THE CHALLENGE FOR AGRICULTURAL ECONOMISTS IN EFFECTING LAND REFORM IN THAILAND

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This paper is intended to provide a brief outline of the land reform programme in Thailand and discuss the problem areas which offer the challenge for agricultural economists in land reform implementation. It also attempts to make general observations on the role played by agricultural economists which could have some relevance to other countries with land reform experience.

Historical Background

The agrarian problems facing Thai agriculture have much in common with other economies. Agricultural productivity is low and there is little or no indication of any tendency for it to increase within the foreseeable future. For example, the 1972-77 average yield of paddy rice was virtually the same as for the preceding 5-year period—about 1.7 tonnes per hectare. The same pattern is also found in the case of maize and cassava, which are Thailand's major crops. This stagnation on yields combined with low and fluctuating farm prices has often led to low farm income. In 1976, the average farm income was only US$1,304 per household. The average size of the farm household was about seven persons.

The overall tenurial situation distorts the regional picture. For the entire country, 2.2 million hectares (out of 18.1 million hectares of cultivated land) are operated by tenant farmers. The rate of tenancy is about 20 percent of the total farm households. This is equivalent to about 1 million households. However, with a breakdown into four regions, the central region, which accounts for less than one-fourth of the country's total cultivated acreage, is the hardest hit. About 1.3 million hectares are operated by tenant farmers, whereas 41 percent of the total number of farm households in the region rent land from others. Thus, the tenurial conditions are serious and are likely to deteriorate without effective land reform measures.

The impact of population growth is alarming. Although the rate of population growth has declined in recent years to about 2.5 percent per annum, the sheer size of the existing population and the entry of additional labour mean that the population will be constantly exerting pressures with differing degrees on various sectors of the economy. One of the devastating effects of population growth is the denudation by farmers of 4-5 million hectares of public land, which is mainly national forest reserves. These agrarian problems led to farmers' unrest throughout the country during 1973-74. The farmers were organized into mass rallies in major towns. Some even marched to Bangkok and submitted an ultimatum to the government to meet their demands. Consequently, the agricultural Land Reform Act was passed as a major concession to the farmers, to solve the economic ills of the rural masses. The law became effective in 1975.

The Land Reform Programme

The main characteristics of the land reform programme consist of the transfer of land ownership to tenant farmers, and the provision of basic supporting services to the land reform beneficiaries. The implementation procedure is, however, divided into two parts—private and public land. The private land reform implementation procedure concentrates mostly on the transfer of landownership, in which case land is acquired through voluntary sales or expropriation with compensation, and resold to tenant and landless farmers. In contrast, the public land reform programme is focused on the reallocation of land to the landless farmers, which inevitably includes the legalizing of the squatters, and on the provision of specific supporting services needed to render farming viable. The
latter is under the direct responsibility of the Agricultural Land Reform Office (ALRO) which is the main executing government agency. The supporting services consist of three items—domestic water supplies, village roads, and small water resource development for farm use. Other supporting services, which are perhaps more important, are provided by other government departments through coordination with ALRO.

The Thai land reform programme, now in its fifth year, is facing a wide range of problems. At present, ALRO is operating in nearly 1,000,000 hectares, most of which are public land (formerly forest reserves). The amount of land purchased up to the end of June 1979 was only 13,570 hectares. If the past record is any indication, land reform in Thailand still has a lot of ground to cover. Furthermore, despite the land acquired by the government, land redistribution has not been carried out on any major scale.

### Problems Identified

Problems confronting land reform are multidimensional and multidisciplinary. It is, however, our purpose to restrict ourselves mostly to those problems in the land reform proper. Although ALRO is the main executing agency, it does not carry out all land reform activities. Other government departments are also taking part, and interagency conflicts often lead to an ill defined line of responsibility, resulting in duplication of work, and waste of financial resources. The government is trying to draw the line among various departments, but it is not known yet whether this will be successful. Even with successful coordination of efforts, some conservative agricultural policies can undermine the strength of land reform. For example, the policy on rice premiums, which is equivalent to an imposition of export taxes, constitutes evidence of an urban bias against the rural poor.

Land reallocation among land reform beneficiaries represents another source of problems. The land plots are to be equal and redistributed among farmers. But resistance from the farmers—tenants and squatters alike—with large holdings is rather strong. At the moment, there is a tendency for the government to offer compensation. The next questions are probably how much the compensation payment will be and whether this is practical on a nationwide basis. In the public land domain, the main emphasis is laid on the squatters. This inevitably tends to encourage further encroachment of forest reserves, thereby creating more problems for land reform. It also results in a dilemma because the government consistently aims to stop illegal squatting.

Land valuation constitutes another problem area. On the one hand, it is preferable to establish guidelines for local government authorities to follow in land value appraisal, owing to the fact that conditions which influence land value vary from place to place. On the other hand, mere guidelines are likely to lead to irregularities, ambiguities, and corruption. This offers a strong case for a strict, centralized valuation procedure. The government chose the latter, and found it necessary to revise the adopted valuation procedure because of its impracticality in many areas. The newly revised version will soon be in operation, but some problems still remain unsolved.

Certain complementary measures which could provide effective preconditions for successful land reform have not been adopted. Land policy and land taxation (and tax structure in general) are obsolete in themselves, but with careful and deliberate manipulation, they could facilitate land reform. Another set of problems seems to stem from the actual implementation. ALRO personnel are relatively inexperienced and lack capable and effective leadership at almost all levels. Like other departments, ALRO faces the usual bureaucratic hurdles. Decisions are often made without sufficient assessment of the kinds of effects and repercussions which may be included.
The Challenge

It is generally recognized that land reform problems can, to a great extent, be solved by agricultural economists. It would not be an overstatement that agrarian problems are basically economic, and, as a consequence, agricultural economic solutions are clearly needed. Agricultural economists are directly involved in the planning aspects of land reform, which would cover the establishment of long term and annual targets, land reform project sites (in cases where land reform does not extend over the entire economy), basic needs among the poor, suitable farm size and land ceiling, land value appraisal, financing, and even land reform training. But land reform planning in this context is directed toward the policymaking level as well as the operational level. The final decisions must, for the most part, take other factors into consideration. Probably the greatest challenge to agricultural economists is the extent to which final decisions are influenced by them.

The multidisciplinary and multidimensional nature of land reform supports the need for agricultural economists to seek mutually acceptable solutions. They must pay sufficient attention to the social problems in the poverty stricken areas; for example, education, organization, and welfare. Free and easy access to supporting services would guarantee the land reform beneficiaries some form of security and, in a sense, an element of basic needs. There are times when straightforward recommendations offered by agricultural economists are subject to scrutiny by political scientists. For example, if farm size is fixed smaller than the average holding operated by tenant farmers, this may tend to alienate the tenants whom the government is supposed to help in the first place. The concept of optimality in traditional economic theory is usually overridden in favour of the simple rule of thumb in determining viable farm size. There are numerous factors influencing optimal farm size, such as soil quality, farm capital, land use, cropping pattern, location, and family size. But, in the land reform programme, simplicity tends to prevail. In the Thai case, farm size depends, at present, mainly on the average land holding and the expected level of income. With respect to land value appraisal, agricultural economists often find themselves caught between two extremes; that is, a detailed and scientific valuation method and an oversimplified method. They must formulate a set of rules which takes into account some major determinants of land value and which, at the same time, is simple enough for all parties concerned to understand. It thus appears that in effecting land reform, agricultural economists must operate in an environment which demands second best solutions. Agricultural economists are, nevertheless, undoubtedly the best qualified people to effect land reform.

In addition, successful land reform cannot be realized without prior assessments of its full impact on the economy as a whole or without creating the necessary and sufficient preconditions for success. Land reform implies basic changes in land tenure and structure relating to production and supporting services. Thus, it cannot be treated in isolation. To the extent that landowners are forced to sell their land under the land reform programme, the government must ensure that adequate measures are designed to prevent unnecessary polarization of power groups. The urban elite could be brought in to either directly or indirectly participate in the land reform process. The costs which may be incurred in land reform should somehow be met by the benefits to the society of which everyone is a part. It is this delicate balance among various interest groups on which the success of land reform so vitally depends.

In making policy recommendations, agricultural economists must recognize the importance of the prevailing political environment. Land reform is political, and political will is needed continuously in the execution of land reform implementation. The challenge lies in the involvement of agricultural economists at the policymaking level and in the implementation of policy decisions. Lack of proper understanding of the ramifications of land reform at the policy level often
contributes to lack of successful implementation and consequent erosion of political support. Top level decisionmaking depends, to a considerable extent, on the degree of persuasiveness the agricultural economists can command in offering solutions to agrarian problems. The situation is complex and difficult to handle when decisionmakers comprise landlords and rural elite who indulge in preserving the status quo and protecting their own vested interests. In this way, it is an art and not a science in which the agricultural economists are involved and must in due course practice.

But the degree of persuasiveness should be seen in the light of the structural organization which is responsible for implementing land reform, and also the practical aspects in which land reform is carried out. In many countries, a full ministry is created especially for land reform, in which case the need for coordination and cooperation among government agencies is probably minimized. In contrast, ALRO, which is the main executing agency, is only one of many departments within Thailand's Ministry of Agriculture. There is a built-in tendency for overlapping and duplication of work, especially in the provision of production and supporting services. This could lead to interagency conflicts, waste, and unnecessary diffusion of scarce budgetary and skilled human resources. Within the Thai context, there is a need for multidepartmental coordination and cooperation in land reform activities. The basic needs of the land reform beneficiaries must be identified and systematically grouped. The delegation of responsibilities of implementation is then made to various government departments concerned, with ALRO as the major coordinating agency. This, in fact, was achieved in 1978 (with some modifications), but it remains to be seen how far this will go. It is rather unfortunate that given the potential and wide ranging effects that land reform might have in the economy, the structure of the organization is not conducive to swift implementation or subsequently to a successful land reform programme. This presents another challenge to the role of agricultural economists in effecting land reform.

Summary

Agricultural economists have been actively involved in advancing the cause of land reform. Since 1975, when the land reform programme was initiated, they found themselves confronted with the multidimensional and multidisciplinary set of problems which increasingly demanded both traditional agricultural economic solutions and politically oriented, mutually acceptable solutions. In concert with the current international acceptance of land reform as a much broader concept, the role of the agricultural economists becomes more comprehensive, especially in recognition of the utmost importance of relationships and interlinkages between basic tenurial reform and reform of supporting services in agriculture. The challenge to agricultural economists lies in decisionmaking at the policymaking and operational levels. Perhaps the most important challenge involves the extent to which value judgments made by agricultural economists affect top level decisionmaking. In so doing, the agricultural economists are no longer restricted to their own professional area, but extend over and beyond to the art of decisionmaking.

OPENER'S REMARKS—David Freshwater

Land reform is a major source of problems from both an efficiency and equity perspective. The authors note that yields and incomes are low in Thai agriculture, and attribute this, in part, to the rice premium policy which keeps farm receipts low. Clearly, land reform will not affect this cause of low income. The claim for land reform on efficiency grounds rests on the difference in incentives between owner and renter. An owner is hypothesized to be more
willing to adopt cultivation practices that increase the long term productive power of the land than a tenant who lacks security of tenure. However, past experience with land reform indicates that ownership is not enough to ensure increased yield.

The new owners need access to credit for equipment and advice on farm management if they are to take advantage of the opportunity. Where credit and education programmes are absent, land reform can result in yield and output declines. Although the Thai Land Reform Act has provisions for improving the infrastructure through support services, no mention is made of credit or extension programmes to complement the Act. Given the authors' statements regarding the lack of coordination and cooperation between government departments, there is cause for concern as to the likelihood of the current reform measures being successful in increasing output.

On an aggregate basis, land reform may lead to resource misallocation between sectors as well as within agriculture. Conversion of forest land to agriculture implies a shift of resources from forestry to agriculture largely as a result of squatters' actions. The effect of this conversion on aggregate income may be one of the costs of the land reform process.

From an equity standpoint, land reform involves the taking of resources from some individuals and distributing them to others. Although a more equal distribution of resources is likely to increase social welfare where resource ownership is highly concentrated, there is a point at which equality of the distribution conflicts with equity, and social welfare declines. Legitimizing squatters raises another equity problem. Although such an action may be inevitable for political reasons, it results in rewards to a group that has acted outside of the existing set of rules governing the society. Thus, those who violate the social contract are being rewarded. The authors note that the opposition to compensating those giving up the land comes from owners, tenants, and squatters. Thus, the Land Reform Act appears to be geared to reducing farm size irrespective of the type of tenure system. Such a policy—without evidence that low productivity can be directly attributed to farms that are too big—suggests that political considerations dominate economic considerations.

The authors correctly point out that land reform is essentially a political matter and that the role of the economist is to ensure that the policymaker is informed of the costs and benefits of decisions. Where land reform must take place to maintain order in the system, economists should recognize that land reform may in fact not be a cost minimizing solution. Land may have to be reallocated at the expense of reduced output and efficiency in order to prevent greater polarization of society. This should not suggest that agricultural economists neglect their area of expertise and fail to point out the costs of this reallocation. It suggests that they should determine why land reform is taking place so that they can offer relevant advice. As the number of effective constraints increase, the set of feasible solutions declines, and the economist must recognize this and convey this recognition to the policymaker.

I would disagree with the author's claim that the role of the agricultural economist in land reform is clear, positive, and definite. The pressures leading to land reform and the effects of reform are complex and numerous. Value judgments are necessary at every step in the process, and economists, by their nature and training, have only one particular perspective on the problem. They should make their views known, but the extent to which they should advocate them is unclear.