IS LAND REFORM VIABLE UNDER DEMOCRATIC CAPITALISM?

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IS LAND REFORM Viable UNDER DEMOCRATIC CAPITALISM?

I. Should there be a general policy presumption in favor of land reform? Perhaps not. Even if there is an economic argument for land reform it is not worth following up. First, because the law will be diluted before passage and sabotaged in execution. Secondly, because agriculture is such a small sector of the economy it may not be worth the effort. Long experience shows that successful land reforms require attention to three factors: speed, compensation, and support; speed in enforcement, low compensation to landlords and extended support for the beneficiaries. If we try to meet these three objectives democratically, the political opposition will be too effective in blocking land reform unless land is a minor source of wealth. If, however, land is a minor source of wealth, why bother?

Suppose one does wish to bother. What would the economic argument for land reform be? That land reform furthers growth most effectively. That is not an easy proposition to prove but perhaps it follows from the claim that smaller farms are more productive. Then why do landlords not break up large units into smaller ones? Perhaps they do not see their self-interest clearly. Can they not be shown their self-interest through taxation? Is the landlord not a wealth maximizer? Often the argument boils down to a defense of land reform as a political or social end. This is fine, since political and social goals are often more important than economic ones. But these non-economic objectives have to be explicitly recognized because there may be more direct and effective ways of achieving the non-economic objectives than land reform, e.g., if landowners have too much power over the judiciary the direct solution is to strengthen the independence of the judicial system. Land reform is a very indirect means of achieving this goal and perhaps an inferior one.

This paper is written to justify the above claims and to explain briefly how a contrary view has come to dominate the literature. Land Reform has been one of the most debated topics in economics over the last fifty years. Indeed the works of Lipton and Sobhan suggest something of a resurgence of interest. Advocacy of land reform appears to continue unabated, whether by third world scholars (Sobhan, 1994), third world journals (EPW, 1994), development periodicals (Lipton, 1994) or expert reviews of the literature (Binswanger and Deininger, 1997). In view of the continual production of articles and books on the need for Land Reform it is worth making a fresh start and reexamining the issue. Perhaps the single most effective and persuasive exponent of land reform throughout the 1950s was the American “bureaucrat,” Wolf Ladejinsky. It will be instructive to quote from Ladejinsky’s papers to show that Ladejinsky not only saw the comprehensive difficulties in the way of land reform, but also that the very difficulties he posed are permanent ones; hence, Ladejinsky himself might rethink the grounds for land reform today.

Many convergent reasons require a reexamination of this important issue. First, the threat of Communism has disappeared and one has to ask how much of the case for land reform had a Cold War motivation. Such examples of successful land reform as are presented, e.g., Korea and Taiwan, were achieved under non-democratic regimes. What are the prospects for land reform under democratic regimes in countries like India, or the
Philippines, Brazil or Mexico? Does land reform remain of central importance when
countries like Indonesia, Malaysia and Thailand have been able to grow without one?

There is a reasonable case for asserting that the claims made here are not new.
Indeed, it may be shown that many of the points emphasized here had been recognized
earlier—but as qualifications. So one way of looking at some of the principal positions
of this paper is to note that the qualifications have overwhelmed the arguments. A
careful reading of the previous literature shows so many ancillary requirements are
imposed upon successful land reforms that they amount to a veritable program of
economic development. In the case of Italy after World War II, for example, a reform
pushed through under Communist pressure, we read

Land reform even on the large scale involved in present and
prospective programs cannot by any means solve the problem of excess population in
Italy. . . . Much attention is being given to industrialization, particularly in the south.
(Nelson, p. 35, NPA no. 97)

And after a long and careful review of the land problem in the Uttar Pradesh of India,
Walter Neale concludes:

In the light of the history of the market for land, and in the light of the analysis of
that history and the present reforms, it can be seen that the abolition of the
zamindari system will not end poverty in Uttar Pradesh or even contribute much
to the solution of that problem. . . . the lot of the cultivator . . . may rise from their
present impoverished state to a higher standard of living with which all can be
pleased. But if this happens, it will not be because the zamindari system was bad
or because the new system is good, but because capital resources have been
developed and alternative employments, with higher productivities, have been
provided. (p. 288)

If land reform is successful only if coupled with a program of economic development
why not deal directly with economic development and let land reform takes its due place?
That Walter Neale himself became a proponent of radical land reform upon reading
Kusum Nair's The Lonely Furrow makes a review of the literature all the more necessary.

Much of the literature has focused on only one part of the world. Latin America
was the area of greatest concern in the 50’s and 60’s and an entire issue of the Journal of
Political Economy was devoted to Latin America with two articles on land reform. With
the superior performance of the East Asian economies in the 70’s and 80’s, many have
emphasized the role of land reform in aiding Korea and Taiwan perform their economic
miracles. It is difficult to know how to generalize evidence from such disparate regions.
Some arbitrariness is undoubtedly involved in selecting areas and issues. One can only
hope to be illuminating and to have raised key issues.

It may be easiest to begin by tabulating the declining importance of agriculture in
Latin America—traditionally the continent providing the greatest fire to land reform
enthusiasts. [See Tables 1-4.] The figures, both the absolute numbers and their direction
of movement, show clearly that land is no longer a major asset. Perhaps one could make
a case for land reform now, but is it worth the effort? Those who believe that land reform
is still essential, and there are many contemporary supporters, will find here a critique of
past policies of land reform. The goal is not only to understand the past but also to
suggest that, in the future, land reform should be removed from the agenda of economic
development. In specific cases one may make a case based on special circumstances for
land reform (South Africa may be one such case) but the general presumption that has prevailed till now should be questioned. It should be clear that the argument of this paper is based on economic development as the goal—if all one desires is to redistribute wealth, of course this is achieved by redistributing land.
TABLE 1

**Urban Population (%)**

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<tr>
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<tr>
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<tr>
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<tr>
<td>LATIN AMERICA</td>
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TABLE 2

**Economic Structure**

(% Distribution of Gross Domestic Product)

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<td>Agriculture</td>
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<tr>
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### TABLE 3

% Distribution of Economically Active Population

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<th></th>
<th>1992</th>
<th></th>
</tr>
</thead>
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<td>Industry</td>
<td>Agriculture</td>
<td>Industry</td>
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<td>Mexico</td>
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<tr>
<td>Honduras</td>
<td>70</td>
<td>11</td>
<td>38</td>
<td>15</td>
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</tbody>
</table>

### TABLE 4

GNP Per Capital 1993 (US$)

<p>| | | | | |</p>
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<td>1,490</td>
<td>Haiti</td>
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<td>Germany</td>
<td>23,560</td>
<td>Sweden</td>
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The plan of the paper is as follows: Section II reviews the older case for land-reform, especially in the UN literature; Section III looks in some detail at the case for land reform based on the inverse size-productivity relationship in the writings of Dorner and Kanel (and in the espousal by Hans Binswanger). Section IV examines the successful cases of land reform in East Asia with especial attention to Taiwan. Section V briefly reviews the history of agriculture and tenure in South America, and the disappointment with forms of collective land ownership, as well as the experience of some Asian countries, such as India, Korea, and Taiwan. This will show empirically how land reform was neither necessary nor sufficient for successful economic growth. Section VI explores the historical literature and notes the close relationship of land reform with judicial review in the older literature. The arguments for land reform in Ireland are then teased out of Adam Smith’s axioms. Section VII notes how the theoretical literature on land reform has provided only mixed support for the purported benefits of land reform. Section VIII shows how land taxation provides all the benefits without having the same radical overtones of land reform. Section IX reexamines the ideas of Wolf Ladejinsky, the most influential land reform proponent of recent times. Section X examines the political economy of land reform. There are some similarities with the control of inflation, where autocratic regimes seem to be more successful than democratic ones.
II. Through recorded history land has been the primary asset and arguments over the distribution of land can be traced for centuries, if not millennia (Ogilvie, Spence, Henry George). Indeed, one of the more important land reformers of the modern era, General Douglas MacArthur, was partly motivated by the Roman experience in pushing for land reform in Japan. Our direct interest, however, is in the post World War II era and a convenient document indicating the consensus is the monograph of the United Nations, significantly entitled Land Reform: Defects in Agrarian Structure as Obstacles to Economic Development (1951). The ideas broached here were developed over the next 20 years, particularly at Wisconsin, and received a popular exposition in Peter Dorner’s Land Reform and Economic Development (1972). An equally important work of the same vintage was by R. A. Berry and W. Cline (1979), followed by a significantly left-leaning book from Alain deJanvry (1981). In addition to these general works, the distinction between tenure reform and redistributive land reform came to be drawn with increasing sharpness during this quarter century. While agricultural economists had studied land leasing arrangements with considerable perspicuity from the 1920’s onwards, it was the seminal work of S. N. S. Cheung forced a reconsideration of the efficiency of sharecropping, the principal version of tenancy, and today tenure reform in a competitive agricultural environment is no longer subject to acrimonious debate.

The UN document of 1951 is as concerned with the inefficiency of tenancy as it is with the skewed distribution of landholdings. It begins by saying (p. 6) that many farms are too small for subsistence, without clarifying the distinction between land owned and land operated. The indebtedness of farmers is emphasized as a reason for land concentration and the difficulty of agricultural taxation due to difficulties of assessment are noted. The lack of innovation by landlords, whether to keep tenants tied down (a thesis later made famous by Amit Bhaduri), or due to an excessive love of consumption are stated to be considerable problems. There is also a considerable discussion of communal tenures, reflecting the desire to find a via media with Socialism. While no direct recommendations are made, the drift of the argument clearly suggests that something must be done to reform property rights in this area.

Over the next 20 years the case for land reform worked itself out, especially with the success of Japan and Taiwan in mind. It is perhaps hard for us today to visualize Japan and Taiwan (or Korea) as examples of poor agricultural economies, and yet much of the literature to 1960 for Japan and 1970 for Korea and Taiwan are imbued with the urgency of feeding the hungry. In 1972 Peter Dorner saw land reform as a revolutionary measure, but a much needed one. While noting that no tenure is best in the abstract, the invocation of the Soviet experience as well as the sympathetic assessment of sudden confiscation leaves one in little doubt about what needs to be done. The principal problems facing a poor economy are a surplus of labor and inadequate food supplies. As small farms produce more per acre than large farms because they use more labor, it is clear that breaking up large farms will solve both problems at once: when a large farm is divided into two smaller farms, the two small farms combined will use more total labor than the large farm and produce more total output.

It is important to note some curious features about the literature to 1970. First, there is minimal reference to one of the dominating fears motivating this question: the threat of peasant unrest leading to a Communist takeover. Secondly, land reform is seldom placed within some plan for long run growth. There are references to the
agricultural surplus and to industrialization, but not in any detail. Thirdly, the landlords are consistently portrayed as conservative and traditional in the pejorative sense of being anti-market and resistant to technological change. Even if the charge be true, it is scarcely considered that the mentality of the landlords is amenable to change. Finally, the noneconomic grounds for land reform are mentioned but never worked into a scheme. One can ask: how would the agrarian economy work if in fact the political and legal power of the landlords could be curbed?

Some noticeable features of the first decade of literature need repeating: the implied view that those involved in agriculture are “irrational”; that agriculture is too important a sector to ignore and so it must be guided. At the same time, there is no long run vision of what agriculturists should aspire to in a growing economy. Apart from providing for well fed peasants, land reform only set the scene for the real action, industrialization. The older case also appeared indifferent between different forms of ownership. So long as the landlords were dispossessed it did not seem to matter much whether the Soviet kolkhoz, or the Mexican ejido or private peasant ownership took over. If one were to attribute motives, the case was based more on animus against the landlord than on sympathy for the peasant. What we do get is a clear recognition that the success of land reform depends upon three critical factors, speed, compensation, and follow up support after the reform.
III. The literature on land reform from 1950 to 1975 can be characterized by the words “Think revolution but do not say the word.” Even those considered to be arch conservatives, such as W. W. Rostow, felt that the wealth that is largely concentrated in the hands of those who own land, must be shifted into the hands of those who will spend it on roads and railroads, schools and factories rather than on country houses and servants, personal ornaments and temples. (Stages of Economic Growth, p. 19)

If we have a regime of private property who is to “shift” all this income from the landlords and how will they do it? No wonder those who were more clearheaded about such events welcomed the admission on Rostow’s part and went on to argue that the only practicable action implied was land reform.

Edmundo Flores wrote about land reform with both passion and sarcasm. Castro and American movies, Flores pointed out, made reform inevitable. The example of Cuba had aroused the attention of all South America while American movies had made the leaders of the Mexican revolution—Zapata, for example—heroic names for the masses. The following extended quote provides a graphic account of one form of development:

Land reform gave Mexico a government with a new concern for the people and the nation. It did something more. It gave to many of the common people something they had never had: the idea of progress and personal ambition for a better future for their children.

Without the agrarian revolution, Mexico would probably be today in a situation similar to that of contemporary Colombia, Peru, or Venezuela. There would be good roads leading from ports to mines, oil wells, and plantations; industry and farming would show development along a few specific lines. One would find urban expansion, Hilton hotels, air-conditioning, supermarkets, funiculars, submarines, and other conspicuous construction. In patches, the economy would display a semblance of technological sophistication. But there would be little or no evidence of the rise of new classes that accompanied the industrial growth of the advanced nations.

Mexico avoided this chromium-plated dead-end road because, irrespective of the deficiencies of the ejido and of the pequeña propiedad, massive land redistribution forced the way for concurrent social and economic improvement. Mexico’s development has been so spectacular that in a recent book Eugene R. Black, President of the International Bank for Reconstruction and Development, and an acknowledged tough critic, lumps together Russia, Mexico, and Japan as countries that “have yet to achieve high consumption economies, but could conceivably achieve them in the foreseeable future.” [Flores, 1963, pp. 7-8]

While Mexico was held up as an example for South and Central America, the Soviet Union was influencing all of Asia and Africa. The massive collectivization of agriculture under Stalin in the period 1928-30 has been held up as the most striking impetus for the successful industrialization of the Soviet Union. There was much suffering to be sure, but it was a necessary evil. “One generation must suffer” was the slogan to justify land reform at this time. Such enthusiasm was further supported by the legendary Ta-Chai communes of China where rocks bore fruit through sheer effort from enthusiastic communist cadres.
Neither the Soviet kolkhoz, nor the Mexican ejido have lived up to expectations. The pioneering analysis of James Millar has demonstrated that—contrary to the early models of the Soviet economists—instead of the reformed agriculture providing a surplus to support industrialization it appears that no net surplus ever arose. The costs of enacting this particular land reform—collectivization—were so great that Soviet agriculture forever lagged behind. It is astonishing to think how the presumed success of the Soviet model served to inspire generations of youth in developing countries—and how no one made an effort to ascertain if this model were factual.

Nor did Mexico continue to support the rosy picture of Flores (1963). Diminished enthusiasm is visible in Flores (1971) while the analyses of Yates (1982) and Heath (1995) leave little room for hope. Yates provides a table which demonstrates clearly the inferiority of ejido agriculture. Heath does not reproduce Yates’ figures but his conclusion suggests that, whatever the success of the ejidos, they serve as no model.

There is, however, a second reading that fits the evidence better: the reform has been subverted; the ejido sector is roughly as productive as the private sector in spite of rather than because of the land reform legislation. In other words, there is an enormous gap between the de facto and the de jure status of Mexican agricultural institutions. Thus, the letter of the reform law indicates that ejidos should preferably be organized collectively; yet if all ejidos were actually organized on these lines it is probable that there would be as large a gap in the productivity of collective and private farms as there is in those countries where the collective principle has been more fully put into practice. [Heath, p. 705]

While the “burst of enthusiasm” view of populist land reform has not lived up to its hopes, there is a more deliberate case based on the superior productivity of small farms. Berry and Cline provide a striking table illustrating the inverse size-productivity relationship.
Northeastern Brazil, 1973: Production per Unit of Available Land Resource, by Farm-Size Group

<table>
<thead>
<tr>
<th>Zone</th>
<th>Size group</th>
<th>Avg. farm size (ha.)</th>
<th>Avg. land value ($US)</th>
<th>Avg. gross receipts ($US)</th>
<th>Avg. gross receipts/area (C/A)</th>
<th>Avg. gross receipts/land value (C/B)</th>
</tr>
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<tbody>
<tr>
<td>A</td>
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<td>3.7</td>
<td>189</td>
<td>318</td>
<td>85.92</td>
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</table>

[Berry and Cline, p. 46]

The differences in productivity are quite remarkable, with the smallest firms being about 40 times as productive as the largest ones (on a per hectare basis) in some cases. (Compare size groups 1 and 6 in Zone A) No wonder land reform was seen as a necessary policy in such economies. Fortunately the tables also contain data on gross product as a function of land price in column E. Since the output suffices to buy the land, why does the peasant not do so—admittedly these are gross and not net values, but they are surely suggestive. It would appear that the provision of credit, which is no risk if the land is properly titled for collateral, will suffice to move the economy towards the desired equitable and efficient position. Even without active government help, this seems to
have occurred to some extent in countries such as Brazil. (Thiesenhausen and Melmed-Sajak)

It appears to be easy to misunderstand what such tables mean. When the small farm is said to produce thrice as much as a large farm one thinks that the small farm physically produces three times as much as the same crop on large farms. This is very rarely the case. The figures refer almost invariably to the value of the product on these farms. These figures are therefore influenced by several factors, of which, physical productivity is only one.

(a) physical productivity
(b) land use intensity
(c) crop mix
(d) ratio of owned to cultivated land
(e) prices faced by farmers

Furthermore, the data relate to operated land, not owned land. In other words, the farmers involved have already made whatever adjustments to farm size their self-interest though feasible.

It so happens that there is no consensus about the fact itself. Considering the Indian subcontinent, for example, Verma and Bromley (1987, 795) point out that,

The problems with farm size as an explanatory variable have been emphasized by Krishna. He found that the same farm management survey data on which most of the empirical work was based would support the finding that holdings between 13 and 16 acres yield both the maximum and the minimum gross output per acre and that holdings of 1-3 acres yield both the maximum and minimum output per unit of input cost.

The inverse size-productivity relationship, on which so much of the argument rests, has been severely challenged by Usha Rani.

This controversy of relationship between the size of farm and yield per acre was based on the aggregated data of FMS and on disaggregated data from some other sources, but the results were not put to statistical tests. After taking care of these factors, the conclusion which emerges from the present exercise is that the whole controversy and all the explanation offered to prove the different observations had a very weak statistical basis. (Quoted in Verma and Bromley 1987, 795.)

So neither facts nor inferences appear to be generally agreed upon.

In view of all these uncertainties one would like to have a firm theoretical reason for believing in the inverse relationship. The most widely used model uses supervision costs but both the formulation and the results are questionable. (Feder, 1974) The model assumes that land is supervised, not labor, and the only results are obtained with the additional restriction of constant elasticity. The theoretical case needs to be stronger before it undergirds such important policy.

The research of Hanumanth Rao has given comfort to those who argue the importance of the inverse size-productivity relationship. Rao showed that the introduction of high yielding varieties initially led to the disappearance of the inverse relationship; over time, as farm sizes changed, the inverse relationship again asserted itself at the new, larger farm sizes. The conclusion drawn from here that the inverse relationship is a permanent feature of agriculture may be true; it is equally true to argue
that the desirable farm size changes with technology. Hence advocates of land reform may well have to advocate continual changes of land ownership.

Suppose however that the inverse relationship was exactly as postulated by its proponents—that small farms were, say, twice as physically productive as large farms—would this necessarily require land reform? When we look closely at the table provided by Berry and Cline it appears that since the small farmers are so very productive, they should be able to buy up their land. Would not such a market-friendly solution require only a little encouragement and would it not be more lasting? Binswanger and Elgin argue that such purchases are not feasible because land has so much prestige value as to inflate prices much above market value. This is an empirical question and one needs to be sure that prestige is so valuable as to require intervention by force of land reform.

The question of prestige brings us to a set of issues that lie in the back of everyone’s mind. Landlords enjoy undue privileges and land reform is actually a proxy for democratization. It is well documented that many aspects of civil life are unfairly biased against the peasant—access to the law, titling of land, credit from banks, subsidies on inputs, extension services and educational facilities. This is a formidable and important list. While they are all essential for civil life, none of them can be called an economic measure. Why should an economic asset, land, be held responsible for the inability of the State to fulfill its responsibilities? If the government cannot fulfill its elementary obligations how can it find the competence to undertake something so massive as land reform?

Advocates of radical land reform argue that land reform has not worked because it has been subverted. But of course. This is what comes of planning a radical reform without thinking how it is to be administered. The new political economy has made us all too aware of the fact that bureaucrats and politicians follow their self-interest in the main. Radical land reform needs to be undertaken speedily, without compensation for confiscated land and with extensive post-reform support for reform beneficiaries. If a State can contemplate doing all of this, it can just as well provide access to law, titling, extension, credit, and education. When one reads the list of items needed for successful land reforms, it is a complete menu for economic development. But then it is probably better to aim explicitly at economic development—and if such development necessitates land reform, that is the appropriate time to face up to this issue. Land reform should not be held as a goal in itself but always subordinated to the larger goal of economic development.

Authors such as Peter Dorner begin with such a goal but they fail to show the integral need for land reform in their subsequent development.
IV. In 1980 Irma Adelman argued that land reform was the secret of the emerging Asian Tigers. She noted how those who began the study of development with India and Pakistan had become depressed about the future. On the other hand, those who had studied East Asia, like herself, felt optimistic. The argument for land reform was couched in general terms.

The successful countries all followed a process in which the asset that was going to be the major asset of production at each stage of development was redistributed before rather than after its productivity was improved. This asset was redistributed either in terms of direct ownership or in terms of institutional access to its productive utilization. . . . At first, when the economy is primarily agrarian, the major asset of production is land. As one goes up the development ladder, the major asset of production becomes physical capital, and then it becomes what economists call human capital and what others would call more simply human resources. [Adelman, 1980, pp. 442-43]

Since educational reform involves no problematic political difficulties the only measure of substance is land reform. Adelman reminds us that Korea and Taiwan were once considered hopeless cases and one should not give up on those now considered as beyond remedy. The missing ingredient was land reform.

My contention is that a blueprint exists to replicate that kind of successful development process in more countries. And the interesting thing about that blueprint is that, if one looks at it abstractly, it did not matter whether the countries following it were socialists or free enterprise. Mainland China and Yugoslavia followed precisely the same process in the sequencing of growth and redistribution as did Taiwan and South Korea. [Adelman, 1980, p. 444]

This then leads to an empirical case for land reform: it accompanies all successful economies, so there is sound presumption that it is a sine qua non for development. Such arguments require us to look both at the reform countries and at those who succeeded without reform.

Skepticism about Taiwanese land reform has been very carefully argued by Parks and Johnston (1995). The use of different arguments here is meant to strengthen the basic revaluation, not to oppose it. It is odd to see how a number of distinguished Chinese economists have studied land reform in Taiwan and came to cautious conclusions. One of the earliest studies of Taiwan’s industrialization warned of the dangers of assuming that Taiwan’s experience could be transferred.

Although the landowners were given compensation, it thus appears that such compensation was by no means fair and equitable, and that the little resistance the Chinese government had had in the whole process of land reform in Taiwan, as in the previous case of land reform under the Japanese, can be explained better by the fact that in both cases the ruling authorities enforcing the reform program were outsiders who did not have anything to lose in the process. (This point must be borne in mind when considering the applicability of Taiwan’s land reform measures to other countries.) (Lin, pp. 57-58)

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2 Rashid-Schran conference presentation was written in ignorance of this paper
A few years later S. P. S. Ho urged readers to take a global view of all the reforms taking place in Taiwan before ascribing any effects to land reform in particular.

Whereas the direct and immediate effect of land reform on land distribution is easily observable, its effects on agricultural production, savings, and income distribution are very much more difficult to perceive. Yet these other effects are of great interest to us. Specifically we would like to know, and measure if possible, the impact that land reform had on agricultural production and growth, agricultural savings, income distribution, social attitudes, and the rural power structure. But Taiwan’s land reform (rent control and land redistribution) did not occur in isolation while other economic, social, and political factors remained constant. As a result, it is extremely difficult to separate the effects of land reform from those caused by other factors. (Ho, p. 164)

From a more narrowly economic point of view, A. Y. C. Koo had already noted that the trend of agricultural productivity after land reform in the 1950s was not significantly different from that achieved under Japanese colonialism in the 1920s. Furthermore, as testimony to the difficulties of achieving long-run changes in a market system through one-time intervention, Koo notes the curious fact that the size distribution of farms in Taiwan has remained static.

If we turn directly to the economic impact of land reform we find that the peasant farmer could not have been greatly relieved because the State imposed taxes which took away most of the surplus. Indeed, in the view of several theorists of industrialization such as Fei and Ranis, the extraction of such an agricultural surplus—whether by force or law—is a critical function of the State. The most widely quoted figures are those carefully compiled by T. H. Lee (now the President of Taiwan). These figures show a substantial and important flow of resources from agriculture to industry. In other words, in economic terms, the idea of land reform was not so much to make the farmers comfortable as to persuade them that things would improve in the future.

One interesting but unintended consequence of the taxation was to urge farmers to diversify, as the tax was based on the main crop. Over time, this diversified agricultural base provided a sound basis for agricultural earning and exports. From the point of view of efficiency, the dilemma posed by land reform is that it will tend to raise wages, by doing so it will slow down the success of industrialization. How is one to make the tradeoff?

The most consistent ground on which Taiwanese land reform has been praised is its role in achieving equity. One has to distinguish between the subjective feeling of equality or fairness and the objective improvement and equalization of material comforts. For all practical purposes it is the subjective feeling that is of paramount importance; material improvements matter only to the extent that they induce a warm glow. However, in our analysis we have to be clear about the difference between the two. S. N. S. Cheung had argued for a long time that land and tenancy reform should not matter for economic efficiency and has pointed out the impact of reforms in inducing greater labor-intensity in cultivation between 1949 and 1953. More decisive, however,

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3 Only Koo has argued that the surplus may have gone to agriculture on grounds that are not clear (nor has personal correspondence cleared up this matter as the notes for the book are now lost)
are the facts that surplus labor in Taiwan did not effectively diminish for a decade after the reforms; the most important changes in the industrialization process took place with the exchange rate and foreign trade regime changes in the early 1960s and, most importantly, that the changes in equity were most dependent on nonagricultural sectors.

In their review of The Taiwan Success Story, Kuo, Ranis and Fei (perhaps unwittingly) provide us with a number of reasons for skepticism about the long-run impact of land redistribution. While there is no doubt that considerable equalization of landholdings, and hence wealth, took place in the short run, the following qualifications need to be noted:

1) Underemployment in agriculture continued high, having been estimated at 40 percent a decade after land reform (58).

2) When growth became continuous in the 1960s, it was labor intensive industry that propelled the economy (73). It was not the movement of more educated rural workers that achieved this goal, contra Koo.

3) Inequality reduction within agriculture cost only one-tenth as much as inequality reduction within industry (100).

4) The rural-urban gap continued to increase (100-01). The principal contribution to full employment and to equality came from industrial growth, especially export growth.

Until some clear link is drawn between Taiwan’s export-oriented policy and its land reform, the economic importance of the land reforms are dwarfed by their political significance.

The most extensive attempt to assess the value of the land reform by direct interviews is due to Yang (1974). It is notable how Yang refers to some landlords who still become furious at the thought of the land reform and especially Yang’s conclusion that the most beneficial effects of the land reform were unintended. One has to wonder whether the beneficial effects of land reform is not something of an afterthought. In Stuart Kirby’s Economic Development in East Asia (Allen & Unwin, 1967) one finds virtual neglect of land reform. It will therefore be useful to briefly separate the impact of land redistribution per se from the effect of the much wider range of programs that were simultaneously introduced and which should be referred to as the overall land reform program. 4

Rent reduction and land sales evidently addressed the (former) tenants’ yearning for more income, land, and independence. But they did not automatically assure that the beneficiaries of these reforms would make the best possible use of their newly gained resources and authority, in response to market and/or government signals. Taiwan therefore developed an elaborate system of facilitating organizations and programs which enabled old as well as new owner-cultivators to farm successfully. In the words of Professors Y. C. Kuo and C. Y. Lee:

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4 Manfred Steinhoff claims that earlier Japanese reforms, in the 1920’s, did induce an increase in entrepreneurship. I am grateful to Heinz Arndt for this reference.
The strategy of agricultural development in Taiwan over the past three decades is often described as an integrated package approach which included a combination of many factors fostering agricultural growth. The following institution related factors are the major ones frequently listed in many studies concerning Taiwan’s agricultural development: (1) land reform, (2) agricultural education and extension, (3) farmers’ organizations, (4) infrastructure development, (5) credit, inputs and marketing arrangements, (6) government planning, and (7) U.S. aid program. Certainly, they are not equally weighted in importance of contributions. Nor were they structured as one-shot inputs into the process. Their interdependent and dynamic nature should not be overlooked. ("Farmers Organizations and Agricultural Development in Taiwan," in Agricultural Development in China, Japan and Korea, edited by Chi-ming Hou and Tzong-shian Yu (Academic Sinica, 1982), p. 765).

The effective implementation of this comprehensive approach to agricultural development is perhaps the most distinctive feature of Taiwan’s reform policy. Critical for this achievement were the farmers’ organizations, cooperative associations operating with government assistance and direction, which also had their roots in the colonial period. The Farmers’ Association in particular provided marketing, financial, insurance and extension services, thereby placing its members into regulated market environments. Irrigation, fisheries and fruit marketing were organized by similarly structured single purpose associations. The Taiwanese model was so successful that it was directly exported to Africa and indirectly (via USAID) to South Asia.

The importance of politics in deciding upon land reform is most explicit in the case of modern Japan. In his valuable account of Land Reform in Japan, Ronald Dore spends an entire chapter discussing the relation between landlordism and militarism in Japan (112-126). Much of the effort for expediting land reform by regularizing title and cadastral surveys had been conducted almost fifty years earlier. Furthermore, at the turn of the century the Central Government appears to have supported socialist cooperation in several villages (Great Japan, Alfred Stead, 216-46). Japan did face considerable peasant unrest in the 1920s and Japan is practically unique in that, at this point, the landlords themselves urged the Government to undertake land reform (Waswo, Barbara, Landlords and Social Change in Prewar Japan). While Japanese antecedents can be found supporting land reform, the impetus after World War II clearly came from the occupation forces. Whenever there was hesitancy, a determined order from General MacArthur got things moving again. It is notable that land reform did not equalize land holdings (179) that significant advantages rested with the more prosperous farmers and that, strikingly, the farmers raised expectations and did not feel materially better off after the reforms (206). Nonetheless, the impact on producing more equality and in fostering democratic values is undoubted and is visible in changed village manners as well as in political participation. Capitalism favors the rich and the difficulty of making a long-lasting change is clear, even in Japan, where the landlords tried to stage a comeback in 1955 and 1956 and had to be controlled by the steady hand of The Diet (436-39). From an economic point of view it is worth noting Dore’s observation that land reform helped agricultural innovation in two ways: first, removing the control of conservative feudal landlords (217); secondly, and more surprisingly, by tying hamlets closer together it made the nationalism of each hamlet, as well as the competition between hamlets, more intense. This resulted in a surge of effort to modernize Japan, with the greatest surge
coming from the most remote (hence least “modern”) hamlets (385-86). These impressive changes did not deter migration abroad, which was already sufficient in the 1960s to attract scholarly attention (Stewart, 1967).

When we turn to Korea the lessons of Japan and Taiwan are reinforced. One point, already present in the case of Taiwan, is even more visible in the case of Korea—the desire to reverse the effects of Japanese rule. For many Koreans, land reform may or may not have been desirable as an economic measure; however, a reversal of the land redistribution occasioned by Japanese rule was a necessity. One of the administrators of the reform in Korea, C. Clyde Mitchell, has clearly noted several of the problems faced in introducing land reform.

The direct goal was initially set by the U.S. Army as an anticommunist measure. However, even the simple measure of redistributing Japanese lands to Koreans took three years and considerable bureaucratic labor. The existing Japanese cadastral surveys were only useful as a guide—many boundaries had been consolidated, others washed away and new land reclaimed. A new survey had to be undertaken in 1946. American authorities moved for a more significant land sale that would lead to “land to the tiller.” Each piece of land was sold for three times its historical average annual production and the purchase was to be paid for in grain over fifteen years without interest. One does not need to look into the distant effects of land reform to see certain cautionary notes in the comments of Dr. Mitchell. On the need for land reform as part of a package he wrote

The American authorities felt that the chances for increased production on farm lands put into private ownership in Korea were good if fertiliser distribution and other services formerly landlord-furnished were maintained, and if the new owner could be convinced that the production increases would accrue entirely to him. (p. 16) And on the essential importance of speed he wrote somewhat paradoxically,

American experience in the land-sale program in Korea is convincing evidence that such programs must be ready to operate at full speed before they are announced.(!) (p. 19) No one has a good guess as to how such a requirement is to be fulfilled in a democracy. Dr. Mitchell goes on to record how several Koreans involved in the administration of land reform ruefully admitted how they could have become millionaires if only they had a little time to use their knowledge!

The greater part of transformed landlords became small business owners and were nudged out of the mainstream of the Korea capitalist class. The landlords initiative was taken away by the newly-rising capitalist class in the rearrangement process of capitalism and transformations of landlords into capitalists were carried out in the periphery. Some parts of landlords’ capital was transferred to new capitalists who shared in the benefits of aid-economy. In this sense, the transformation during the period made only a partial contribution to the construction of Korean capitalism. Since the Korean war broke out during 1950-1953 right after the land reform in 1949, the agricultural production sharply decreased. Thus, the government had to reduce taxation to farmers. Furthermore, only about 50 percent of the scheduled repayment to distributed land was made.

Land reform encouraged the founding of educational facilities and increased the demand for education, since many small-sized farmers could earn higher agricultural income, and lots of landlords founded private schools with land-compensation bonds. Therefore, land reform took a great role in human capital accumulation. Though land
reform contributed to increase agricultural income to some extent, it is hard to say that land reform played a role in reducing poverty in agriculture. Instead, the Saemaul Movement (new village movement) or rural industrialization, had substantial effects on poverty reduction in rural areas. The example of South Korea again reminds us of the lessons from Taiwan: insofar as the agricultural population is directly helped by land reform, this is due to the impact on non-farm employment; the long-run indirect effect of land reform lies in the stimulus it gives to education.
V. The problems with land reform in Latin America have been dealt with at considerable length by many authors, notably Solon Barraclough, Peter Dorner, Alain de Janvry and many others. Drawing upon its roots in the “Institutionalist” tradition (a misleading term nowadays) the Wisconsin school has long made careful studies of equity based issues. A short and readable review of the literature is provided by Peter Dorner (1992). While Dorner is careful and qualified, he nonetheless ends by wishing real land reform were undertaken. Dorner is quite correct on the importance of seeing institutions as embedded within economic structures and in the primacy of human resources for economic development. Nonetheless, the case he makes for land reform needs to be challenged. Not so much directly, for Dorner is a careful scholar fully aware of the limitations of research, but rather by juxtaposing all his qualifications and showing that these can negate his primary argument.

The reasons for the failure of land reform in Latin America—now a consensus view—need not be examined in detail on a country basis but we can begin by noting Dorner’s own concern with the limitations of land reform: (p. 35). These include the lack of specific criteria for quick land-taking procedures, with resulting delays, litigation, and inaction, ie., speed is hard to achieve. Next, state budgets cannot handle the requirements that all expropriated land be purchased with immediate cash payment at market prices, hence financial restrictions confine any reform to relatively small areas. Whatever confiscation is supported is subject to complex and excessively legalistic procedures. The land reform is subject to legal subterfuge in that we have high retention limits for expropriated landowners, plus primary emphasis on settlement in new areas, while the land tenure structure in presently productive areas (where most of the infrastructural investment exists) goes untouched. How can these limitations ever be overcome in a democracy?

Dorner is equally clear on the failures of cooperative agriculture. Indeed, such arrangements need to be thought out de novo because their earlier attraction was based on finding a non-individualistic structure that would allay socialism. (p. 53). The peasants themselves complained about cooperatives. In a survey conducted in the Dominican Republic (Stringer et al. 1985), the reasons given for division of land and privatization of operations were as follows: They noted the absence of rewards for hard work and the implicit subsidy on laziness, the needless control and mistiming of planting and weeding, the lack of transparency in book-keeping, and, perhaps most significantly, the inability of children to inherit. These complaints appear to be inherent to collectives, yet Dorner remarks “The complaints thus seemed to be directed not against the collective as such, but against the way the rules were designed and the seemingly arbitrary and rigid, almost capricious, manner in which they were carried out.” (p53)

While studies like that of Carrie Meyer show limited promise for associative farming, the dominant emphasis on private property in land seems to be a consensus. But this cannot be the last word because agriculture needs water and there seems no successful way yet to privatize water everywhere. No doubt Australia and the western United States have made considerable progress in private water markets, yet one has to equally respect the long and successful traditions of communal water sharing in countries like Taiwan.
While the Punjab has prospered most spectacularly from the adoption of high yielding varieties, it is Bengal and Kenala that are attracted most attention for their attempts to enact land reform and attain growth with equity. The long-standing Communist government in West Bengal has found critics on the far left (Mallick, 1989) but a balanced evaluation for John Harris shows how the Communists have skillfully forged a feasible path between the bourgeois of Calcutta and the disinterest of the Central government. It is also clear that the “land reforms” are not a major component of the recent agricultural prosperity of West Bengal.

Kerala’s egalitarian social activism has long attracted attention and an eloquent plea on the behalf of such a development model is presented by Richard Francke (1990). Land inequality for tenants, but not for the landless, was substantially reduced while the caste system lost a substantial prop in material inequality. He finds that households which gained land strongly correlated with households that gained income. Even on his data however it is notable that some 65 percent showed no change in income status while another 15 percent actually lost. It is a tribute to Francke’s enthusiasm that he feels Kenala is still a desirable model. The EPW has had a sequence of articles on Agricultural Stagnation immediately after which studies in women’s status shows that progress achieved instantly does not last.

The realization that land reform cannot be discussed independently of the capabilities of the State leads naturally into a discussion of those provinces of India where land reform has been successful—Bengal and Kerala. Amidst the widespread stories of failures all over India, it is a welcome relief to read about the success in minimizing abject rural poverty in both these states. Nor can it escape anyone’s attention that both provinces have had Communist parties almost continuously in power. Is then Communism the solution in India—even though ejidos failed in Mexico, and the kolkhoz in the USSR? I venture to suggest that it is not so much land reform—indeed one finds much critical literature on both these success stories—that accounts for the rural prosperity of these areas but rather a more fundamental attribute provided by the Communists—honest, reliable governance. It is the failure of the bourgeois governments to provide the most elementary values of bourgeois public life that has allowed Communist governments to be so successful. More power to them!

The focus on governance also allows us to take a wider look at the effects of land reform. While the economic benefits of land reform in Taiwan remain unproven, one is struck by the multitude of testimony to the effect that the reform convinced ordinary people that the government was their government. The people showed their gratitude by making all sacrifices needed to educate their children. Over time, this provided a strong spark to the Taiwanese miracle. The real effects of land reform could have been non-economic and indirect. But there is no reason why the government has to use a land reform to convince the people of its good faith. There are a multitude of other ways to this goal. We see in the success of Indonesia and Malaysia that economic growth can well occur without land reform if the government is willing to invest the resources and ask the people to trust it.
VI. Let us see if we can work our way to a defense of land reform in an otherwise market based agrarian economy. It so happens that the Irish school of economic development first provided such a case in the 1730s. Ireland had been colonised for the benefit of the Anglican aristocracy, helped on by a middling rung of Scots-Presbyterians. The vast majority of the population, the Catholics—or ‘natives’ as they were referred to—had very few rights to property. Eventually, some members of the English aristocracy protested against the way in which Ireland was being bled and they complained about those landlords who never resided in Ireland—the ‘absentees’—most bitterly. To see the force of their argument it is useful to begin with the case for free markets put forth by Adam Smith. If we gather together the premises of Smith’s case (Mitchell, 1967), they state

1. Individuals wish to maximize wealth.

2. Individuals know better than governments how to maximize their wealth.

3. National wealth is the sum of individual wealth.

Points 1 and 2 serve to establish that individuals are most wealthy when left alone, while point 3 serves to transfer this conclusion to the nation. While Smith states these assumptions in dogmatic form in several places, he is also careful to qualify them in others. For example, he admits that all individuals need not wish to maximize wealth, but so long as most of them wish to do so his conclusions hold (Smith, 1937, pp. 324-325).

If we write down the exceptions granted by the more careful version of Smith’s thesis, they would read

1. Some individuals do not wish to maximize wealth.

2. Some individuals do not know better than governments now to maximize their wealth.

What if the few exceptional individuals referred to above hold most of the wealth of the country? How then would the Smithian mechanism work? This shows how the Wealth of Nations essentially ignores the thorny issue of distribution, which is precisely the least dispensable assumption in the case of Ireland. The Irish absentee landlords were living proof that wealth may come to be concentrated in entirely the wrong hands and thereby stifle the free-market engine of growth.⁵ It is widely accepted by modern development economists that a healthy agriculture is essential to sustain the drive for growth and the Irish emphasis was surely not mistaken. Later scholars have pointed out that, in addition to the scarcity of credit and absence of steady agricultural prices, and perhaps of as much importance, were the laws restricting and depressing the status of the Catholics and the uneasy security of the country resulting therefrom.

The repeated appeal to the legislature to “force” the Irish to their self-interest makes one see that in some circumstances Smithian self-interest may be inadequate. The

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⁵ While the absentees were the most visible embodiment of the lack of social responsibility and concern of the Irish upper classes, Berkeley clearly noted that one could live in Ireland and yet be an “absentee” (Berkeley, 1953, pp. 104, 144). In these and related queries the modern concept of “dependent development” is clearly described and criticized.
flow of ideas over time and space are illustrated by the support given by the Irish officials dealing with Bengal land reform, Imperial Affinities, S B Cook (Sage 1993)

Indeed Adam Smith himself drew such a conclusion in explaining the success of the American Colonies (WN, II, 572-73)

The problems caused by the excessive concentration of landholdings were of course obvious to observers in earlier centuries—all the more so since land was the overwhelming source of wealth. In analyzing the reasons for the backward nature of Ireland in 1612 Sir John Davies squarely laid the blame on the maldistribution of Irish lands and the excessive power of the Irish lords.

And besides, our great English lords could not endure that any kings should reign in Ireland but themselves; any, they could hardly endure that the Crown of England itself should have any jurisdiction or power over them. For many of these lords to whom our kings had granted these petty kingdoms did by virtue and color of these grants claim and exercise jura regalia within their territories, insomuch as there were no less than eight counties palatines in Ireland at one time. (Davies, 147)

The root of the problem lay in the fact that ownership of land brought many social, administrative and judicial privileges. Hence lords paid careful attention to all forms of social minutiae.

In many respects, Henri’s obsession with seigneurial privileges, no matter how minor, reflects the political and cultural meaning with which such rights were invested by nobles and their peasant tenants. Beyond their obvious economic value, seigneurial monopolies (or charges for their use) on mills, winepresses, and ovens, seigneurial ownership of certain pastures, streams, and woodlands, the seigneurial right to collect dues (lods et ventes) when property changed hands, and finally the right to administer justice, all demonstrated in the most pervasive fashion the seigneur’s control of the most basic necessities and activities of daily life. Given such conditions, no rent or seigneurial due was too small to be collected. (Amanda Evrish, 7)

What do we call a system where a small circle control all the wealth of an economy through their dominance of land?—Feudalism is the most appropriate generic designation. So land reform can have a basis when it deals with the transition from Feudalism. Reforms were attempted in various East European countries (Mitrany on Rumania) but there does not appear to have been much transfer of process across countries, e.g., Denmark in the last half of the eighteenth century (Friedman, 1972) or Irish tenant rights in the late nineteenth century (Vaughn, 1992). It is no surprise that land reform was popular after World War II. The nationalist, mainly middle-class, elites wanted land reform because it bound the poor to them and because it dispossessed traditional wealth. Today, the situation is vastly different.
VII. There are some models which purport to prove the value of land reform---given the importance of the policy, much too few. For example, a paper of Braverman and Srinivasan is based on the assumption that the landlord can adjust the amount of land leased so as to deny the tenant any increase in utility over his minimum. They present their most important result.

The utility equivalence has the fundamental implication that policies other than land reform... will leave the welfare of each potential tenant unaltered while affecting the level of output, the extent of tenancy and the welfare of the landlord. (64)

If the landlord can indeed control affairs so that the tenant fails to gain even a little, it is clear that nothing short of revolution will suffice. One has to wonder how peasants who are so powerless will ever effect a land reform. The common feature of such models is the absence of a differentiated peasantry and landowners, the absence of nonagricultural occupations and the inability to migrate to the cities (or flee to free lands).

A paper of Moene provides for landlords, smallholders and peasants, who are landless. Depending on the availability of land, the workers either rent land from landlords, go to the modern sector, join the informal sector or just subsist on the commons. The model thus provides a great variety of options and it compares poverty before and after land redistribution. Even in a static framework it can only conclude that land redistribution has unambiguous beneficial effects only in land poor countries. The definition of poverty used, however, is questionable as has been perceptively noted by Srinivasan.(1995)

Models of the reform process which try to incorporate political factors have also been formed. The results either fail to illuminate or provide insights at odds with the historical facts. Herschel Grossman examines the desirability of land reform from above and finds that the critical factor is the effectiveness of peasant extralegal activity. When the peasants cannot really engage effectively at “crime,” land reform is not in the landlords’ interest; only when the peasants are forceful criminals do the landlords find it worthwhile to buy off their hostility by giving them land. An entirely plausible conclusion—with or without analytics. Andrew Horowitz has a dynamic model of land reform in order to judge between the merits of one-time versus ongoing reforms. Horowitz finds that ongoing reforms can be beneficial, in the context of his model, is even a unique equilibrium set of reforms. The problem is that only one country, Mexico, can really be said to have had an ongoing set of reforms and in this case there is a vocal minority, if not an actual majority, opinion declaring the reform process a failure. One has only to think of the erosion in the faith in property that a policy of ongoing reforms would lead to in order to be skeptical of the value of a policy of continued reform. The theoretical literature which questions the value of land reform has somehow not attracted as much interest. One of the best known ‘facts’ from the folklore of agriculture is that risk is a very important factor guiding farmers. Srinivasan (1972) showed that the inverse size-productivity relationship is based, can be deduced from risk-aversion alone. This would make risk perception of considerable importance as an alternative to land reform, but the issue appears not to have been investigated. An early paper by Rosenzweig (1980) appears to be the only paper that attempts a comparative-static
analysis of the benefits of land reform in a model of some generality. His conclusions are generally negative, again a result that has been little noticed.

Alain de Janvry and Elisabeth Sadoulet, building upon the earlier work of de Janvry (1980), have carefully dissected both the fall of Latin American land reform policies and the possible alternatives. By setting up the land reform process as a game between three parties and focusing on the inertial effect of institutions, de Janvry and Sadoulet show how Land Reform effectively lost its fangs in the process of ‘legal’ acceptance. In a later paper, they turned this failure into a constructive program for the future of Latin American agriculture. This emphasized the output and foreign exchange generating properties of agriculture and looks positively to the role of non-form employment. The program is well described in a flow chart which is reproduced in an Appendix.

On the whole, the failure to envision the place of agriculture in a continually growing economy is perhaps one of the weaker points of the land reform programs. How is the importance of family farming seen within the ‘reformed’ economy? Are there considerable biases in our current measurements, as emphasized by Schmitt (1989)? Can the family farms, or small rural enterprises in general, be integrated into the general framework of economic growth? These are questions of policy importance, and the examples of Taiwan and China seem to suggest that focusing upon non-farm employment detracts from the emphasis upon land reform is a key element of growth.

VIII The idea of a land tax to substitute for land reform has considerable historical precedent. Indeed the first World Bank Mission, to Colombia, after World War II proposed a Graduated Land Tax. Albert Hirschman dealt with the subsequent history of this proposal in Journey’s Towards Progress. A U.N. mission is treated very seriously and Colombia tried to implement it. The real problem was the difficulty of obtaining an accurate cadastral survey of a “mountainous country with capricious weather.” Apart from the technical problems, Hirschman also saw an insuperable set of problems in obtaining such a survey in the existence of politically powerful landed interests, weak local administration, persistent inflation and economic development. He quotes approvingly the remark of T. Lynn Smith that it is much easier to have a revolution in Latin America than a really effective land tax. The pattern of land use examined by the World Bank Mission headed by Lauchlin Currie was a transitional phenomenon and Currie himself disavowed his tax proposal in later years. Hirschman himself does not seem to regret the failure of the land tax and argues that the failure of the landlords to tax themselves reflected more than short-sightedness and believes that the real explanation lies in the failure to raise taxes without specific new expenditures to lure us. This is a rather tame conclusion since one can hardly believe that a poor developing country will ever suffer from a surplus of desirable infrastructure. The puzzle is only deepened by the fact that a Colombian President asked exactly the right question 1959.

Either the forcible distribution of landed wealth with the natural violence that this method brings with it, or the patient, continuous and inflexible action of the state through taxation which converts the land into a means of production, whose ownership is justified by the income it produces. Faced with this alternative I am sure that Colombians shall not hesitate.
Hirschman notes the aftermath with an exclamation: "They did!" The puzzle of the land tax deserves further probing.

The suggestion that land taxes are preferable to land reform is one of the oldest policy proposals in the literature. Of course there are many problems with a land tax but all we have to ask ourselves is, which is easier and more desirable. Given the uncertainties of the data, the lack of understanding of the inverse size-productivity relationship, the dubious clarity of the success of land reform in East Asia, one would think that caution was advisable. A land tax is market friendly because taxes are a part of life in any market economy—confiscation of assets is not. One can raise and lower the tax in small increments if needed to suit current administrative or economic exigencies. Why should the landlords agree to such taxes—after all a large tax and confiscation do shade into each other? One has only to think of a situation where land reform is a real possibility—the people have been mobilized and they have articulate leaders—would the landlords rather be taxed or lose their lands at such a time? Even Peter Dorner accepts the value of the land tax. On the positive side, Dorner argues for the many merits of land taxation.

Ideally and theoretically, land taxation can encourage redistribution of income and access to income-earning opportunities in several ways:

1. A significant tax burden encourages landowners either to use their land more productively or to sell or lease it to people who will.

2. A tax with progressively higher rates as land value and/or parcel size increase may precipitate the sale of parts of large parcels in order to escape higher tax rates.

3. Land taxation requires records on landownership and some indication of productive potential based on soil quality, topography, and access to water. These records, if made public, increase the information available to potential buyers of land.

4. Revenue from taxation can be used to finance loans to prospective buyers and to underwrite developmental infrastructure. The unpopularity of the tax may be slightly diminished if it is apparent to taxpayers that the revenues benefit them in tangible ways.

Special penalties can single out particularly undesirable forms of tenure (absentee ownership) for heavier tax burdens while exempting farms of more desirable size or character (family farms). However, exemptions to a general tax can easily be counterproductive. Small farmers lack information and/or legal counsel needed to take advantage of the exemption, while large owners may find ways to avoid penalties, especially if the category of property to be penalized cannot be precisely defined and identified (Dorner and Saliba, 1981, 5).
However, this is just our point. Land taxation is just a simpler and more viable version of land reform. Why not begin with it?
IX  Wolf Ladejinsky is probably the most influential proponent of land reform in modern
times. Largely unknown in academic circles, he was one of the most widely sought after
“experts” in the period 1950-1970. George Rosen begins his obituary by saying "Wolf
Ladejinsky's name appears in few of the academic journals, but there is little doubt that if
someone from another world were asked to review the work of all economists who have
had the widest impact on their fellowmen, Ladejinsky's name would be high on the list". Ladejinsky began as a student of Soviet agriculture, initially hopeful of what the Soviets could achieve but by 1938 he had become critical of the Soviet grain farms. He was a quiet but influential figure in the land reforms McArthur initiated in Japan and by 1950 he was sought after by several governments. He was fair minded—noting how Taiwan was one of the few places where the peasants praised the Japanese—and driven by a desire to see the dispossessed of this world obtain a modicum of comfort and security. Many things need to be done but land reform comes first (356). Land tax is never seriously considered by him. He was certainly one of the most vocal figures to see the link between enforcing land reform and preventing the rise of Communism.

Many people wouldn’t hesitate to approve of a revolutionary movement if it is the only way the common man can secure his elementary wants. But we must realize how serious a threat an agrarian revolution could be at this point of history, even if the upheaval seems justifiable from that point of view. The only way to thwart Communist designs on Asia is to preclude such revolutionary outbursts through timely reforms, peacefully, before the peasants take the law into their own hands and set the countryside ablaze. But reforms, if they are to have a lasting effect, must come not only from opposition to Communism but from an honest purpose and plan to raise the status of the peasantry.

Ladejinsky made notes on each country he visited and the frank assessments he
provides makes for good reading. In Indonesia in 1956 he finds form to count more than
substance and in general refers to the “unbelievable way in which leadership and
government carry on” (299). He thinks it likely that land reform will bring about increased productivity but this is not essential to his advocacy (364). Ladejinsky constantly argues for security of tenure and credit for the beneficiaries of land reform. He is very appreciative of those governments that have the will to enforce these benefits for the peasants—as in Taiwan. The government must exhibit strong will and this will overcome all purported problems of enforcement and administration. The government has to earn the trust of the peasants and work with local leadership through appropriate village committees. After many years of patient and tireless effort, Ladejinsky appears to have given up by 1972.

Could this idealistic reformer have been more effective by heeding some of the caveats in his own analysis and thereby avoided such disappointment also? Ladejinsky clearly notes that no land reform is better than its enforcement (395) yet he never asks, “What makes for good administration or enforcement?” He continually appears to assume that all that is needed is a strong-willed government and village committees. Ladejinsky had only to read his own account of a trip to India in 1952 to see the writing on the wall. In the largest democracy, one with a commitment to socialism and one with strong links to the Soviet Union, Ladejinsky could not secure an invitation to examine the prospects for land reform. (He was actually brought in at the insistence of the U.S. government!) Did this not say something about the structure of a democracy? In
conversations with landlords and peasants Ladejinsky found the landed structure to be very bad because there were so many intermediaries—from 6 to 18—between the peasant and the landlord. However, even the discussion of land reform, inevitable in a democracy, had produced striking real effects. Landlords had started evicting tenants in anticipation of land reform—peasants, on the other hand, expected to get all the land free of cost, sooner or later. Anyone familiar with the forces prevalent in a democracy would be driven to ask what preconditions, if any, can ensure successful land reform. In his “Conclusions,” Ladejinsky clearly pointed out that the only reasonable goal was a limited one

There simply is not enough land to satisfy all claimants whose numbers are rising year by year. For this reason, without accelerating the rate of economic development in agriculture and industry, measures of land reform will achieve but limited results. Industrial development is particularly important as new jobs could be created to siphon off some agricultural labor and thus make a dent in the vicious circle of more people, less land, and growing poverty. This, however, does not in any way argue against the validity of reform measures; the issue in India is not one of solving the rural problem, but of palliatives capable of wiping out the worst features which condemn the farmers to a below-subsistence level of existence. It is a puzzle that Ladejinsky never seriously considered the implementation of an agricultural tax.
X. Land Reform is a policy measure unlike others because it is a form of expropriation that so many defenders of the market approve of. A President of the World Bank once called it “the whole basis of development” (Morris, 230). The impact of land redistribution is affected by so many factors that any clear conclusion appears to be a matter of faith. Yet it is surprising that one of the direct experiments performed has received very little notice. The descendants of the ship “Bounty”--a ship now famous in book and cinema because of the mutiny-- were provided equal amounts of land in 1859 as a settlement by the British government. By 1904, or about 50 years later, the land redistribution had reached the fairly unequal Gini coefficient of .4711. This is reinforced by the fact, not reflected in the coefficient, that there were a significant number of adults who owned no land at all (Table 5.3). It should be noted that under the simple subsistence conditions of the island, with access to fishing and free pasturage on most lands, this inequality of wealth was not reflected in a corresponding inequality of income. Nonetheless, the relative ease with which land inequality arises is a point that has not received adequate attention, especially since it indicates a need for strict controls if the effects of the initial land reform are to be maintained (Treadgold, 1988). One can go further and highlight the role of intergenerational changes in asset holding. In China for example the review of Brandt and Sands (1986) questions the assumption of increasing land concentration during a period of accelerated population growth, the nineteenth century. It should be noted that under the simple subsistence conditions of the island, with access to fishing and free pasturage on most lands, this inequality of wealth was not reflected in a corresponding inequality of income. Nonetheless, the relative ease with which land inequality arises is a point that has not received adequate attention, especially since it indicates a need for strict controls if the effects of the initial land reform are to be maintained (Treadgold, 1988). One can go further and highlight the role of intergenerational changes in asset holding. In China for example the review of Brandt and Sands (1986) questions the assumption of increasing land concentration during a period of accelerated population growth, the nineteenth century. In a more contemporary study, Deolalikar (1991) shows how the buildup of land seldom continues. Much of it is dissipated in a move towards the mean over the next two generations.

Much the same skepticism is reached by Solon Barraclough in 1970 after a careful review of Latin America.

Large-scale reform generally is revolutionary in that it changes political structures. Unless the groups pressing for agrarian reform can make their interests felt in the existing structure, reform cannot take place through the established political system. But if the political system has evolved sufficiently to make reform a possible “output,” it should be feasible to redirect other agricultural policies even without land reform. (Barraclough, 1970, 947)

It is not just the proliferation of examples that requires another look at land reform. The earlier literature implicitly assumed that the economy was a closed one and that food self-sufficiency was somehow necessary; the basis for many arguments was the inverse relationship between size and productivity, an empirically discovered relationships whose theoretical basis and empirical veracity have both received careful and critical attention. Nor has the import of theoretical papers like Rosenzweig (1978) or even Srinivasan (1972) been absorbed. In terms of its general theoretical orientation one is hard pressed to explain why land reform is not a special case of land taxation.

As a policy measure, land reform has been mostly discussed without the new political economy, where the fallibility of administrators is as much part of the datum as the facts of economics. (contra Dovring 1970) Land reform implementation is a case where political considerations can become paramount (dating back to 17th century Ireland), but this is one of the issues largely neglected in the literature. As time has gone on, even newer issues have arisen; for example, the older literature virtually ignored the
The thrust of a variety of studies, e.g., Taiwan, indicates that the role of non-agricultural activities is perhaps the most important factor in leading to prosperity. If we examine economies where agriculture has held its own or prospered without land reform, such as Indonesia or Malaysia, this point again comes to our attention. One of the unfortunate effects of Colonialism could well be the decay of once thriving non-farm activities, as in Indonesia. A thorough reworking of the role of agriculture in economic development is provided by de Janvry and Sadoulet (1989). They draw their insights from the fact that the only sector which appeared to ‘prosper’ during the difficult 80’s in Latin America was agriculture. The agricultural growth rate kept increasing and exceeded that of industry. This suggested a new strategy of using agriculture to bolster the growth of GNP by actively drawing upon (1) generation of foreign exchange by agriculture, (2) cheapening of non-tradables to keep domestic real wages high while nominal wages are stable, (3) generation of employment and retention of labor in agriculture, and (4) broadening of the domestic market for industry by linking it with new agricultural demand. (Some aspects of this reformulation were pointed out for Indonesia by Morley (1996).) The value of such analyses must be emphasized because it forces us to think—What do we want the agricultural sector do so over time?—and minimizes attention on—How do we alleviate current inefficiency and inequality?

The problems facing a dispassionate assessment of Land Reforms are immense because all the major causal forces are endogenous. Binswanger and Deininger also feel that there is not much hope for getting a reasonable theory, and that such a theory must face up to predicting inefficient outcomes as a possible ‘equilibrium’ solution. This being so, the economist interested in giving policy advice must make judgments and decisions about the empirical strengths of various unmeasurable forces.

The problem of inequity is undoubted—indeed it is a systemic property of Capitalism. Will more development occur if people change their attitudes or if people enact legislation? While favoring redistribution Binswanger and Doerner clearly note that we know so very little about those policy actions that people are willing to understand and accept: in other words, they are unable to find any clear theoretical presumption for redistributive land reform.

In conclusion, it may be useful to summarize our principal thesis as a series of points:

I. The economic case for Land Reform (ECLR) is based on
   A. Size-productivity claim.
   B. Various beneficial externalities - political, demographic, etc.

II. The Economic case against Land Reform is based on
   A. Lack of vision of economy-wide growth in ECLR - no fitting in of agriculture into industry is presented.
B. One shot nature of change - leads to its own dynamic inefficiencies in tenancy, size of form, technology.

C. Size-productivity nexus inadequately established.

D. Externalities such as gender and environment not covered by traditional case.

III. The Political Economy case for Land Reform is based on

A. Belief that existing ownership is unjust.

B. Democracies need egalitarianism.

C. Stability and peace can be ensured by reforms.

IV. The Political Economy case against Land Reform is based on

A. Past injustice too complicated to handle.

B. No democracy can provide the sort of land reform needed for stability and peace.

C. Land reforms as do happen, especially in democracies, end up being inefficient and disruptive.

Korea, Taiwan, and India serve as suitable illustrations.

Insofar as the ruling class is capitalistic, i.e., wealth-maximizing, the case for land reform is weak on both economic and political economy. Any of its promised benefits can be obtained by other means. When the literature refers to the landowning class as feudal, it must mean that they (a) are nonwealth maximizers, (b) exert noneconomic influence, e.g., judicial. The only remaining case for land reform then rests on the grounds that it is the only way to convert feudal society to capitalism. Does this mean that no action is warranted? By no means. A vast literature testifies to the unjustified advantages enjoyed by the rich—even in the USA (Strange, 1994). The government has a decided obligation to provide equal access to justice, titling, credit and agricultural extension. This constitutes a sufficiently wide scope of action for any government.

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6 Geertz’s widely read thesis of agricultural involution has led to a significant misreading of Indonesian agriculture and poverty that is still being corrected (Pierre van der Eng)
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