funds to be used by farmers who already have nice collateral, which means some are going to move up the scale. If it meant more people moving onto the bottom step, fine, but I won't -- or if one could constrain it in that direction and if not, you can't raise the amount of land, and my feeling would be that the movement of land can occur pretty well on the basis of one's own say. One is a good farmer, he will build up his own nest egg and then expand and the effect of credit there strikes me as mainly, probably more to permit more speculative sorts of operations. Obviously it depends on the case. I don't think it was a mistake in this case.
MR. O' DONELLI: I think it's something that's lacking in developing countries and there could be ways to direct the solution so you could get people who don't have any land to have a shot at buying it.

MR. BERRY: I think that would be fantastic.

MR. O'DONELLI: A chance for a lot of the young graduates. You have the very poorest people who would have a better chance to purchase land. You also have people coming out that have no way to purchase land unless they are the son of a large landowner, but they are forced to be working for the government, forced to work for a large farmer simply because they don't have a way to purchase land.

Where would the small farm in the United States be if there weren't a way to borrow money to buy land and why don't we have this kind of a situation in a number of developing countries? Even post-reform countries like Bolivia or Peru that's gone through a land reform still doesn't have a financial system that allows for some rationalization of the post-reform situation. People that want to get out of farming, or expand their holdings, I think they are restricted.

MR. BERRY: The reason we don't is that the government -- neither the government nor the private sector has viewed this as sufficiently important. Given
the priorities, I'm afraid if it were set up it would
malfunction because if they did it -- we know that they
haven't done it for people on the first ladder so far, so
if you set up the institution they would probably use the
institution for what the whole system tends to do now,
which is to buy more than he already has.

MR. GRAYZEL: There's been an attempt to use
credit.

MR. BERRY: To help people get a start in the
third world.

MR. MONTGOMERY: Sounds like a damn good idea
for a foundation though.

MR. O'DONNELL: There's one in Guatemala that's
trying this, the Penney Foundation.

MR. MONTGOMERY: That's the sort of thing you
could create a local foundation.

MS. ATHERTON: That's different. They are
purchasing the haciendas. It's not providing credit to
individuals. It's for repurchase but not for initial
entry into the market.

MR. O'DONNELL: They are lending to campesinos
who are striking deals with landowners and are getting it
accomplished. Something like 25 or 30 of these actions
under the repayment record has really been remarkable.
They have set like a term of eight years and they have
been repaying in four to five years simply because they want to get that debt off their back. But I think it's instructive in that if you have a facilitating mechanism, that there are a number of willing buyers and sellers that want to get into the market. I think it's an appropriate role for government to figure out how you can facilitate these transactions. Now there's no way. At least I'm not aware of it.

MR. GRAYZEL: Wasn't that done in Scandinavia in the '40s where they had a program where they tried -- they set a limit of the minimal family farm and they gave loans specifically to allow people to construct --

MR. MONTGOMERY: Isn't it pleasant to have a new idea come out at the end?

MR. THIESENHAUSEN: There's a very famous paper by Blankstein and Zuvekas.

MR. ZUVEKAS: This was to set up a land guarantee scheme which ultimately did not work. But again, we found the conditions were there for it to work. There were willing sellers and willing buyers and --

MR. MONTGOMERY: But failed?

MR. ZUVEKAS: I don't remember what I finally attributed it to in the paper but --

MR. BERRY: Was it a public sector scheme?

MR. ZUVEKAS: It was devised because the
traditional program was faltering and wasn't very effective in distributing land. There were also political pressures to do something because there was a rising instance of land invasion, coastal invasions in Ecuador, and at the time the program began to be implemented, the traditional government agrarian reform program revived itself and essentially offered to the campesinos what seemed to be a better deal than buying the land at essentially a market type of price, and I think this may have complicated the picture somewhat. So actually, even before the land sale guarantee mechanism was devised, there had been some private transactions on the coast between cooperatives and large landowners. But when the agrarian reform program revived there, this type of arrangement became, I think, maybe even illegal because when land was designated for the distribution the owner was not permitted to sell it, so he had to go through the normal agrarian reform process. I frankly can't remember all of the details for the failure but --

MR. MONTGOMERY: We'll all have to write to Bill for a copy of your paper.

MR. ZUVEKAS: The bottom line was the actual guarantee mechanism was not ever used. Not one transaction went through the scheme but a lot of land did get redistributed through this revived traditional
agrarian reform program and the small farmers were receiving credit from the national bank. They also had a very favorable rice price policy from about 1973 or '74 until about --

MR. MONTGOMERY: When such a favorable plan breaks down we should study it closely.

MR. ZUVEKAS: The whole thing broke down to some extent. My last acquaintance with the project was about '74, but in talking to people after that, the whole thing started collapsing: support for rice prices fell, there was a crisis in the credit institution, there was a crisis in the Credit Cooperatives Federation that was strongly supported by AID and the money disappeared and --

MR. NILSESTUEN: Bill could probably provide you with a few more details but the paper reviewed the experience in El Salvador, the experiment in Central America and a couple other cases. Essentially the experience was the same, that there have been some rather innovative experiments with sort of intervening to provide financing to facilitate and make it work. Essentially they ended in failure. Didn't have much impact.

MR. MONTGOMERY: Sad. I didn't want to close on a sad note but the time has come. I think we all owe Jerry and the Sequoia Foundation a vote of thanks for having so nicely delineated the questions. I don't know
how they feel about us in terms of answering them. I think that the facilities have been admirable. The hotel has been most cooperative. Everything has gone well. For most of us, and some of us are probably not satisfied with the answers and some may not feel that we had our day in court, but days are short except for this one and Jerry, I thank you and congratulate you.

(Whereupon, at 4:30 p.m., the meeting was adjourned.)