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**BACKGROUND PAPERS FOR DISCUSSION**  
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LAND REFORM AND DEVELOPMENT

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From the facts mobilized in this survey, one certain conclusion emerges: agrarian reforms really do liberate. Inevitably this freedom is frustrated and uncertain: the supersonic moments do not last long. But in Iraq and Iran observation showed that it means something to those who gained it; on the documentary evidence, it meant something of the same kind in Mexico, Bolivia, and Cuba. This gain should not be overdramatized; neither should it be ignored.

But no conclusion emerges that agrarian reform is necessary to development. It is unfortunately customary to prove that reform is a condition of development by using Humpty-Dumpty definitions. The wider definition of reform as a comprehensive program blows it up into a concept so all-embracing that it almost amounts to a policy of agricultural development; while "development" can be stretched to include income quality, participation, education, full employment, i.e., to overlap with reform objectives.

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\* Extract. Development Digest, Vol. VIII, No.2, April 1970. pp. 29-38.

Excerpted from Land Reform in Principle and Practice. Oxford: The Clarendon Press, 1969, pp.371-386 and 402-436.



As the terms become identical, the question of their relation becomes meaningless. But if agrarian reform is understood to mean the redistribution of income from land--its politically operative meaning because it implies the reduction or abolition of large properties--and economic growth is understood in the usual sense of the increase of national income per capita, then the nature of the relationship is a real and serious question, because on the face of it there appears to be no positive connection between a greater degree of social and economic equality in agriculture and the rate of growth of the economy.

The facts show certain adverse effects of the existing structures in depressing incentives, reducing farm incomes, restricting investment and the expansion of cultivation; but they do not suggest that agrarian reform necessarily produces a more productive land system. The primary effect of reform on development must lie in its effects on production, and these effects may or may not be favorable depending on the conjunction of factors which influence incentive.

The cost of carrying through a reform also influences the economy. Some administrative costs have to be incurred in any case; but these are not so significant as the costs incurred in payment of compensation to expropriated landowners, and these costs can be large. When the rate of compensation payable is high, as in India, or when estates are purchased at market values, as in Chile, Peru and Venezuela, and where the ex-tenants must pay high purchase installments, then the effects on investment in agriculture can be unfavourable. If the landowners, to the extent that they invest, put the funds received as compensation



into other sectors where the return on capital is higher than in agriculture, this may assist the expansion of these sectors: but if, as is common, the money goes into apartment houses, the effect on development is not in line with the objectives of agrarian reform.

On the basis of this range of experience, it appears that the more revolutionary the method of redistribution, the greater is the likelihood of reducing production; the more compromising the method, however, the greater is the likelihood of incurring high costs of expropriation. Yet this is too neat an antithesis, since in fact several reforms have increased production without incurring high costs, notably Egypt and Japan, while in Mexico the reform indirectly stimulated investment in agriculture by private landowners. But of the countries observed, only Iran seems to have succeeded, up to a point, in avoiding both dangers.

An important result of the survey is to show that revolutionary governments can carry through reforms which genuinely abolish the old structure without being able to replace it with anything more productive, even though that is their intention. Of the crop of recent reforms, it would not be true to say that the governments responsible did not know what they were doing. In Iraq, Bolivia and Venezuela, the laws were framed to provide for an integrated organization to support the farmers, and Cuba had a rational policy aim of diversification. Yet in practice the political impetus which drove through expropriation--communism in Iraq and Cuba, left-wing syndicates in Bolivia and Venezuela--could not work on these lines; success does not follow the prescriptions. The revolution brings sudden and violent change, but agriculture demands continuity; the kind of people who make revolutions are not, as a rule, the kind



who can organize for increased production.

But what about the long run? May not these revolutions prove to be a condition of better government, democracy, a new social order? Of course they may; but they may also produce reaction; there is a wide range of political contingency. At any rate, they will certainly not prove to be a condition of economic growth unless they oblige governments to take further measures, either through the political pressure exerted by peasant or syndicate movements, to get better conditions, or through the necessity of increasing food production as a result of the reform's failure to do so. As to whether such measures will be taken, the periods reviewed are generally too short to form an opinion: Egypt presents a positive case, but in Iraq and Iran the outcome is still conjectural; in Bolivia and Venezuela also, though Cuban agriculture may be headed for expansion. Mexico offers a long-term positive relationship, created through the agrarian movement which sprang out of the originally chaotic reform and enforced an obligation on successive governments over a fifty-year period to do something about the ejidos, eventually within the framework of general agricultural development policy. But there seems to be no compelling reason why the first stage of upheaval should be succeeded by a second stage of "reforming the reform." As to democracy, the Bolivian reform did not provide a firm basis. Much the same fate overtook the East European countries in the 1920s; although land ownership had been fairly widely distributed, by more or less revolutionary means, the democratic governments set up after the First World War did not succeed in holding power for long. All this sounds rather discouraging to the prospects as envisaged by reform propaganda; but it is better to be realistic,



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lest disillusion follow on high hopes.

### The Economic Context

What the inductive method does show is not a simple conditioning relationship, but a variety of inter-relationships, depending on the economic context. The countries surveyed contrast with each other in per capita income levels, rates of growth, and forms of underdevelopment. Underdevelopment appears in two of its main forms: as Malthusian overpopulation in India; as the lopsided or unbalanced economy in Iran, Iraq, Venezuela, Chile and in Bolivia, in which the rate of growth depends mainly on demand for the main export products. Brazil's economy is more complex, combining overpopulation in the depressed region of a country otherwise underpopulated, and over-concentration on coffee as its main export product.

In the unbalanced economies during rapid and fairly general development, the demand for reform can be stimulated by agitation, because their growth increases inequalities and raises expectations of higher incomes. Channeled through syndicates (organizations of farm workers) this demand fulfils a function similar to that of trade unions in developing countries in general, pressing for higher wages and better conditions of work; the agitation for reform is a demand for better status, not necessarily for ownership. Here the question is whether reform can help farm laborers or mini-farmers to share in the gains of growth; and the answer is that it can do so if redistribution results in viable farm units, not too small for efficiency nor unsuited to absorbing the physical inputs which may be needed. In such cases, the demand for reform originates in a dynamic economy and society;



it would contribute to future growth if those responsible could get some grasp of the rudiments of farm organization.

In Iran and Iraq, there is another inter-relationship, because the oil industry provides the means of investment, without a dynamic effect on incomes. Investment in the infrastructure preceded reform in Iraq, and posed the question of whether it was right that investment of public funds on such a scale should benefit the landowners and not the cultivators. In Iran, oil revenues are now being invested in water control; the outcome of the reform, though in some provinces more successful in increasing production than that of Iraq, is still uncertain in the country as a whole because landowners can take over the existing water supplies, and new irrigation schemes are not fitted in with the supply of water to peasants' land. Irrigation in both countries is the key to higher productivity in agriculture; the oil revenues, by financing it, can help to level up incomes in the backward farm sector once the new structure is established.

In India, the question of the relation of reform to development is highly problematical, because, although it seems wrong and unwise that so much legislation should have been enacted without being implemented, yet in the present political situation it is clear that the ceilings legislation (maximum size for landholdings) cannot be implemented, and in the present economic situation it is difficult to believe that tenancy conditions can be improved. The case for reform as a means of raising crop yields is that it would help to valorize India's main productive asset, the industry of the working peasants, cut out the dead wood, and improve agricultural organization. But it must also be emphasized that incentives in agriculture are subject to a nexus of deterrents: high risks, low prices, high cost of equipment, and that the



land system is only one disincentive among others. If all these other deterrents could be removed by large-scale investment in irrigation to reduce risks of monsoon failure, by increased supplies of cheaper fertilizers, better marketing, and stable prices, production would doubtless increase--even if there were no redistribution of ownership--because among the working peasants there is this industrious cultivation and some enterprise in responding to higher prices and new methods. Reform may be regarded as a real condition of development in agriculture, but is not a sufficient condition in itself; it is indispensable chiefly as a necessary base for cooperative organization.

Moreover, in the Indian situation, as in all overpopulated countries, the land system's defects are aggravated by the increase of population on the land. Landowners can charge a higher price for the use of the scarce factor; measures to control rents and improve tenure security are ineffective because tenancy agreements are so numerous and informal that they cannot be standardized and enforced, and the cultivators themselves cannot but acquiesce in their evasion because they need employment. Exactly the same problem arose in Egypt, though efforts to enforce rent regulation have been more strenuous. It would also have arisen in Japan, although the law of 1946 was enforced with exceptional authority, unless the number of farm households had been reduced. In India, subdivision of holdings continues, and the number of uneconomic holdings increases; and indebtedness still forces owners of uneconomic holdings to sell to larger owners and moneylenders.

In India, as in Iraq and Iran, irrigation is the key to the reform-and-development complex, in that it is the chief means by which it is possible to see real hope of raising yields and providing the secure basis needed for investment



in the complementary inputs. If irrigation could be undertaken on a really decisive scale, i.e., on a scale beyond the scope of India's own financial resources, reform might also come within the bounds of possibility.

What then becomes of the claim that reform of the structure is a necessary or indispensable condition of growth? It can only be regarded as such a condition if all the other things needed for growth will not be undertaken without it. This argument has force in Latin America. One would like to believe that agrarian reform is the key to all the doors that need to be opened--resettlement of people, survey, reclamation of land, conversion to better farming--before this great New World continent can feed its people and sustain its growth. Because the land is there, and landowners use their power to deny access to it (not, as in India, simply to charge higher prices for its use) this belief is not pure wishful thinking; none of these things are likely to be done unless the social order changes fundamentally. But the conviction that it ought to change rests on a judgement of value about the nature of society, not on any demonstrably probable set of chain reactions.

At best redistribution of ownership can be no more than the first step in a long process of overcoming all the other obstacles--soil erosion, lack of communications, anti-agricultural attitudes--all the ingrained ramifications of the existing structures which would persist even after the large estates were abolished in blockbusting revolutions. What is really missing is something that in the Old World can be taken for granted: experience of agriculture. In the new urban-based civilization, the landowners are absent or



and speculators; the "politicized" workers want services and amenities like town workers; officials see nothing wrong with farming by telephone. These urban attitudes are the outcome of a different course of development, in which agriculture has not provided an honored way of life for most of the people engaged in it. Human dignity is valued in this civilization; and work on the land is an indignity.

As things are, the only way in which the urban-rural gap can be bridged is by politicians building up followings among farm workers through the syndicates; these are useful as pressure groups for higher wages, which ought to rise in these countries. It is good that the Campesino Federation in Venezuela, which has played such a great part in raising the level of the rural workers, should be so deeply involved in the reform. But syndicate takeovers do not necessarily produce a viable form of organization: they may do so, as one good settlement in Aragua shows, while one of the Pernambuco settlements was not at all bad. On the whole, however, the syndicate dynamic does not produce an adequate substitute for a policy, as is shown by the derelict estates in Miranda, and also by the poor results of takeovers in Brazil, by experiences in Chile where the syndicates are weak, and the experience in Bolivia.

What the sophisticated educated class seems to need most, if politicians and officials are to be equal to their functions, is advanced education in the agricultural sciences. Again and again, in interviews with revolutionaries and officials, one was reminded that they do not even know that there is such a thing as good farming because they have never seen it. Obviously, it is not possible to reproduce farming attitudes which are familiar in the Old World; new values



are needed. As a profession of high scientific qualification agriculture needs to gain prestige, even the intellectual distinction which Latin Americans so much desire. If this continent is to realize its potential, highly qualified people will be needed to undertake research, organize settlements, educate farmers. If aid-givers would set up research institutes, and offer opportunities for study in advanced countries on a really lavish scale, they could contribute much to the land reforms of the future.

Ironical as it may seem, the protagonists of reform as a condition of development would be more likely to achieve their end if they disregarded it, and concentrated instead on the practical problem of ensuring a good living standard for the recipients of land. Far more convincing than all these large doctrines, whether based on Marxian analysis or on theories of inevitable growth following a Western path, is the empirical proof of the relation of structure to growth provided by land settlement schemes in South Brazil. So long as immigrant peasant farmers tried to make a living by clearing virgin land, without capital, many failed in the struggle for survival, while the rest survived, on low income levels. But where the settlers have been established by an organization determined to provide them with an adequate standard, or by a group sufficiently cohesive to obtain such conditions, they have made a great contribution to the economic growth of the region. In several forms--highly intensive small-scale farming backed a giant cooperative (the Japanese settlers), medium-scale mechanized arable and dairy farming (the European settlers), regional planning (in the North Parana settlement)--these



small states within the state have demonstrated the new structures can improve enormously on the latifundia and contribute to national growth. The result followed because experience had taught that it was essential to get the right sort of land, suitable farm sizes, the necessary equipment, and marketing organization: those responsible had gained this experience in more advanced countries.

### Empirical Verifications

The best way of demonstrating the relationship between structure and growth is to look for empirical verifications of the belief that reform can aid development, rather than to prove that it must do so in terms of general theory or historical analogy. It is a fact that in advanced countries latifundia-minifundia structures are not to be found, nor are their systems of tenancy at all like the landowner-tenant or-sharecropper relationships that prevail in Asia. Their structures resemble each other in so far as farm ownership is fairly widely distributed and family farming is prevalent, though the degree of equality in ownership varies a good deal as between different advanced countries, and there are also wide disparities between them in levels of agricultural productivity. Still, there is enough similarity among them to suggest that this kind of structure is conducive to growth. But their generally higher level of agricultural labor productivity as compared with underdeveloped countries is also related to the level of industrialization and the proportion of the labor force employed in agriculture.

The rich history of different land tenure systems in Europe, of the various rapid or evolutionary reforms or lack of them, and their historical sequels, provides a



useful laboratory for testing reform-development relations. (NOTE: Summary omitted here for brevity.) This experience is important because it shows how agrarian reform can be part of an organic evolutionary process, most clearly demonstrated by the reforms in Denmark, and not because it provides an ideal model for underdeveloped countries to follow. The timing of the stages clearly cannot be imitated; it is no use advising underdeveloped countries to begin in the 18th century before European populations exploded. In underdeveloped countries, gradual land purchase is not a practicable alternative to compulsory expropriation and redistribution because the landlord's monopoly power is usually too strong and peasants too poor to buy. It is impossible to envisage rapid agricultural growth in Asia, or Latin America, as entirely financed from farmers' investment of capital: the backlog of neglect is too great, and transition to modern farming involves a bigger step forward than it did in the 18th century. But a good structure will adapt continuously to changing economic conditions, and problems of adaptation to new situations are a consequence of successful response in the past. There can be no model system, in the sense of a permanent, achieved ideal. This point needs emphasizing to correct the tendency to look for Utopias and to criticize reforms which do not do everything at once.

To find evidence more relevant to the question of whether land reform can be related to development in modern underdeveloped countries, with high rates of population growth, adverse agricultural conditions, and defective structures, it is necessary to look at some recent reform measures which have been followed by an increase in production, and see how this has been achieved. In southern Italy and Egypt, where such results can be found, the policies



were linked with general development planning, and carried out in tightly controlled managerial operations in which "integration" meant much more than the provision of services to farmers. Does this mean that no reform can contribute to development unless it is carried out in such a framework and in this manner?

This is a highly controversial question, to which the answer must be left open. In the political and technical conditions of Italy and Egypt crude redistribution alone could not have increased production, in Italy because marginal land had to be reclaimed before settlement, in Egypt because investment on the former large estates had to be maintained. Tight managerial operations of this sort are really impossible in countries with a backward agriculture and no effective administration. They may not be essential to getting an increase in production if some determining factors are fairly favourable. For example, crude redistribution succeeded in Iran because the removal of the rent burden was beneficial, since it represented the removal of a tax on production used for unproductive expenditure. There may be other cases of the same kind. Although it seems clear that in Latin American countries controlled managerial operations are impossible, it would be a great mistake to argue that government should defer action until a complete system of official tutelage can be laid on.

Probably the right way to approach this question is to think in terms of the minimum action necessary to secure increased agricultural production, rather than to envisage total planning and total control. In Latin American countries this primarily means some physical planning of the type and scale of farming, in relation to markets and practicable land use. There is a wide range of



choice. In Iran and Iraq, physical planning primarily means securing water supply to the new holdings. Unless a firm physical basis is laid in this way, the mere provision of credit and advisory services will not help: the advisers cannot know what to advise, the credit agencies cannot judge the prospects. For densely populated countries, there is not much range of choice in scale; the primary need is to raise yields, and this, in India, involves a change in costs and prices, and stronger organization, but not necessarily a change in scale of farming. Obviously integration of land tenure with development does not mean the same thing in all situations; and it need not mean tight official control. On the contrary, there is an obvious need for economizing official services, by the use of market incentives.

The weight of the evidence is in favor of granting ownership to individual landholders or rights to individual land use within a group holding ownership. To claim that the grant of individual title is basic does not necessarily mean that it will work well; only that on the whole it is likely to work better than the so-called higher forms. There is a case for cooperative and collective farming in certain defined conditions, but it cannot be universalized. Ownership provides what people generally want, security, and what agriculture needs, the incentive mainspring. Clearly it will not transform subsistence peasants or farm workers into efficient modern farmers, but it is generally the necessary foundation for any real change of the structure.

On the question of the form of farm organization to be set up, the lesson which emerges is that the alternatives do not lie between pure individualism and pure



collectivism, or between efficient large- and inefficient small-scale. If a country has a peasant population, already attached to the land, willing to work hard on small farms, it is wrong to crush this incentive, right to use it to increase production by finding how to inject new methods and resources. But if a country has abundant land, it would be wrong to try to make small farms: there is a scope for enterprise and experiment, and it is better to use the results of existing settlement schemes to ascertain what is likely to work best, rather than to shop around for imported models. Whether the area of the individual family farm is small or large, multiple-scale organization will be needed, with different scales for different functions. Whether in the cooperative form or not, there can be one best scale for organizing irrigation water, another for marketing, another for credit, etc.

Finally, it must be clear that none of the reforms discussed have produced anything that can be called a perfect structure. An oppressive and inefficient system is accepted as inevitable as long as it lasts, but as soon as an alternative appears it becomes a target for criticism from the dispossessed and from those who have not benefited. Even those who have benefited will have grievances, because expectations have been raised; and international experts will pick holes in it. Ideal land systems tend to be found long ago or far away; they are, in fact, out of this world.

In this world, there are these down to earth situations, where mistakes are certain and not to be feared. Ideals are needed, to give courage and decision; but there is too much urban ideology about, and it is responsible for many stupidities. If there is one lesson of universal



validity that emerges from all this experience, it is the need for putting more practical intelligence to work. If there is one good state land settlement in Brazil among many bad, that is because one man, an engineer, devoted himself to it; if there are good Japanese farmers in Brazil, that is because farming efficiency has been bred into them and their organization. If there are well-managed state and cooperative sugar factories in Maharashtra, that is because faith in cooperation could be translated into action by Professor Gadgil and others; and if there is a good joint farming cooperative, a saint-politician will be found behind it. If the Iranian reform in its first stage got carried out quickly and effectively, that was because a powerful and original mind conceived a bold strategy. If in Venezuela there is one really well-to-do intensively cultivated settlement, that is because it found a labor leader with drive to organize it. There are too few of these people of integrity of intention and practical intelligence. But agrarian reform gives them the chance of a breakthrough. Somehow the agricultural brain drain must be reversed, if these countries and others like them are to find better ways of dealing with farm poverty and poor farming.