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KENNETH H. PARSONS

The Challenge of Agrarian Reform

I

This is an attempt to characterize the agrarian reforms of this century and to identify a few central reform issues in rural development policy, in ways which can support a division of labour among the different professional disciplines.

Until the last two or three decades agrarian reforms were usually referred to as land reforms, and were directed principally to the distribution of land to smallholders. The more comprehensive term agrarian reform now in common use reflects a recognition of both the reciprocal involvement of agriculture with other sectors of an interdependent economy and the necessity for the reformation of the service infrastructure as well as systems of tenure if agricultural development is to be supported. In the early stages of agricultural development the holding of land is the principal dimension of both opportunity and power. But in an interdependent economy a land reform programme which reduces the power of landlords may actually leave both the real opportunities of cultivators and the power of landlords unaffected, if the landlord continues to control the access to credit, marketing, and education.

II

Any agrarian reform programme which is followed through sufficiently to achieve an enduring degree of reformation or reconstruction must be a complex set of activities, pursued with vigour. Otherwise the efforts peter out engulfed in frustration. Something of the dimensions of the character of the transformations through agrarian reform is suggested by the fact that the recent reform programmes which most of us are likely to recall have occurred as parts of much more comprehensive happenings.

The first major reform programme of the century began in Mexico in 1910. Here a revolution erupted out of the frustration and despair of the poor. At the base of the struggle was a system of haciendas superimposed

upon the native people by the descendants of the conquistadors. The proprietors of these haciendas were not, for the most part, interested in either the development of agriculture or the welfare of the peons who worked the land. Rather, these establishments were the means to political power and high social status. The revolution did not become a systematic land reform programme until the struggle had gone on for years. The idea of the ejido commune had roots in both native and Spanish traditions.

Another set of early land reform programmes was in Eastern Europe, which followed in the wake of the disintegration of the Austro-Hungarian and Ottoman Empires after World War I. Here the large landholdings, many of them owned by foreigners, were dismembered and distributed to small farmers and this became a region of smallholders. But the area was again swept by revolution and reform after World War II, this time under the auspices of Marxian ideas – an extension of the Communist revolution in Russia. This agrarian reform was directed not only against large landholdings but against the idea of private ownership of land itself.

In both Asia and the Middle East the disintegration of colonial empires after World War II created a situation where the nations again became independent. All through this region, virtually all the land previously owned by foreigners was returned to native owners. If the governments moved fast enough the land was often declared public domain and distributed by governments to their own people in some sort of land reform; if not, occupancy was resumed under native tenures.

In the partition of territory between India and Pakistan the split occurred along religious lines. Once the territory had been stabilized, India initiated an agrarian reform programme under which the land vacated by fleeing Muslims became available for settlement by non-Muslim refugees from Pakistan. This created an opportunity in India for embarking upon an agrarian reform programme under which the refugees were organized into co-operative farms. Following independence, the first major move by India was the elimination of the Zamindari interests in the areas where the British arrangements for revenue collection had matured into property rights based on limited liability for tax collectors but on unlimited exposure of tenants to the extraction of revenues. Again an alien arrangement was eliminated by a resurgence of the pride and the power of self-government. Subsequently, attempts to limit the size of holding in the Ryotwari areas were less successful.

Much the same thing happened in Egypt: with the withdrawal of the British, a revolution overthrew the king. The first and major programme of the revolution was a land reform based upon the confiscation of all lands owned by the royal family and the requisition of all lands above a ceiling of 200 acres owned by everyone else, if used for growing annual crops. This assumption by the government of the ownership of something like 10 per cent of the Delta land, and especially the best land, then served as the basis of an agrarian reform programme which instituted a system of co-operative farms. The central principle in the programme was the allotment of the land as their own to former labourers on these lands, in

ways which subordinated the tenure of the land to the technical requirements of irrigation and possibilities of large scale mechanization.

The real success story in land reform of the postwar era is that of Japan. Here the reform was about as simple as can be imagined: it was a change in the status of tenants, who already enjoyed substantial rights of occupancy, into fee simple owners of the land they were already farming. To be sure, this was done with the strong support of an army of occupation, but the ideas had already been threshed out by the Japanese over a quarter-century of discussion and legislation. Also, the land was sold to the tenants at nominal prices as a part of the wartime arrangements for price and rent controls. This meant that the tenants were able to pay for the land in a year or two – while the authority of the army of occupation still prevailed. This gave the farmers the secure status of fee simple ownership, unencumbered by debts, which they could now protect with a secure citizenship. Later, the Japanese government compensated the landlords somewhat for their losses of wealth for land taken by near *de facto* confiscation.

The outcome is a nation of small farmers, where title to farmland is dependent upon the continuous occupancy and use of the land in farming, with most farm families becoming part-time farmers. There is now again much concern among agricultural economists about the need for better economies of scale. In the meantime, the productivity of 1 hectare owner-operated farms is impressive. This productivity is rooted in the security of expectations of assured ownership implemented with appropriate technology and, perhaps most important of all, in the demonstrated productivity of security of expectations and freedom.

In Latin America, there was something of a surge of land reform programmes in the 1950s and 1960s. They arose from somewhat the same roots as in Mexico, in conflicts between the haves and the have-nots – established by the superimposition of an alien form of landholding upon a native people. Also, the holdings of élite groups were sanctioned by state law and authority, with the poor lacking such secure rights – even the capacity of citizenship – except in a few countries. As a consequence, the powers of government were used in agriculture mainly to serve the interests of the élite; as a result, an initial inequality was deepened, becoming a major impediment to development.

Cuba is, of course, a celebrated case, where an agrarian reform confiscated all large holdings, most of them foreign-owned. Much progress has been made in eliminating illiteracy and improving the physical condition of the poor. But hundreds of thousands of middle class professionals and entrepreneurs fled the country. The interpretation of this Cuban experience has become so deeply involved in ideological controversy that a dependable understanding is lacking.

The occurrence of agrarian reform programmes in this century is to be explained in part by the hope aroused by the establishment of the United Nations and the demonstrated wartime productivity of technology. For a few years it seemed possible that the ancient scourge of poverty might be

lifted. This remains to be done. In my understanding, these agrarian reform programmes have not been central to the interests of agricultural economics, as a craft. A part of this indifference may be attributed to an attitude that the rural poor are the problem of someone else. Also, for some decades we have been preoccupied with the problems of introducing technology and the conditions of efficient production. When agrarian reforms are approached from this perspective, the stock answer has been: let us first increase the size of the pie and decide later how to divide it up. This is the road to relief which distributes income, not reform which reconstructs opportunities. But the real reason for the lack of concern has been, I suspect, that the mainstream of thinking in the craft simply does not understand the significance of conflicts of interests or power or the history of institutions, and has no way to analyse them. Meanwhile, this has left such controversial issues to the revolutionaries, who are much more adept at destroying an old order than in creating a new one.

III

As I have sought to identify a few key issues in agrarian reforms, three points of emphasis seem strategic: (1) agrarian reforms usually entail the reconstruction of agriculture as systems of farming; (2) such reforms, if effective, also reconstruct the encompassing public and economic order; and (3) the ways in which these two aspects of economies are harnessed together set the terms and conditions for the participation in the agricultural economy by farm people.

Of these three points of emphasis, the reconstruction of systems of farming is closest to the long-time concerns of agricultural economists. As with other aspects of agrarian reform, an historical interpretation helps one see changes in systems of farming in global perspective. All our ancestors who survived by cultivating the soil seem to have devised similar systems of subsistence agriculture. These subsistence economies were characteristically based upon the exploitation of natural fertility, with as much allowance for resting or fallowing as the immediate needs for land use permitted. The use of land was achieved by the authoritative allocation of land use opportunities to families who cleared the land and put it to use. Under such arrangements survival depended upon the efforts of a family.

The large reaches of subsistence agriculture are now found mostly in tropical Africa, but there are millions of people all over the world whose most dependable means of even partial survival is still the practice of subsistence agriculture. Almost all these people are being pressed down into a deepening poverty because of the declining capacity of such economies, due to increases in population and the deterioration of soil and vegetation.

Such conditions provide the base line for needed programmes of rural development directed to the mitigation of rural poverty, and this need

holds the prospect of an unprecedented flood of reforms or agrarian revolutions in the poorer countries of the world. But a deepening poverty due to the deterioration of subsistence agriculture has not, as a general rule, evoked agrarian reforms during this century. Rather, such reforms have been directed toward situations in which political and economic developments have resulted in a pathological or distorted reconstruction of agriculture – one which has seemed unjust to people who thought about it, to both intellectuals and peasants.

Over large areas of the less developed world a kind of extractive feudalism developed which was basically a rent-collecting operation, one which neither energized the production processes nor enhanced the welfare of the peasant people – as in much of Asia. In the western hemisphere, the practitioners of traditional agriculture were pushed aside by outsiders and continued to survive, if at all, mostly by their ancient ways but with few resources. Where agriculture was developed under colonial administration, subsistence agriculture was either pushed aside to make room for a cash export crop, as in the cocoa-growing regions, or barred from an area in order to make room for enclaves of European agriculture. In none of these approaches was traditional agriculture energized and transformed, as happened in Western Europe where the modernization of peasant economies was achieved, with the production of indigenous crops for nearby urban markets serving as the engine of growth.

IV

The reconstruction of systems of farming as production organizations requires attention to the size of farms and the general pattern of organization – as individual, co-operative, or collective farms – and the modes of participation by farm people.

Although the size of farm has long been near the centre of concern of agricultural economists, it does not seem that the size of the land allotment per caput has been deeply influenced by considerations of an optimum size of farm. Rather, the size of allotment of land per farm both individually and collectively has been limited by the available land.

Other considerations have operated where land has been allotted to individuals. In most of the old world tenants have historically acquired some sort of equitable claim to the land they cultivate. Thus land reform programmes have assigned land to tenants, even to the exclusion of poorer casual labourers. In Latin America, where workers on haciendas were not tenants, the land distribution programmes seem to have favoured the resident labour force as against the casual labourers – as happened in Chile.

The issue of the kind of general organization of farming, collective versus individual, seems to have been decided mostly on ideological grounds. The case is clear where reforms were conducted under the aegis

of Marxian doctrine, in pursuit of large scale organization to exploit technology and the determined avoidance of private economic power. Also, over much of the remainder of the developing world, there is a deep intellectual quest for an agrarian socialism as a middle way, between the colonial capitalist regimes which they have observed firsthand and the Marxian route of collectivization.

V

We have argued that the primary focus of agrarian reforms has been on the reformation of antecedent orders. Orders, in our conception of things, are basically ordered systems of human arrangements. Such systems develop over centuries and are so complex and fundamental to the lives of individuals that their invention as a system is beyond both the ingenuity of man and the adaptive capacity of peasant people. Viewed genetically, the encompassing order is first of all a social order, constructed of working rules which channel human conduct and sanctioned by whatever power is vested in the heads of tribes, families, or communities.

Both the sanctions and the rules become differentiated in development. For economists the critical differentiations are those which create nation-states and the correlative systems of national political economy through the use of state sanctions. The superimposition of the sovereign powers of alien governments, and the use of state powers for private purposes, has been the major source of the kinds of derangements of the antecedent order which have evoked agrarian reforms in this century. It seems to follow by implication that it may have been possible to modernize the antecedent orders by the power of the state to create a more equitable system of political economy by gradual means. Such a vast undertaking could be, and should be in our view, a fruitful ground for professional collaboration of lawyers, anthropologists, political scientists, and agricultural economists, if economists have sufficient will and insight to extend the scope of their analysis to embrace agricultural economies as systems of human organization as well as mechanical systems for the transformation of resources into commodities.

The essential role which economists must perform in such reformations is to transform the key insights of economics into operational definitions which serve to select and strengthen those social procedures which lead to investments, the better use of resources, the needed degree of market specialization, and which elicit willing participation and much more. Such operational definitions may be suggested by, but cannot be read off of, the agricultural economies of the United States, Canada, or any other country. Among the general problems here are those of conceptualizing the meaning of land beyond being a gift of nature to include capacity-expanding investments in land, without introducing an unendurable degree of insecurity to people on the land. Similarly, the transmission of

land by descent alone needs to be broadened to permit land users which give support to better utilization of land; correlatively, the birthright claims to land need to be subject to a statute of limitations after a lapse of a generation or so. Such would be only a beginning. But in the absence of professional understanding of such issues, alien concepts of property and contract have been introduced which deprived people of their once secure status, engendering disorder but without energizing the traditional economies.

One of the major changes which a system of economy undergoes as it develops is that it becomes more depersonalized; I see no way in which a developing agriculture can escape this fate. Such a change is particularly important in the selective differentiation and establishment of economic institutions. An observation of Professor Commons in his analyses of developmental changes in the English common law is pertinent here: "There were two circumstances which prevented the primitive common law from enforcing the assignment or negotiability of contracts, namely the concept of property as tangible objects [held for one's own personal use] and the concept of contract as a personal relation."¹ All contracts were at one time considered to be as personable and nonsaleable as promises to marry are today. In an interdependent market economy, property is not merely a physical object, but, more strategically, a system of social arrangement sanctioned by the state.

The role of the state in all this is critical, for the basic structure of a modern system of national economy is, or is made up of, the working rules for associated activities which the state sanctions. Although the working rules which are sanctioned need to be derived mostly from the experience of the people, if they are to make sense to those who occupy and operate the system, the selectivity and refinement of such rules, as well as the extent of importation from other cultures, is a function of the operative ideology of those who control the use of the power of government.

This is why the agrarian reforms under the auspices of a Marxian ideology in this century are such remarkable experiences in the reformation of agricultural economies. Given the Marxian condemnation of private economic power, the predilection for an order created by command and obedience with the effect that the wills of those who man the powers of state should prevail from top to bottom, the outcome is a collective system of economy in which private property is limited essentially to the ownership of homes and bonds, with limited zones of individual or private discretion outside the home. Such arrangements lead to a concentration of both economic and political power at the top. Only the moral power of a largely passive resistance remained to implement the wills of peasant people, who feared such changes. This was, however, sufficient to secure concessions in many countries which permitted them to have their own homes and gardens as a condition of their willing participation.

In contrast, where the use of the power of government is informed by ideas basic to the western liberal tradition, an economic order is created

which accords wide scope for discretionary conduct by individuals and results not only in a structure of private property, but also in the creation of zones of secure opportunity for owners of farmland. These variations are consequences of differences in the conception of whose will is to be effective on what.

VI

The ways in which farm people participate in an economic system are specified and limited by interrelation between agriculture as a system of production and the encompassing public and economic order. We have already commented somewhat on the modes of participation. Here I would only add one or two remarks – one from Professor Commons who was among the wisest of men regarding the nature of a democratic, political economy in an age of economic power. I refer to his definition of an institution: an institution, he noted, is “collective action in control, liberation and expansion of individual action.”² In fact, there is no way to liberate and expand individual action without appropriate social controls. The trick is to figure out ways in which the working rules encourage and support the willing and energetic participation of people. All over the industrial world there is now a search for new forms of group organization which enlist the sustained, willing, and energetic participation of workers, including experiments with shared management. The fundamental problem seems to be that, in a purely technological approach to development in agriculture and elsewhere, the logic of technology treats people as a part of the machinery.

VII

The most insistent question put to me by Glenn Johnson in his invitation to write this paper was: “What can and cannot be contributed by economists to practical decisions about agrarian reforms?” I hope the above remarks have some relevance to this question. Here I add only a comment or two.

If the practical decisions are to be those of implementing policy decisions made by someone else – politicians, generals, whomever – economists have much to do: for every project there is a need for cost-benefit analysis, with shadow pricing, linear programming, and much more. Also, insofar as the reform established systems of farming and marketing, there will be serious questions about such issues as the efficiency of operations and the character of demand. However, if the practical decisions are about the formation of agrarian reform policies – whether there should be a reform, or what should be the nature, objectives, and content of such reforms – I do not see that the mainstream of agricultural economics as currently practised by the craft has much to offer beyond specifying

conditions which need to be met in the design of institutions and studying the “effects” of agrarian reforms which got started somehow.

It is not that agricultural economics should embrace the analysis of all aspects of agrarian reform policy. Rather, what is needed are formulations that permit joining of issues in a fundamental way with other disciplines. One central problem is that of social valuations in public policy. Fundamentally, such values as justice, freedom, equality, and security, even the public itself, are the meaning of social procedures, not something to be picked up and moved about, or to be understood more than a little, by the substantive approach to valuation by welfare economics. The matrix of social valuation is social organization. Such value possibilities are a function of the whole system of human arrangements – as epitomized in the phrase, a free society.

Thus it seems to me that if agricultural economists are to deal professionally, and not merely as eminently sensible people, with the central issues of the formation of agrarian reform policies, agricultural economics needs to be humanized into a social science and toughened up into a political economy of agricultural development.

NOTES

¹ John R. Commons *Legal Foundations of Capitalism*, Madison, University of Wisconsin Press, 1959, pp. 246–7.

² John R. Commons *Institutional Economics*, 1934 and 1959, p. 73.

DISCUSSION OPENING – CLARK EDWARDS

Professor Parsons has provided us with a solid conceptual paper on agrarian reform, including insights into what can and cannot be contributed by economists and other professionals to practical decisions. Parsons defines agrarian reform in its broadest sense which recognizes the interrelation of the agricultural and nonagricultural sectors, and which involves reformation of a social and political, as well as an economic, order.

Parsons begins his paper by reviewing a number of important facts. He traces a history of agrarian reform with which he is thoroughly familiar; a history which runs to all corners of the world and which covers all of this century. The historical section of his paper, which recounts success stories as well as dismal failures, is largely in terms of an older and narrower definition of agrarian reform: he uses the phrase “land reform” to make this clear.

Parsons then turns from facts to the theories and logic needed to understand the case studies he has recounted. He generalizes from history in order to understand and explain what has been happening. He explains how agrarian reform restructures not only systems of farming but also the public and economic order. Among the theoretical problems

are those of conceptualizing the meaning of land, beyond being a gift of nature, to include capacity-expanding investments. Attention is given to size of farm, to alternative patterns of agricultural organization, and to institutional arrangements for linking agriculture to the non-farm sector through factor and product markets. Parsons draws upon economic theory to explain the levels of output and the distributions of income that follow from neoclassical markets, Keynesian policies, Marxist conceptualizations, and institutional economics. He stresses, however, that we must go beyond economics if our theories are to be useful in explaining and predicting the consequences of alternative reformations.

Facts and theories are important parts of Parson's paper, but he passes over these topics quickly in order to use his scarce time to concentrate on what he considers to be a more important set of issues: conflicting values. Parsons admits that agrarian reform can grow out of purely economic issues, such as a deepening of poverty due to the deterioration of subsistence agriculture. However, says Parsons, agrarian reform is more likely to come from other sources: a change in the political power base, a pathological derangement of the social system, or some ideological ground. Reformation changes the social order and the way of life; some persons will gain while others lose their social status and their inheritances. Property, says Parsons, is a social arrangement; therefore land reform is social reform. The operative ideology of those who control the power of government comes into conflict with the moral power of the wills of peasant people. Parsons speaks of the need for individual values and choices, and he notes the contrasting need for these to be constrained by social values and controls. A central problem in agrarian reform is that of social valuation. Economists have a tradition of providing prescriptions which enable us to move efficiently towards given ends. They also have a tradition of contributing to value theory, of clarifying values, and of helping to judge ends.

There is a further aspect of agrarian reform lurking in the paper. He did not discuss it explicitly, but you could see it in the flash of his eyes as he presented it. And you can find it in the choice of language used when he makes certain points in the written version. The further ingredient is this: agrarian reform is an emotional issue. Those involved tend not to be logical or neutral. They are revolutionaries dealing with frustrations and despair. The revolutions involve deep conflict between the wealthy and powerful on the one hand and the desperate on the other. All reforms involve a change in the way of life of members of the society; some reforms go so far as to involve bloodshed.

From his incisive tour of the facts, theories, values, and emotions involved in the history of agrarian reform during this century, Parsons draws two conclusions about a role for agricultural economists.

1 Agricultural economists can make practical contributions to the implementation of decisions made by someone else; by a politician, for example, or a general. Agricultural economists can be helpful in providing descriptions, explanations, and prescriptions which are based on

cost/benefit analyses and on linear programming. Parsons appears to be saying that such contributions are useful and necessary, so far as they go. But he is clearly saying that they do not go far enough. This brings us to his second conclusion.

2 We need to build institutions which help to resolve social conflict, and to promote such fundamental values as justice, freedom, equality, and security. We need formulations of alternative agrarian reforms which join issues in a fundamental way with other disciplines, and which not only help to build needed institutions and to choose effective means but also help to judge ends.

GENERAL DISCUSSION – RAPPORTEUR: GARY CARLSON

There were comments from the floor respecting the difficulty of taking sides and supporting certain value systems; it was felt that as professional agricultural economists we must recognize that we are part of the *élite* and associated with the *élite*.

One speaker said that Indonesia urgently needed land reform but did not really know where to start and how to begin. He would have liked Professor Parsons to provide more direction on this aspect.

The comment was also made that the social ostracism an agricultural economist may encounter upon researching land reform came from two sides: the landowner class which does not want the matter studied at all, and the extreme left which does not want it studied objectively (and at times is unwilling to allow the public to have information on the economic effects of the violent approach it advocates). It was fortunate that there were many people who did not fall into either of these sides.

Two questions were asked:

1 How can agricultural economists help the government initiate land and agricultural reform?

2 How can we as agricultural economists do justice to help solve agricultural reform problems by taking sides in our deliberations without being accused of being political?

Professor Parsons responded by saying that taking sides means or involves: (a) supporting the agrarian reform that reflects the needs and aspirations of the people we are seeking to assist; and (b) developing conceptual models of society (its values and rules) against which agricultural economists can conduct economic analyses, etc.

Participants in the discussion included John D. Strasma and Mr. Mubyarto.