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has recently expanded through rapid income growth and dietary enrichment. One suspects that Johnson, if he had spent time examining such countries, would have faulted them for their high nominal rate of protection, rather than congratulating them for the spectacular trade expansion that their rapid income growth has recently made possible.

By focusing so heavily on farm sector protection in the developed countries, Johnson implies that most

of the "disarray" in world agriculture would end if policies in these rich countries could only be reformed. Most of the world's farmers, however, live in poor countries, which tend to tax the farm sector excessively, rather than provide protection. Here, it could be argued, are the agricultural policies that most need reform. From the perspective of social justice as well as efficient resource use, a treatment of disarray ought to say more about these government constraints.

Local Organization Helps Make Sound Land Reform

Agrarian Reform and Grassroots Development: Ten Case Studies. Edited by Roy L. Prosterman, Mary N. Temple, and Timothy M. Hanstad. Boulder, CO: Lynn Rienner Publishers, 1990, 339 pages, \$34.

Reviewed by William C. Thiesenhusen

Land reform may not be fashionable these days, but it remains a component of sound agricultural policy in many countries. The 10 case studies featured in this book make that abundantly clear. The urgency of agrarian reform is stated succinctly, if in exaggerated fashion, by Jannuzi and Peach: "The technical knowledge needed to increase food (and nonfood) production significantly in Bangladesh already exists. [W]idespread poverty in Bangladesh is not primarily due to a population that has grown too large, a scarcity of natural resources, or the constraints of an unalterable production possibilities frontier. The primary impediment to economic progress in Bangladesh is the traditional system of relationships of people to the land" (p. 78).

The authors illustrate the shortcomings of present agrarian reforms in Bangladesh. Especially valuable is their discussion of the traditional system of a "layered" hierarchy of rights in which many workers are accommodated on one piece of land. Those with prime authority acted on behalf of the state as revenue-collecting agents (*zamindars*). Beneath them figured various categories of tenants who paid rents and had specified conditional rights in land. The system was complex and stratified. The land reform legislation of 1950 abolished *zamindars* as rent collectors for the state, but installed them as *maliks*, or landholding tenants of the state, which changed the system little.

Without precautions, old elites often become new elites after reform. Controlling the post-reform behavior of these notables is difficult, because they are skilled in exploiting new situations for their own benefit. The world over, reform does not blunt opportunism. After the Bolivian agrarian reform, for example, some expropriated landlords became oligopsonists in beneficiary output marketing.

The Bangladesh situation also illustrates that intended beneficiaries of reform are often bypassed in fact (a point supported by the meager Latin American land reforms of the 1960's and 1970's, which provided estate workers with land, but seldom rewarded the landless wage laborer).¹ Bangladeshi sharecroppers and agricultural laborers did not obtain land in the reform either. Indeed, only minor changes were made to the basic land reform law after Bangladesh was split from Pakistan, and none of them altered the land system significantly. Legislation of one type or another was passed but not implemented. As *maliks* appropriated land, half of all rural households became functionally landless with the number growing. Land reform in Bangladesh was a Potemkin village, existing only on paper.

Contrasting with Bangladesh is Herring's study of Kerala, India, where land reform broke the back of landlordism and gave rise to a new group of landlords (*jenmis*) who were former tenants. "The new *jenmis* are nothing more nor less than petty capitalist farmers maximizing profits" (p. 69). Herring concludes, "The obvious parasitism of the rentier is not matched by the newly landed proprietors, who know agriculture and organize production" (p. 69). Herring carefully traces the birth of land reform in Kerala, explaining why it is so different from

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¹For more information, see *Searching for Agrarian Reform in Latin America*, ed. William C. Thiesenhusen, Boston: Unwin Hyman, 1989.

the rest of India in the manner in which it treats social problems Kerala gives priority to eliminating illiteracy and permits extensive politicization of the underclass The strength of the land reforms in Kerala is that participatory democracy, which had been established at the grassroots before reforms, was empowered by the agrarian changes

The editors believe that grassroots support is vital to make certain that land reform is honestly and efficiently executed But they also see a need for strong central authority at the time the reform is executed The key is "a resolute center act[ing] in conjunction with local mobilization and cooperation" (p 315) I agree, but the proper mix is difficult to achieve Local planning committees were successfully organized in opposition to the landed elite during the post-World War II land reforms in Japan, but what seems to be a similar formula, according to Riedinger, appears not to be working well in the Philippines

Bangladesh and Kerala illustrate that agrarian reforms in the same part of the world can have very different outcomes Surely a prime factor in land reform success would be a committed government and an organized, empowered, and relatively homogeneous peasantry Another vital attribute of a successful reform is the ability of the government to grant clear and unambiguous tenure rights, preferably in perpetuity, to the peasants In their fascinating analysis of the social responsibility system (SRS) in China, Prosterman and Hanstad find that the government will have to privatize peasant plots completely to obtain the investments needed to improve agriculture Neither 15-year use contracts, which seem to be most prevalent in the countryside since SRS was instituted in the late 1970's, nor increased prices seem to be able to stimulate production again (after its impressive surge into the early 1980's) The Chinese case leaves no room for doubt incentives matter, and when they are clear, agrarian reform has the best chance for success

Making inputs, agricultural knowledge, and credit available to new owners are steps often overlooked in agrarian reforms Grindle underlines this well in her chapter, appropriately subtitled "a cautionary tale" She concludes that while about 70 percent of the farm units and 50 percent of the land in Mexico are now in the reform sector, most public policy assists the private, commercial sector and bypasses the agrarian reform beneficiaries and small landholders Thus, Mexican agriculture produces below its potential and staples are imported

Outside help can assist the process, but the decision to reform is domestic Scofield eloquently pleads for more US support for agrarian reforms in Central America, partly to preclude prolonging civil war over agrarian inequities While the United States may not have much aid to give, Scofield suggests a system of "reverse preferences [in trade policy], in which Costa Rican, Honduran, or Salvadoran exports receive higher quotas than countries such as Guatemala [which has only token reforms], whose policies were determined to constitute a threat to the security of the region" (p 167)

We are also reminded in this volume that, in some countries, land policy reforms are high on the policy agenda Weiner's chapter on South Africa makes this clear, though rapid events there have already relegated whole sections of this chapter to history The African National Congress is pushing ahead with its agrarian reform plans, apartheid is crumbling, and legislation now permits blacks to buy land in previously white areas, though, of course, their lack of funds makes this nearly impossible

Brooks, who covers the former Soviet Union and Eastern Europe, hints that the former U S S R may be able to learn from Poland's largely private farming and Hungary's more eclectic blend of collective and private agriculture The former Soviet Union cannot privatize its agriculture in the way China did, because it has no peasant class The country is

The essays include "Introduction" by Roy L Prosterman, Mary N Temple, and Timothy M Hanstad **Asia:** "Philippine Land Reform in the 1980s" by Jeffrey Riedinger, "Explaining Anomalies in Agrarian Reform Lessons from South India" by Ronald J Herring, "Bangladesh A Strategy for Agrarian Reform" by F Tomasson Jannuzi and James T Peach, "China A Fieldwork-based Appraisal of the Household Responsibility System" by Roy L Prosterman and Timothy M Hanstad **Latin America:** "Land Reform in Central America" by Rupert W Scofield,

"Agrarian Reform in Mexico A Cautionary Tale" by Merilee S Grindle, "Land Tenure and Land Reform in Brazil" by Anthony L Hall **Soviet Union and Eastern Europe:** "Land Tenure in Collectivized Agriculture The Soviet Union, Poland, and Hungary" by Karen M Brooks **Southern Africa:** "Ten Years After Land Redistribution in Zimbabwe, 1980-1990" by Michael Bratton, "The Land Question in South Africa" by Daniel Weiner **Conclusion:** "Issues for the Near Future" by Prosterman, Hanstad, and Temple

several generations away from individual farming, which is far different from the situation in China, where communes were introduced in the 1950's

Speed and type of land reform in the former Soviet republics will vary among and within the separate states. A great deal of research needs to attend policy changes there, especially since few collective and state farmworkers have indicated a preference for private property. Workers in collective agriculture have become accustomed to a system of wages, perquisites, and 8-hour days. What will happen when enormous agricultural subsidies are eliminated and agriculture is privatized is anybody's guess.

An imaginative combination of private individual and group-held farms may work well, provided former collective and state farm members have a voice in matters of reorganization, unhindered by present farm administrators. One can easily foresee some of the large farms in Kazakhstan surviving as subsidies are cut, while in the Ukraine much more family farming might result. Also, there is need to reform input and output markets so the growing private sector can be serviced. Today this sector

sells its products (and buys its inputs) through the collective sector (which takes its bite and thus dampens private-sector incentives). Other troublesome facts are that to date the incipient private farming movement in the former Soviet Union is concentrated on inferior land, and it lacks capital resources and extension help.

The message from this collection of essays is that no one model exists for agrarian reform, and reforms are by nature untidy. Post-reform tenure patterns need to be shaped to local conditions, history, and factor markets. Also, there must be close correspondence between effort and income received. Farm-level incentives are important, but so is post-reform attention to inputs, services, and technology that will stimulate production. The unfortunate truth is that often more political mileage can be obtained from distributing land than from assisting beneficiaries on that property to increase their production and thereby their incomes. I would have liked information from microstudies, as in the chapters on China, Brazil, and Kerala. More emphasis on income distribution and employment creation would have helped, though I realize that little such information is readily available.

Philippines Offer Refreshing Perspective on Rural Credit

Informal Credit Markets and the New Institutional Economics: The Case of Philippine Agriculture. By Segrario L. Floro and Pan A. Yotopoulos. Boulder, CO: Westview Press, 1991, 146 pages, \$23.50.

Reviewed by William F. Hyde

In the foreword to this tidy little book, Joseph Stiglitz points out that rural credit has become a priority issue for economic development. The general focus of concern is with the availability and terms of rural credit, and with government's failure to drive informal money lenders from the market for rural credit. Floro and Yotopoulos provide an empirical assessment of rural credit within the framework of information economics (the New Institutional Economics). They justify this framework on the grounds that information imperfections are pervasive and important in less-developed and rural areas.

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¹J. E. Stiglitz and A. Weiss, "Credit Rationing in Markets with Imperfect Information," *American Economic Review*, vol. 71, no. 3, pp. 393-410.

The book begins with testable propositions about the price-quality theorem of credit markets in developing countries. This theorem states that an increase in the rate of interest for the purpose of equating supply and demand is likely to affect loan quality by reducing the probability of repayment.¹ That is, high-quality borrowers will seek credit elsewhere or depart from the market altogether, leaving only borrowers who are more likely to default on their obligations. Furthermore, high interest rates are more likely to attract borrowers with risky projects and greater probability of default. Together, these effects imply that the expected returns on loans do not fully compensate for increasing the interest rate. The result must be credit rationing among borrowers who are otherwise indistinguishable to the lender.

Floro and Yotopoulos use ANOVA and regression techniques on a survey of 111 agricultural borrowers and lenders from three provinces in the Philippines to test these propositions. Their results point out that both lenders and borrowers are heterogeneous, that the formal terms of credit (interest rates, collateral) do not necessarily rise with the default rate on loans, and that lenders from the for-