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LAND REFORM IN THE THIRD WORLD: WHAT WORKS AND WHAT DOESN'T

INTRODUCTION

In many less developed countries of Africa, Asia, and Latin America, agricultural production is the principal economic activity. This has made land reform an integral part of state economic planning in these countries. But the kind of land reform most commonly adopted has decreased agricultural output and even has led to mass starvation. Before United States policy makers advocate land reform programs, therefore, they must understand why land reform in general has failed and to discover how future land reforms might be developed that benefit less developed countries. Only in this way can land reform serve the goals of American foreign assistance to promote economic development and eliminate hunger.

Land reform is seen by many Third World leaders as a means to return to peasants land that had been taken from them, to distribute wealth more equitably, and to increase agricultural output. While land reform in some cases seeks to settle unoccupied areas, for the most part it requires that land be confiscated from owners, sometimes outright although usually with compensation, typically representing a fraction of the land's market value.

In some revolutions, as in El Salvador and Vietnam, both sides have favored land reform. The U.S., meanwhile, has supported and helped finance land reform in many non-socialist countries, especially when these countries have been threatened by Marxist takeovers.

Leverage or Grace. There are two types of land reform: The first is reform via political or economic leverage; the second is reform via what is called "grace" or the "generosity" of the lord, landowner, or central political authority. Reform via leverage occurs when farmers use some form of economic or political power to extract greater freedom to use the land and dispose of their crops, or even to acquire property titles, from the lords,

kings, or owners of the land. They might, for example, form alliances with other powerful lords or interest groups, or use their ability to supply food as leverage to acquire rights to the land.

In reform via grace, the farmers acquire nominal rights from the lord, landowner, or authority, but have no real power to defend these rights if the authorities choose to revoke them. Often the political authorities retain actual control of farms, for example, by dictating what farmers must grow, where they must purchase seeds and other inputs, and at what price they must sell their crops.

Typically Third World governments have not viewed land reform as a way to raise rural living standards. Instead, these governments see the countryside as a source of cheap food for the politically powerful and volatile urban areas, particularly the capital. Food also has been used as an export, to earn hard currency for consumer goods for the urban areas. Such policies, of course, require that the peasant be paid very little for his crops. Predictably, therefore, the peasant loses the incentive to work hard and produce much more than his family's needs. In these cases, land reform benefits neither the peasant to whom the land has been given nor the general economy.

Silent Americans. U.S. Agency for International Development (AID) officials, assigned to distribute foreign aid funds and economic advice in less developed countries, often are silent in the face of economically unsound land reform. In some cases AID officials have endorsed such reforms and helped in their planning. Less developed countries suffering economic stagnation and foreign debt burdens can ill afford to continue to discourage food production by their own people. The U.S. can help prevent this by using its foreign aid funds and influence to promote land reform based on sound principles. These include: individual rather than collective ownership of land; the freedom of farmers to grow what they wish, to purchase seeds and other inputs or borrow money from private suppliers, and to sell to whomever they wish at free market prices; and protection by the law and by political authorities of these rights.

THE EVOLUTION OF PROPERTY RIGHTS

Land differs from other economic commodities. It is immobile, virtually indestructible, and has a greater number of uses than most commodities. The economic value of land, therefore, can be thought of as a bundle of rights to use the land, including the right to farm, to harvest, to walk over the land, to build upon it, to extract minerals from it, and to hunt on it. Often different rights are held by different individuals or by individuals with inherited positions, such as kings, barons, counts, or sheiks, that entitle them to certain rights to the land. Each right often has carried an obligation to a "superior" power such as king, feudal lord, tribal chief, or state. Example: under the feudal regime in medieval Europe, a king, who by nature of his position owned all land in his kingdom, would allow lesser nobles to exercise control over parts of the land in exchange for military service.

Changing Tenure Systems. Land tenure systems have changed over the centuries. Western society has come to accept a concept of "ownership" similar to that of the Roman law that preceded feudalism. Under this, the various uses of land – for example, for farming, hunting, and location of dwellings – all are defined as the rights of a single owner rather than as rights held by different individuals or royal title holders. Still, in Western society political authorities usually retain the rights of zoning, of imposing health and safety restrictions, and of acting against behavior deemed criminal or injurious to social peace that occurs on a person's private property. In extreme cases the power of eminent domain allows the government to take property, with compensation paid to the owner, when necessary for a public project like a road. Generally, however, in Western society a person is assumed to enjoy all of the rights attached to property.

In many parts of the Third World before World War II, landholding systems resembled either European feudalism or pre-feudal tribalism more closely than they did modern Western systems. Land was often held in common by African tribes, whose chiefs would define rights and responsibilities according to tribal custom. In Latin America, much land was held in vast haciendas by those who wielded political power to prevent the poor from obtaining property. This was similar to European feudalism, with serf labor bonded to the land and the lord by indebtedness or by law, and private "justice" administered by the landowner.

After World War II, therefore, land reform has aimed at redistributing property in a manner considered more equitable. It also sought to redefine property rights in accordance with the Western concept of individual ownership on which the modern market system is based.

LAND REFORM BY LEVERAGE AND LAND REFORM BY GRACE

History records two general types of land reform: by leverage and by grace.

A land reform by leverage occurs when the tillers, through their own political strength or through alliance with stronger powers, force the kings, lords, or nominal landowners to grant them greater and greater freedom to use the land and to dispose of the crops produced on it. European feudalism was dismantled by the leverage of serfs, who formed their own organizations, similar to unions and courts of justice, and then bargained with their lords. Their strength lay in their ability to supply food, which the lords could not produce on their own, and their ability to ally with one lord, king, or the church in competition with another, extracting concessions as the price of alliance.

Selling on the Market. Through this, European peasants first transformed themselves from serfs to freemen. Next they converted their labor obligations to their lords into cash rents, and began to sell their produce on the market rather than deliver it to the lord. Later they gained the right to sell their land.

As the lords became more subject to the monarchy, the rents paid by the peasants became indistinguishable from taxes. Thus taxable land held as property by those who farmed it appeared in practice before it was recognized in the codified legal system. The evolving legal system and parliamentary democracy completed the set of rights, powers, and obligations that have become the modern land tenure systems. Under the Western legal system, the right to property has meant that the political authorities generally cannot interfere with the use and disposal of land by its owners.

No Guarantee of Rights. By contrast, land reform by grace occurs when a "gracious" government, ostensibly in the interests of "its" peasants, confiscates land from feudal or other claimants and redistributes it to the poor. Almost always, however, the poor neither have nor receive real political power. There is no guarantee of their rights and the law does not protect property. The government retains the power to control agricultural activities on the land. The political authorities can take back at any time whatever minor freedoms might be given to the landless.

Land reforms by grace have occurred in ancient Greece and Rome, in China many times throughout the centuries, in the Middle East and other Asian countries. The British tried a number of land reforms by grace in their Indian territories.

Problems with a "Gracious King." No land reform by grace has lasted. There have been several reasons for this. First, although done in the name of the peasant, a reform by grace virtually always benefits the power that undertakes it. The gracious king confiscates land from his enemies, or from nontaxpaying nobility, and gives it to peasants whom he can tax. In one way or another, the gracious power exacts "compensation" from the peasant beneficiary. Second, in land reforms by grace, the king or central political authority retains the power to take back the land, force the peasants into bankruptcy, or to control the peasants' use of the land and the sale of their crops.

The inadequacy of land reform by grace has been recognized by Chinese historians in their descriptions of the dynastic cycle. Many new Chinese dynasties began their reign by distributing land to the peasants. As the central government increased peasant taxes to fight its wars and to meet the burdens of a growing population, the peasants returned their lands and themselves (as serfs) to the tax-exempt nobility.

MODERN LAND REFORMS BY GRACE

Land reform can be accomplished in a number of ways. In the case of Paraguay, for example, the government assisted farmers in moving into largely empty, uncultivated land, sometimes in distant parts of the country. More common is the practice in parts of Mexico of expropriating large estates and turning them into cooperatives to which farmers must belong in exchange for the privilege of tilling the soil. In Egypt, the owners of large

estates were required to sell portions of their land to the government, which distributed plots to individuals.

Virtually all contemporary land reform of the Third World has been by grace, leaving the peasant weak in relation to central political authorities. A lack of confidence in their titles to their land and crushing restrictions imposed by government have been factors in the decisions of many farmers in less developed countries to abandon the land and migrate to the cities.

Peasants Benefit Little. Often government involvement in the agriculture sector that accompanies reform by grace ostensibly is meant to benefit the peasant. For example, farmers might be promised subsidized credit if they borrow exclusively from government banks. They might be promised assured sources of seed, fertilizer, and other inputs if they purchase exclusively from government suppliers. And farmers might be promised assured markets for their crops if they sell exclusively to government marketing boards.

In practice, the peasants have benefitted little from this government involvement. For one thing, governments in less developed countries have proved to be very inefficient and wasteful. For another, the socialist ideologies accepted by many of these governments mandate maximum central control and planning of economic activities.

Finally, the need to establish a strong base of political support by handing out public sector jobs causes governments, and budgets, to grow. The system's economic inefficiencies shrink the tax base. As the government seeks new sources of revenue, it turns to the agricultural sector. The system of state agencies involved in the regulation of agriculture allows easy government exploitation of farmers as a means to meet other budget and interest group needs.

Extorting Profits. Third World countries use a number of techniques to extract the agricultural surplus from peasants. Example: they require farmers to sell their output to state agencies, such as agricultural marketing boards, at prices set by the state. These prices are nearly always below the actual market value of the commodities and sometimes below the cost of production. The government pockets the extorted profit or provides cheap food for its urban political base.

Governments often require farmers to buy their inputs, such as seed and fertilizers, from state agencies, at prices set to benefit the state. Often farmers can acquire credit only from state-owned banks, at subsidized rates of interest. But the scarce credit usually goes only to political favorites. Poor farmers frequently cannot get any.

Governments in less developed countries often require farmers to join "cooperatives" set up by the state, to which farmers must sell their crops. Instead of being run by the farmers themselves to serve their own interests, these "cooperatives" are agencies by which the state buys crops from farmers in bulk at low prices or to which it sells inputs at high costs, which the cooperative must recoup from individual farmers. Dealing with a single unit

allows the government more efficiently to extract the agricultural surplus from farmers.

DESTROYING THE RURAL CULTURE

Land reformers in Third World governments often view rural folk as ignorant and unsophisticated, who must be guided, if not coerced, into the ways of modern life. Yet a growing body of anthropological literature debunks this myth of the "ignorant poor." It has been found, for example, that peasant communities typically evolve economic cultures that facilitate production. They have their own marketing and credit systems. Often the market is the village green. Peasants bring crops and other goods on designated market days and sell their products at prices determined by mutual agreement between buyer and seller.

The credit system usually depends on local moneylenders. Such creditors frequently are women, who dole out credit for flexible numbers of days rather than on rigid bank schedules. They might lend fertilizer by the spoonful. They do not demand filling out the multiple forms and providing the security required by formal banks. Their personal acquaintance with the borrower often eliminates the need for collateral. The Third World's poor do not lack entrepreneurship.

The Meaning of Black Markets. When governments demand, as part of a land reform program, that farmers borrow only from approved banks and buy and sell only through state agencies, the local economic culture, which often has existed for centuries, is quashed. In many Third World countries, activities normally undertaken by localities, such as the regulation of markets or traditional uses of the land, are subsumed by the central government. Yet local governments could provide just the political leverage and real political support for local farmers necessary to counter infringement on property rights by central governments.

The existence in less developed countries of massive black markets for the production, transportation and distribution of agricultural goods demonstrates two important points. First it shows that government policies have failed to such an extent that only by ignoring government restrictions can people survive. Second, it makes clear that local farmers are good entrepreneurs and capable of productive activity without, and sometimes in spite of, government controls

CASES OF FAILED LAND REFORM

Tanzania

Tanzania has become the classic case of a country that destroyed its agricultural sector through socialist policies. At the time of independence in 1961, Tanzania was a food exporting country. At first, the new government

maintained a balance of private enterprise with government intervention. As such, Tanzanian agricultural and industrial output grew for the first six years of independence.

In the Arusha Declaration of 1967, however, Tanzanian ruler Julius Nyerere gave the central government greater control of agriculture with the ultimate aim of collectivization. Local tribal chiefs were stripped of all political, administrative and judicial powers. The government in Dar es Salaam and Nyerere's political party, the Tanganyika Africa National Union, sought to control all economic activity.

Central to Nyerere's blueprint for socialist agriculture was the requirement that Tanzanian peasant farmers move to socialist (*Ujamaa*) villages, where the government was supposed to provide schooling, electricity, water, transportation, and health services. In most *Ujamaa* villages, people were expected to work mainly on collective farms. Farmers received instruction from government agents on how and what to plant. They were required to purchase their inputs from and sell their output to state agencies.

The Arusha Declaration and the *Ujamaa* villages led to disaster. When farmers balked at relocating, the government ordered the army out to move them forcibly. When some peasants fled back to their original homes, their homes were burned. Forced into the government's credit and marketing system, farmers balked again, selling their goods on the black market where they received better prices for their crops or more timely payment. The stifling government policies, meanwhile, depressed agricultural productivity. Shortages then plagued the government food stores. Agricultural output per capita decreased throughout the 1970s by an average of .87 percent annually, in contrast to annual growth rates of 2.38 percent in the 1960s (see Table 1).

Only in 1987, under pressure from the International Monetary Fund, did the Tanzanian government allow farmers to make their own choices once again concerning the production of crops. The result is increased agricultural output. In 1987 Tanzania's per capita income increased for the first time in years.

Yet there are signs that the old statist policies are difficult to change. Recently President Ali Hassan Mwinyi, who succeeded Nyerere in 1985, again cracked down on farmers who, due to the inefficiency of the government's distribution system, were selling their crops to private distributors for transportation to market.

Egypt

Land reforms in 1952 and 1969, which reduced the size of large estates, converted Egypt into a country of mostly small, private farmers. Before 1952, 45 percent of cultivated land had been owned by 1.2 percent of all farmers. The other 55 percent had been owned by the remaining 98.8 percent of farmers. By 1975 the one percent of farmers owning the largest estates held only 28.7 percent of the land while the remaining 99 percent of small farmers

Table 1
Average Annual Rates of Agricultural Growth Per Capita
(percent)

Country	1960s	1970s	Average
More Developed			
Britain	1.54	1.81	1.67
Canada	0.34	1.53	0.93
France	1.82	1.30	1.56
Germany, West	1.13	1.25	1.19
Germany, East	3.13	1.67	2.40
Italy	2.10	1.85	1.98
Spain	1.54	0.89	1.21
United States	0.72	1.10	0.91
Less Developed, market-oriented economies			
Bolivia	1.74	-1.10	0.31
Ivory Coast	2.56	0.93	1.74
Paraguay	-0.38	1.44	0.53
Less Developed, controlled economies			
Algeria	-2.31	-1.87	-2.09
Botswana	-0.03	-3.92	-1.96
China	1.09	2.25	1.67
Egypt	0.21	-1.30	-0.55
India	-0.16	0.78	0.31
Indonesia	0.24	2.39	1.31
Iran	0.69	0.12	0.41
Mexico	-0.24	-0.08	-0.16
Peru	-0.79	-2.39	-1.59
Philippines	-0.37	0.45	0.04
Somalia	-0.23	-4.68	-2.48
Tanzania	2.38	-0.87	0.75
Turkey	0.24	0.56	0.40
Venezuela	0.89	-1.88	-0.50
Zambia	-0.60	-2.31	-1.46

Source: Calculated from Food and Agriculture Organization *Production Yearbooks*.

owned 71.3 percent of the land. Unlike the situation in Tanzania, farmers were given title to private plots.

However, as part of land reform, farmers were required to buy their seeds, fertilizer, and other inputs from government-controlled cooperatives and to sell much of their output back to the cooperatives. The government eventually also became the monopoly purchaser of certain export crops, such as cotton, as a means to control foreign exchange. In addition, farmers were required to follow the advice of government agronomists concerning planting and other technical matters.

Former owners of large estates who retained small but still substantial holdings after land reform used bribes and political influence to receive special permission from marketing boards to diversify into unregulated and profitable crops such as fruits. Poorer farmers, however, could grow only what was required by the government, selling at low, controlled prices. The government used marketing coops to pay farmers low prices for basic commodities to keep food inexpensive for the urban masses. The income of poor farmers increased by 2 percent between 1960 and 1975, while the income of rich farmers with political connections went up by 27 percent during that period.

Egypt's agricultural output per capita declined during the 1970s at an average rate of 1.3 percent per year. Today, Egypt must import wheat and sugar. Recent government attempts to cut its budget deficit by reducing food subsidies paid to consumers and increasing food prices have triggered riots. This demonstrates that once the state distorts the market process, high economic and political costs are required to correct the situation. Momentary political stability often requires a continuation of policies that will lead to ever deeper economic and agricultural disaster.

Mexico

Land reform in Mexico dates from the Revolution of 1910-1920 and accelerated significantly in the mid-1930s under President Lazaro Cardenas. Periodic expropriations have occurred since that time. The actual redistribution process has taken place over decades.

In Mexican land reform, large holdings, called haciendas, have been expropriated and divided among small farmers in two ways: 1) as small, private holdings, mainly in the south and southeast of the country, and 2) as *ejidos*, or cooperative villages, mainly in the north. The *ejidos* sometimes are farmed collectively, sometimes by individuals on separate plots of land and sometimes with a mixture of both. The land usually cannot be sold, though the use of individual plots can be inherited. A farmer who leaves his *ejido* land loses it.

Many *ejido* farmers are forced to produce export crops that must be sold to the government at below market prices. Government direction of production on *ejidos* gives little incentive to farmers to increase output. For example, in

the province of Morelos, farmers in the early 1970s earned $7 to $11 per hectare per month from sugar production and $26 from rice. If farmers had been free from government direction, they could have earned $40 per hectare per month by growing tomatoes or hay.

Mexico offers a comparison between private and collective, government-directed farmers. From 1929 to 1959 the average compounded annual production growth in agricultural output was 2.8 percent in the South Pacific region of the country, with its high concentration of private farmers. In the *ejido*-dominated north, the growth rate was only .8 percent. Overall, Mexican agricultural output has not kept up with population growth, forcing Mexico to import food.

Peru

In 1968, in part due to violent attempts by peasants to take over large, underutilized tracts of land owned by rich individuals, the Peruvian military took power, promising true land reform. The new military rulers then expropriated land and sold it to farming cooperatives supposedly to be run democratically by the peasant farmers. However, during the period of decades that it would take the farmers to pay for the land, the coops were subject to government restrictions and supervision.

As in the case in other land reforms by grace, state agencies were set up to sell inputs to farmers, buy their outputs at controlled prices, and to provide them with credit. Farmers were forbidden to use other sources.

Gradually the state began to dominate all agricultural functions, particularly sugar, a chief export crop. During the 1960s, before revolutionary land reform, Peru's agricultural output per capita declined at an annual rate of .79 percent. Land reform accelerated this decline to an annual average of 2.39 percent in the 1970s. And while Peru was exporting 462 million metric tons of sugar in 1974, by 1981 it has to import 158 million metric tons. Aware that land reform had failed, the government since 1980 has been parceling out cooperative land to small private farms.

PARTIAL SUCCESS STORIES

Bolivia. As Table 1 indicates, a few less developed countries have allowed market forces to operate in agriculture. Bolivia is one of them. The great distances, mountain barriers and thick jungles between the seat of power in La Paz and the farmers in the countryside, combined with weak and unstable governments, made it impossible for the authorities to control the farmers. Acting on their own, farmers set up market centers, carried their products on their own trucks, organized their own system of credit, and managed to make livings above the subsistence level and to increase their productivity during the 1960s.

Bolivia's hyperinflation of the past decade, however, has hurt agriculture. As the peso boliviano became worthless, the economy reverted to a virtual barter system. With no worthwhile medium of exchange for which to sell their crops, farmers tended to grow only what they could consume.

Paraguay. In Paraguay, land reform mainly has resettled farmers on unoccupied land and then has left them alone. At first agriculture stagnated as great numbers of farmers moved into areas in which there were no roads, markets, or developed facilities for buying, selling, and credit. By the 1970s, as these institutions began to develop, agricultural output per capita grew a healthy 1.44 percent annually.

Indonesia. Indonesia is the only country in this study with a controlled economy in which agricultural output per capita has grown by more than 1.0 percent annually during the two decades. The reason for this is the new strains of rice rather than the government land reform policy.

China. In China, output per capita increased during the early 1960s mainly because the "Great Leap Forward" in the late 1950s left the country so severely depressed that there was little way to go but up. In that period of intensive communization the government insisted on diversifying the communes by introducing "backyard" industry like small steel mills. These were uneconomical and diverted labor from crops that then rotted in the fields.

In the late 1970s, however, Chinese leader Deng Xiaoping greatly liberalized the rural economy. While farmers still must deliver minimum quotas to the state at controlled prices, they have their own small plots, on which they can grow what they like, sell where they like, at whatever prices the market offers. This new incentive has ignited Chinese peasant productivity, transforming China from a food-deficit country into one that generally is self-sufficient. China has demonstrated the potential of the free market.

RECOMMENDATIONS

While land reform usually is planned and carried out by the governments of the less developed countries themselves, the U.S. can influence the direction of such reforms. The U.S. Agency for International Development is charged with distributing foreign assistance funds and economic advice to Third World countries.

In the past, AID officials often were silent in the face of land reforms that left governments rather than individual farmers in control of agricultural production. In some cases, AID officials have endorsed such plans and even provided indirect financial assistance. In El Salvador in the 1980s, for example, AID officials backed the establishment of a government marketing board for coffee. As a result, coffee production fell substantially.

Using Historic Models. The U.S. should favor land reform. It must be, however, land reform based on historic models that have increased food output and improved rural living standards. The U.S., through AID, should:

1) Recommend only land reform that results in ownership of land by individuals.

History teaches that, for the most part, farm land is best used when individuals hold titles to property.

2) Oppose such forms of government control of agriculture as state marketing boards, price controls, and exclusive state sources of farm inputs.

Even when land is technically the property of individuals, they do not enjoy the full rights of ownership if they are prohibited from planting what they wish and from engaging in buying and selling with other private suppliers and merchants. U.S. AID officials should oppose such controls.

3) Promote divestiture of state-owned or controlled lands to individual farmers and the abolition of state institutions that control the agricultural sector.

Land reform today in most cases must entail undoing the mistakes of past land reforms. AID should develop plans for deregulation and divestiture and provide funds if necessary to help in the transition to free markets. In this transition, collective farms should be converted to individual, private plots for those who till the land. In the case of government established cooperatives, as part of a complete privatization effort, individual farmers should be allowed to sell their shares in the coop if they do not wish to be members. Government marketing boards, meanwhile, should be phased out. AID could provide financial assistance to cover short-term transition costs. Also eliminated should be government monopolies on supplying agricultural inputs, on transporting crops to market, and on marketing produce.

4)Promote privatization of government enterprises that provide agricultural inputs, transport, marketing, and other support functions.

Where these functions cannot survive without government subsidies or favors, they should be shut down. In cases of privatization, workers should receive individual shares of the new private company.

5) Urge strongly that the legal protection of property rights be part of land reform.

Land reform through the grace of political elites usually fails because the farmers themselves obtain no real political power by which to resist infringements on their rights. Only in a democratic system, in which the people have effective control of the government and in which laws are meant to protect the rights of the people from government abuses, can land reform and free markets work. When AID officials devise strategies to overcome the problems of past land reforms, they must make the protection of property rights a critical component of their plan.

CONCLUSION

The old structures of land tenure in less developed countries — communal and tribal, or feudal hacienda type — typically are economically inefficient. Land reform often has been viewed as the only means to improve the situation. Painfully, however, Third World nations have learned that many kinds of land reform create more problems than they solve. It often has been a new, wasteful agricultural arrangement: farms governed by a central political authority that extract all profits from the agricultural sector, leaving little incentive for farmers to be productive.

Future land reformers therefore must treat the land reforms of the past as a problem needing to be dealt with.

The world's most successful land tenure systems have been based on private property, with title vested in owners who have the right to buy, sell, mortgage, and bequeath their property. Title to land should not be linked to any restriction of freedom to buy inputs, obtain credit, or sell outputs to whomever the farmer pleases, at whatever price he can obtain. While government advice or credit to farmers might in some cases be useful, there should not be a government monopoly in these areas.

The U.S. government should continue to support land reform in the Third World — but only when that reform leads to private ownership of land by the peasant farmer who formerly tilled it as tenant or serf, and only when the reform is completely distinct from agricultural price controls, forced procurement, or monopoly purchases of farm output.

Peasants prior to reforms usually had their own systems of marketing and credit, which at least allowed for local production and distribution of agricultural goods. Botched land reform often has made the situation worse and resulted in extensive black markets for the sale, transportation, and marketing of agricultural products.

As populations in the Third World increase, an expanding, efficient farm sector is critical. Farmers in less developed countries are hardworking and entrepreneurial. What they lack is economic liberty and the full protection of their rights by the governments of their countries.

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The Center for International Economic Growth

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Typically Third World governments have not viewed land reform as a way to raise rural living standards. Instead, these governments see the countryside as a source of cheap food for the politically powerful and volatile urban areas, particularly the capital. Food also has been used as an export, to earn hard currency for consumer goods for the urban areas. Such policies, of course, require that the peasant be paid very little for his crops. Predictably, therefore, the peasant loses the incentive to work hard and produce much more than his family's needs. In these cases, land reform benefits neither the peasant to whom the land has been given nor the general economy.

Silent Americans. U.S. Agency for International Development (AID) officials, assigned to distribute foreign aid funds and economic advice in less developed countries, often are silent in the face of economically unsound land reform. In some cases AID officials have endorsed such reforms and helped in their planning. Less developed countries suffering economic stagnation and foreign debt burdens can ill afford to continue to discourage food production by their own people. The U.S. can help prevent this by using its foreign aid funds and influence to promote land reform based on sound principles. These include: individual rather than collective ownership of land; the freedom of farmers to grow what they wish, to purchase seeds and other inputs or borrow money from private suppliers, and to sell to whomever they wish at free market prices; and protection by the law and by political authorities of these rights.

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Land differs from other economic commodities. It is immobile, virtually indestructible, and has a greater number of uses than most commodities. The economic value of land, therefore, can be thought of as a bundle of rights to use the land, including the right to farm, to harvest, to walk over the land, to build upon it, to extract minerals from it, and to hunt on it. Often different rights are held by different individuals or by individuals with inherited positions, such as kings, barons, counts, or sheiks, that entitle them to certain rights to the land. Each right often has carried an obligation to a "superior" power such as king, feudal lord, tribal chief, or state. Example: under the feudal regime in medieval Europe, a king, who by nature of his position owned all land in his kingdom, would allow lesser nobles to exercise control over parts of the land in exchange for military service.

Changing Tenure Systems. Land tenure systems have changed over the centuries. Western society has come to accept a concept of "ownership" similar to that of the Roman law that preceded feudalism. Under this, the various uses of land — for example, for farming, hunting, and location of dwellings — all are defined as the rights of a single owner rather than as rights held by different individuals or royal title holders. Still, in Western society political authorities usually retain the rights of zoning, of imposing health and safety restrictions, and of acting against behavior deemed criminal or injurious to social peace that occurs on a person's private property. In extreme cases the power of eminent domain allows the government to take property, with compensation paid to the owner, when necessary for a public project like a road. Generally, however, in Western society a person is assumed to enjoy all of the rights attached to property.

In many parts of the Third World before World War II, landholding systems resembled either European feudalism or pre-feudal tribalism more closely than they did modern Western systems. Land was often held in common by African tribes, whose chiefs would define rights and responsibilities according to tribal custom. In Latin America, much land was held in vast haciendas by those who wielded political power to prevent the poor from obtaining property. This was similar to European feudalism, with serf labor bonded to the land and the lord by indebtedness or by law, and private "justice" administered by the landowner.

After World War II, therefore, land reform has aimed at redistributing property in a manner considered more equitable. It also sought to redefine property rights in accordance with the Western concept of individual ownership on which the modern market system is based.

LAND REFORM BY LEVERAGE AND LAND REFORM BY GRACE

History records two general types of land reform: by leverage and by grace.

A land reform by leverage occurs when the tillers, through their own political strength or through alliance with stronger powers, force the kings, lords, or nominal landowners to grant them greater and greater freedom to use the land and to dispose of the crops produced on it. European feudalism was dismantled by the leverage of serfs, who formed their own organizations, similar to unions and courts of justice, and then bargained with their lords. Their strength lay in their ability to supply food, which the lords could not produce on their own, and their ability to ally with one lord, king, or the church in competition with another, extracting concessions as the price of alliance.

Selling on the Market. Through this, European peasants first transformed themselves from serfs to freemen. Next they converted their labor obligations to their lords into cash rents, and began to sell their produce on the market rather than deliver it to the lord. Later they gained the right to sell their land.

As the lords became more subject to the monarchy, the rents paid by the peasants became indistinguishable from taxes. Thus taxable land held as property by those who farmed it appeared in practice before it was recognized in the codified legal system. The evolving legal system and parliamentary democracy completed the set of rights, powers, and obligations that have become the modern land tenure systems. Under the Western legal system, the right to property has meant that the political authorities generally cannot interfere with the use and disposal of land by its owners.

No Guarantee of Rights. By contrast, land reform by grace occurs when a "gracious" government, ostensibly in the interests of "its" peasants, confiscates land from feudal or other claimants and redistributes it to the poor. Almost always, however, the poor neither have nor receive real political power. There is no guarantee of their rights and the law does not protect property. The government retains the power to control agricultural activities on the land. The political authorities can take back at any time whatever minor freedoms might be given to the landless.

Land reforms by grace have occurred in ancient Greece and Rome, in China many times throughout the centuries, in the Middle East and other Asian countries. The British tried a number of land reforms by grace in their Indian territories.

Problems with a "Gracious King." No land reform by grace has lasted. There have been several reasons for this. First, although done in the name of the peasant, a reform by grace virtually always benefits the power that undertakes it. The gracious king confiscates land from his enemies, or from nontaxpaying nobility, and gives it to peasants whom he can tax. In one way or another, the gracious power exacts "compensation" from the peasant beneficiary. Second, in land reforms by grace, the king or central political authority retains the power to take back the land, force the peasants into bankruptcy, or to control the peasants' use of the land and the sale of their crops.

The inadequacy of land reform by grace has been recognized by Chinese historians in their descriptions of the dynastic cycle. Many new Chinese dynasties began their reign by distributing land to the peasants. As the central government increased peasant taxes to fight its wars and to meet the burdens of a growing population, the peasants returned their lands and themselves (as serfs) to the tax-exempt nobility.

MODERN LAND REFORMS BY GRACE

Land reform can be accomplished in a number of ways. In the case of Paraguay, for example, the government assisted farmers in moving into largely empty, uncultivated land, sometimes in distant parts of the country. More common is the practice in parts of Mexico of expropriating large estates and turning them into cooperatives to which farmers must belong in exchange for the privilege of tilling the soil. In Egypt, the owners of large

estates were required to sell portions of their land to the government, which distributed plots to individuals.

Virtually all contemporary land reform of the Third World has been by grace, leaving the peasant weak in relation to central political authorities. A lack of confidence in their titles to their land and crushing restrictions imposed by government have been factors in the decisions of many farmers in less developed countries to abandon the land and migrate to the cities.

Peasants Benefit Little. Often government involvement in the agriculture sector that accompanies reform by grace ostensibly is meant to benefit the peasant. For example, farmers might be promised subsidized credit if they borrow exclusively from government banks. They might be promised assured sources of seed, fertilizer, and other inputs if they purchase exclusively from government suppliers. And farmers might be promised assured markets for their crops if they sell exclusively to government marketing boards.

In practice, the peasants have benefitted little from this government involvement. For one thing, governments in less developed countries have proved to be very inefficient and wasteful. For another, the socialist ideologies accepted by many of these governments mandate maximum central control and planning of economic activities.

Finally, the need to establish a strong base of political support by handing out public sector jobs causes governments, and budgets, to grow. The system's economic inefficiencies shrink the tax base. As the government seeks new sources of revenue, it turns to the agricultural sector. The system of state agencies involved in the regulation of agriculture allows easy government exploitation of farmers as a means to meet other budget and interest group needs.

Extorting Profits. Third World countries use a number of techniques to extract the agricultural surplus from peasants. Example: they require farmers to sell their output to state agencies, such as agricultural marketing boards, at prices set by the state. These prices are nearly always below the actual market value of the commodities and sometimes below the cost of production. The government pockets the extorted profit or provides cheap food for its urban political base.

Governments often require farmers to buy their inputs, such as seed and fertilizers, from state agencies, at prices set to benefit the state. Often farmers can acquire credit only from state-owned banks, at subsidized rates of interest. But the scarce credit usually goes only to political favorites. Poor farmers frequently cannot get any.

Governments in less developed countries often require farmers to join "cooperatives" set up by the state, to which farmers must sell their crops. Instead of being run by the farmers themselves to serve their own interests, these "cooperatives" are agencies by which the state buys crops from farmers in bulk at low prices or to which it sells inputs at high costs, which the cooperative must recoup from individual farmers. Dealing with a single unit

allows the government more efficiently to extract the agricultural surplus from farmers.

DESTROYING THE RURAL CULTURE

Land reformers in Third World governments often view rural folk as ignorant and unsophisticated, who must be guided, if not coerced, into the ways of modern life. Yet a growing body of anthropological literature debunks this myth of the "ignorant poor." It has been found, for example, that peasant communities typically evolve economic cultures that facilitate production. They have their own marketing and credit systems. Often the market is the village green. Peasants bring crops and other goods on designated market days and sell their products at prices determined by mutual agreement between buyer and seller.

The credit system usually depends on local moneylenders. Such creditors frequently are women, who dole out credit for flexible numbers of days rather than on rigid bank schedules. They might lend fertilizer by the spoonful. They do not demand filling out the multiple forms and providing the security required by formal banks. Their personal acquaintance with the borrower often eliminates the need for collateral. The Third World's poor do not lack entrepreneurship.

The Meaning of Black Markets. When governments demand, as part of a land reform program, that farmers borrow only from approved banks and buy and sell only through state agencies, the local economic culture, which often has existed for centuries, is quashed. In many Third World countries, activities normally undertaken by localities, such as the regulation of markets or traditional uses of the land, are subsumed by the central government. Yet local governments could provide just the political leverage and real political support for local farmers necessary to counter infringement on property rights by central governments.

The existence in less developed countries of massive black markets for the production, transportation and distribution of agricultural goods demonstrates two important points. First it shows that government policies have failed to such an extent that only by ignoring government restrictions can people survive. Second, it makes clear that local farmers are good entrepreneurs and capable of productive activity without, and sometimes in spite of, government controls

CASES OF FAILED LAND REFORM

Tanzania

Tanzania has become the classic case of a country that destroyed its agricultural sector through socialist policies. At the time of independence in 1961, Tanzania was a food exporting country. At first, the new government

maintained a balance of private enterprise with government intervention. As such, Tanzanian agricultural and industrial output grew for the first six years of independence.

In the Arusha Declaration of 1967, however, Tanzanian ruler Julius Nyerere gave the central government greater control of agriculture with the ultimate aim of collectivization. Local tribal chiefs were stripped of all political, administrative and judicial powers. The government in Dar es Salaam and Nyerere's political party, the Tanganyika Africa National Union, sought to control all economic activity.

Central to Nyerere's blueprint for socialist agriculture was the requirement that Tanzanian peasant farmers move to socialist (*Ujamaa*) villages, where the government was supposed to provide schooling, electricity, water, transportation, and health services. In most *Ujamaa* villages, people were expected to work mainly on collective farms. Farmers received instruction from government agents on how and what to plant. They were required to purchase their inputs from and sell their output to state agencies.

The Arusha Declaration and the *Ujamaa* villages led to disaster. When farmers balked at relocating, the government ordered the army out to move them forcibly. When some peasants fled back to their original homes, their homes were burned. Forced into the government's credit and marketing system, farmers balked again, selling their goods on the black market where they received better prices for their crops or more timely payment. The stifling government policies, meanwhile, depressed agricultural productivity. Shortages then plagued the government food stores. Agricultural output per capita decreased throughout the 1970s by an average of .87 percent annually, in contrast to annual growth rates of 2.38 percent in the 1960s (see Table 1).

Only in 1987, under pressure from the International Monetary Fund, did the Tanzanian government allow farmers to make their own choices once again concerning the production of crops. The result is increased agricultural output. In 1987 Tanzania's per capita income increased for the first time in years.

Yet there are signs that the old statist policies are difficult to change. Recently President Ali Hassan Mwinyi, who succeeded Nyerere in 1985, again cracked down on farmers who, due to the inefficiency of the government's distribution system, were selling their crops to private distributors for transportation to market.

Egypt

Land reforms in 1952 and 1969, which reduced the size of large estates, converted Egypt into a country of mostly small, private farmers. Before 1952, 45 percent of cultivated land had been owned by 1.2 percent of all farmers. The other 55 percent had been owned by the remaining 98.8 percent of farmers. By 1975 the one percent of farmers owning the largest estates held only 28.7 percent of the land while the remaining 99 percent of small farmers

Table 1
Average Annual Rates of Agricultural Growth Per Capita
(percent)

Country	1960s	1970s	Average
More Developed			
Britain	1.54	1.81	1.67
Canada	0.34	1.53	0.93
France	1.82	1.30	1.56
Germany, West	1.13	1.25	1.19
Germany, East	3.13	1.67	2.40
Italy	2.10	1.85	1.98
Spain	1.54	0.89	1.21
United States	0.72	1.10	0.91
Less Developed, market-oriented economies			
Bolivia	1.74	-1.10	0.31
Ivory Coast	2.56	0.93	1.74
Paraguay	-0.38	1.44	0.53
Less Developed, controlled economies			
Algeria	-2.31	-1.87	-2.09
Botswana	-0.03	-3.92	-1.96
China	1.09	2.25	1.67
Egypt	0.21	-1.30	-0.55
India	-0.16	0.78	0.31
Indonesia	0.24	2.39	1.31
Iran	0.69	0.12	0.41
Mexico	-0.24	-0.08	-0.16
Peru	-0.79	-2.39	-1.59
Philippines	-0.37	0.45	0.04
Somalia	-0.23	-4.68	-2.48
Tanzania	2.38	-0.87	0.75
Turkey	0.24	0.56	0.40
Venezuela	0.89	-1.88	-0.50
Zambia	-0.60	-2.31	-1.46

Source: Calculated from Food and Agriculture Organization *Production Yearbooks*.

owned 71.3 percent of the land. Unlike the situation in Tanzania, farmers were given title to private plots.

However, as part of land reform, farmers were required to buy their seeds, fertilizer, and other inputs from government-controlled cooperatives and to sell much of their output back to the cooperatives. The government eventually also became the monopoly purchaser of certain export crops, such as cotton, as a means to control foreign exchange. In addition, farmers were required to follow the advice of government agronomists concerning planting and other technical matters.

Former owners of large estates who retained small but still substantial holdings after land reform used bribes and political influence to receive special permission from marketing boards to diversify into unregulated and profitable crops such as fruits. Poorer farmers, however, could grow only what was required by the government, selling at low, controlled prices. The government used marketing coops to pay farmers low prices for basic commodities to keep food inexpensive for the urban masses. The income of poor farmers increased by 2 percent between 1960 and 1975, while the income of rich farmers with political connections went up by 27 percent during that period.

Egypt's agricultural output per capita declined during the 1970s at an average rate of 1.3 percent per year. Today, Egypt must import wheat and sugar. Recent government attempts to cut its budget deficit by reducing food subsidies paid to consumers and increasing food prices have triggered riots. This demonstrates that once the state distorts the market process, high economic and political costs are required to correct the situation. Momentary political stability often requires a continuation of policies that will lead to ever deeper economic and agricultural disaster.

Mexico

Land reform in Mexico dates from the Revolution of 1910-1920 and accelerated significantly in the mid-1930s under President Lazaro Cardenas. Periodic expropriations have occurred since that time. The actual redistribution process has taken place over decades.

In Mexican land reform, large holdings, called haciendas, have been expropriated and divided among small farmers in two ways: 1) as small, private holdings, mainly in the south and southeast of the country, and 2) as *ejidos*, or cooperative villages, mainly in the north. The *ejidos* sometimes are farmed collectively, sometimes by individuals on separate plots of land and sometimes with a mixture of both. The land usually cannot be sold, though the use of individual plots can be inherited. A farmer who leaves his *ejido* land loses it.

Many *ejido* farmers are forced to produce export crops that must be sold to the government at below market prices. Government direction of production on *ejidos* gives little incentive to farmers to increase output. For example, in

the province of Morelos, farmers in the early 1970s earned $7 to $11 per hectare per month from sugar production and $26 from rice. If farmers had been free from government direction, they could have earned $40 per hectare per month by growing tomatoes or hay.

Mexico offers a comparison between private and collective, government-directed farmers. From 1929 to 1959 the average compounded annual production growth in agricultural output was 2.8 percent in the South Pacific region of the country, with its high concentration of private farmers. In the *ejido*-dominated north, the growth rate was only .8 percent. Overall, Mexican agricultural output has not kept up with population growth, forcing Mexico to import food.

Peru

In 1968, in part due to violent attempts by peasants to take over large, underutilized tracts of land owned by rich individuals, the Peruvian military took power, promising true land reform. The new military rulers then expropriated land and sold it to farming cooperatives supposedly to be run democratically by the peasant farmers. However, during the period of decades that it would take the farmers to pay for the land, the coops were subject to government restrictions and supervision.

As in the case in other land reforms by grace, state agencies were set up to sell inputs to farmers, buy their outputs at controlled prices, and to provide them with credit. Farmers were forbidden to use other sources.

Gradually the state began to dominate all agricultural functions, particularly sugar, a chief export crop. During the 1960s, before revolutionary land reform, Peru's agricultural output per capita declined at an annual rate of .79 percent. Land reform accelerated this decline to an annual average of 2.39 percent in the 1970s. And while Peru was exporting 462 million metric tons of sugar in 1974, by 1981 it has to import 158 million metric tons. Aware that land reform had failed, the government since 1980 has been parceling out cooperative land to small private farms.

PARTIAL SUCCESS STORIES

Bolivia. As Table 1 indicates, a few less developed countries have allowed market forces to operate in agriculture. Bolivia is one of them. The great distances, mountain barriers and thick jungles between the seat of power in La Paz and the farmers in the countryside, combined with weak and unstable governments, made it impossible for the authorities to control the farmers. Acting on their own, farmers set up market centers, carried their products on their own trucks, organized their own system of credit, and managed to make livings above the subsistence level and to increase their productivity during the 1960s.

Bolivia's hyperinflation of the past decade, however, has hurt agriculture. As the peso boliviano became worthless, the economy reverted to a virtual barter system. With no worthwhile medium of exchange for which to sell their crops, farmers tended to grow only what they could consume.

Paraguay. In Paraguay, land reform mainly has resettled farmers on unoccupied land and then has left them alone. At first agriculture stagnated as great numbers of farmers moved into areas in which there were no roads, markets, or developed facilities for buying, selling, and credit. By the 1970s, as these institutions began to develop, agricultural output per capita grew a healthy 1.44 percent annually.

Indonesia. Indonesia is the only country in this study with a controlled economy in which agricultural output per capita has grown by more than 1.0 percent annually during the two decades. The reason for this is the new strains of rice rather than the government land reform policy.

China. In China, output per capita increased during the early 1960s mainly because the "Great Leap Forward" in the late 1950s left the country so severely depressed that there was little way to go but up. In that period of intensive communization the government insisted on diversifying the communes by introducing "backyard" industry like small steel mills. These were uneconomical and diverted labor from crops that then rotted in the fields.

In the late 1970s, however, Chinese leader Deng Xiaoping greatly liberalized the rural economy. While farmers still must deliver minimum quotas to the state at controlled prices, they have their own small plots, on which they can grow what they like, sell where they like, at whatever prices the market offers. This new incentive has ignited Chinese peasant productivity, transforming China from a food-deficit country into one that generally is self-sufficient. China has demonstrated the potential of the free market.

RECOMMENDATIONS

While land reform usually is planned and carried out by the governments of the less developed countries themselves, the U.S. can influence the direction of such reforms. The U.S. Agency for International Development is charged with distributing foreign assistance funds and economic advice to Third World countries.

In the past, AID officials often were silent in the face of land reforms that left governments rather than individual farmers in control of agricultural production. In some cases, AID officials have endorsed such plans and even provided indirect financial assistance. In El Salvador in the 1980s, for example, AID officials backed the establishment of a government marketing board for coffee. As a result, coffee production fell substantially.

Using Historic Models. The U.S. should favor land reform. It must be, however, land reform based on historic models that have increased food output and improved rural living standards. The U.S., through AID, should:

1) Recommend only land reform that results in ownership of land by individuals.

History teaches that, for the most part, farm land is best used when individuals hold titles to property.

2) Oppose such forms of government control of agriculture as state marketing boards, price controls, and exclusive state sources of farm inputs.

Even when land is technically the property of individuals, they do not enjoy the full rights of ownership if they are prohibited from planting what they wish and from engaging in buying and selling with other private suppliers and merchants. U.S. AID officials should oppose such controls.

3) Promote divestiture of state-owned or controlled lands to individual farmers and the abolition of state institutions that control the agricultural sector.

Land reform today in most cases must entail undoing the mistakes of past land reforms. AID should develop plans for deregulation and divestiture and provide funds if necessary to help in the transition to free markets. In this transition, collective farms should be converted to individual, private plots for those who till the land. In the case of government established cooperatives, as part of a complete privatization effort, individual farmers should be allowed to sell their shares in the coop if they do not wish to be members. Government marketing boards, meanwhile, should be phased out. AID could provide financial assistance to cover short-term transition costs. Also eliminated should be government monopolies on supplying agricultural inputs, on transporting crops to market, and on marketing produce.

4)Promote privatization of government enterprises that provide agricultural inputs, transport, marketing, and other support functions.

Where these functions cannot survive without government subsidies or favors, they should be shut down. In cases of privatization, workers should receive individual shares of the new private company.

5) Urge strongly that the legal protection of property rights be part of land reform.

Land reform through the grace of political elites usually fails because the farmers themselves obtain no real political power by which to resist infringements on their rights. Only in a democratic system, in which the people have effective control of the government and in which laws are meant to protect the rights of the people from government abuses, can land reform and free markets work. When AID officials devise strategies to overcome the problems of past land reforms, they must make the protection of property rights a critical component of their plan.

CONCLUSION

The old structures of land tenure in less developed countries — communal and tribal, or feudal hacienda type — typically are economically inefficient. Land reform often has been viewed as the only means to improve the situation. Painfully, however, Third World nations have learned that many kinds of land reform create more problems than they solve. It often has been a new, wasteful agricultural arrangement: farms governed by a central political authority that extract all profits from the agricultural sector, leaving little incentive for farmers to be productive.

Future land reformers therefore must treat the land reforms of the past as a problem needing to be dealt with.

The world's most successful land tenure systems have been based on private property, with title vested in owners who have the right to buy, sell, mortgage, and bequeath their property. Title to land should not be linked to any restriction of freedom to buy inputs, obtain credit, or sell outputs to whomever the farmer pleases, at whatever price he can obtain. While government advice or credit to farmers might in some cases be useful, there should not be a government monopoly in these areas.

The U.S. government should continue to support land reform in the Third World — but only when that reform leads to private ownership of land by the peasant farmer who formerly tilled it as tenant or serf, and only when the reform is completely distinct from agricultural price controls, forced procurement, or monopoly purchases of farm output.

Peasants prior to reforms usually had their own systems of marketing and credit, which at least allowed for local production and distribution of agricultural goods. Botched land reform often has made the situation worse and resulted in extensive black markets for the sale, transportation, and marketing of agricultural products.

As populations in the Third World increase, an expanding, efficient farm sector is critical. Farmers in less developed countries are hardworking and entrepreneurial. What they lack is economic liberty and the full protection of their rights by the governments of their countries.

Prepared for The Heritage Foundation by
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*This study is based on research in the book *The Peasant Betrayed: Agriculture and Land Reform in the Third World* by John P. Powelson and Richard Stock (Cambridge, Mass.: Lincoln Institute of Land Policy, 1987. Revised edition forthcoming from the Cato Institute, Washington, D.C.)

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LAND REFORM IN THE THIRD WORLD: WHAT WORKS AND WHAT DOESN'T

INTRODUCTION

In many less developed countries of Africa, Asia, and Latin America, agricultural production is the principal economic activity. This has made land reform an integral part of state economic planning in these countries. But the kind of land reform most commonly adopted has decreased agricultural output and even has led to mass starvation. Before United States policy makers advocate land reform programs, therefore, they must understand why land reform in general has failed and to discover how future land reforms might be developed that benefit less developed countries. Only in this way can land reform serve the goals of American foreign assistance to promote economic development and eliminate hunger.

Land reform is seen by many Third World leaders as a means to return to peasants land that had been taken from them, to distribute wealth more equitably, and to increase agricultural output. While land reform in some cases seeks to settle unoccupied areas, for the most part it requires that land be confiscated from owners, sometimes outright although usually with compensation, typically representing a fraction of the land's market value.

In some revolutions, as in El Salvador and Vietnam, both sides have favored land reform. The U.S., meanwhile, has supported and helped finance land reform in many non-socialist countries, especially when these countries have been threatened by Marxist takeovers.

Leverage or Grace. There are two types of land reform: The first is reform via political or economic leverage; the second is reform via what is called "grace" or the "generosity" of the lord, landowner, or central political authority. Reform via leverage occurs when farmers use some form of economic or political power to extract greater freedom to use the land and dispose of their crops, or even to acquire property titles, from the lords,

kings, or owners of the land. They might, for example, form alliances with other powerful lords or interest groups, or use their ability to supply food as leverage to acquire rights to the land.

In reform via grace, the farmers acquire nominal rights from the lord, landowner, or authority, but have no real power to defend these rights if the authorities choose to revoke them. Often the political authorities retain actual control of farms, for example, by dictating what farmers must grow, where they must purchase seeds and other inputs, and at what price they must sell their crops.

Typically Third World governments have not viewed land reform as a way to raise rural living standards. Instead, these governments see the countryside as a source of cheap food for the politically powerful and volatile urban areas, particularly the capital. Food also has been used as an export, to earn hard currency for consumer goods for the urban areas. Such policies, of course, require that the peasant be paid very little for his crops. Predictably, therefore, the peasant loses the incentive to work hard and produce much more than his family's needs. In these cases, land reform benefits neither the peasant to whom the land has been given nor the general economy.

Silent Americans. U.S. Agency for International Development (AID) officials, assigned to distribute foreign aid funds and economic advice in less developed countries, often are silent in the face of economically unsound land reform. In some cases AID officials have endorsed such reforms and helped in their planning. Less developed countries suffering economic stagnation and foreign debt burdens can ill afford to continue to discourage food production by their own people. The U.S. can help prevent this by using its foreign aid funds and influence to promote land reform based on sound principles. These include: individual rather than collective ownership of land; the freedom of farmers to grow what they wish, to purchase seeds and other inputs or borrow money from private suppliers, and to sell to whomever they wish at free market prices; and protection by the law and by political authorities of these rights.

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In many parts of the Third World before World War II, landholding systems resembled either European feudalism or pre-feudal tribalism more closely than they did modern Western systems. Land was often held in common by African tribes, whose chiefs would define rights and responsibilities according to tribal custom. In Latin America, much land was held in vast haciendas by those who wielded political power to prevent the poor from obtaining property. This was similar to European feudalism, with serf labor bonded to the land and the lord by indebtedness or by law, and private "justice" administered by the landowner.

After World War II, therefore, land reform has aimed at redistributing property in a manner considered more equitable. It also sought to redefine property rights in accordance with the Western concept of individual ownership on which the modern market system is based.

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A land reform by leverage occurs when the tillers, through their own political strength or through alliance with stronger powers, force the kings, lords, or nominal landowners to grant them greater and greater freedom to use the land and to dispose of the crops produced on it. European feudalism was dismantled by the leverage of serfs, who formed their own organizations, similar to unions and courts of justice, and then bargained with their lords. Their strength lay in their ability to supply food, which the lords could not produce on their own, and their ability to ally with one lord, king, or the church in competition with another, extracting concessions as the price of alliance.

Selling on the Market. Through this, European peasants first transformed themselves from serfs to freemen. Next they converted their labor obligations to their lords into cash rents, and began to sell their produce on the market rather than deliver it to the lord. Later they gained the right to sell their land.

As the lords became more subject to the monarchy, the rents paid by the peasants became indistinguishable from taxes. Thus taxable land held as property by those who farmed it appeared in practice before it was recognized in the codified legal system. The evolving legal system and parliamentary democracy completed the set of rights, powers, and obligations that have become the modern land tenure systems. Under the Western legal system, the right to property has meant that the political authorities generally cannot interfere with the use and disposal of land by its owners.

No Guarantee of Rights. By contrast, land reform by grace occurs when a "gracious" government, ostensibly in the interests of "its" peasants, confiscates land from feudal or other claimants and redistributes it to the poor. Almost always, however, the poor neither have nor receive real political power. There is no guarantee of their rights and the law does not protect property. The government retains the power to control agricultural activities on the land. The political authorities can take back at any time whatever minor freedoms might be given to the landless.

Land reforms by grace have occurred in ancient Greece and Rome, in China many times throughout the centuries, in the Middle East and other Asian countries. The British tried a number of land reforms by grace in their Indian territories.

Problems with a "Gracious King." No land reform by grace has lasted. There have been several reasons for this. First, although done in the name of the peasant, a reform by grace virtually always benefits the power that undertakes it. The gracious king confiscates land from his enemies, or from nontaxpaying nobility, and gives it to peasants whom he can tax. In one way or another, the gracious power exacts "compensation" from the peasant beneficiary. Second, in land reforms by grace, the king or central political authority retains the power to take back the land, force the peasants into bankruptcy, or to control the peasants' use of the land and the sale of their crops.

The inadequacy of land reform by grace has been recognized by Chinese historians in their descriptions of the dynastic cycle. Many new Chinese dynasties began their reign by distributing land to the peasants. As the central government increased peasant taxes to fight its wars and to meet the burdens of a growing population, the peasants returned their lands and themselves (as serfs) to the tax-exempt nobility.

MODERN LAND REFORMS BY GRACE

Land reform can be accomplished in a number of ways. In the case of Paraguay, for example, the government assisted farmers in moving into largely empty, uncultivated land, sometimes in distant parts of the country. More common is the practice in parts of Mexico of expropriating large estates and turning them into cooperatives to which farmers must belong in exchange for the privilege of tilling the soil. In Egypt, the owners of large

estates were required to sell portions of their land to the government, which distributed plots to individuals.

Virtually all contemporary land reform of the Third World has been by grace, leaving the peasant weak in relation to central political authorities. A lack of confidence in their titles to their land and crushing restrictions imposed by government have been factors in the decisions of many farmers in less developed countries to abandon the land and migrate to the cities.

Peasants Benefit Little. Often government involvement in the agriculture sector that accompanies reform by grace ostensibly is meant to benefit the peasant. For example, farmers might be promised subsidized credit if they borrow exclusively from government banks. They might be promised assured sources of seed, fertilizer, and other inputs if they purchase exclusively from government suppliers. And farmers might be promised assured markets for their crops if they sell exclusively to government marketing boards.

In practice, the peasants have benefitted little from this government involvement. For one thing, governments in less developed countries have proved to be very inefficient and wasteful. For another, the socialist ideologies accepted by many of these governments mandate maximum central control and planning of economic activities.

Finally, the need to establish a strong base of political support by handing out public sector jobs causes governments, and budgets, to grow. The system's economic inefficiencies shrink the tax base. As the government seeks new sources of revenue, it turns to the agricultural sector. The system of state agencies involved in the regulation of agriculture allows easy government exploitation of farmers as a means to meet other budget and interest group needs.

Extorting Profits. Third World countries use a number of techniques to extract the agricultural surplus from peasants. Example: they require farmers to sell their output to state agencies, such as agricultural marketing boards, at prices set by the state. These prices are nearly always below the actual market value of the commodities and sometimes below the cost of production. The government pockets the extorted profit or provides cheap food for its urban political base.

Governments often require farmers to buy their inputs, such as seed and fertilizers, from state agencies, at prices set to benefit the state. Often farmers can acquire credit only from state-owned banks, at subsidized rates of interest. But the scarce credit usually goes only to political favorites. Poor farmers frequently cannot get any.

Governments in less developed countries often require farmers to join "cooperatives" set up by the state, to which farmers must sell their crops. Instead of being run by the farmers themselves to serve their own interests, these "cooperatives" are agencies by which the state buys crops from farmers in bulk at low prices or to which it sells inputs at high costs, which the cooperative must recoup from individual farmers. Dealing with a single unit

allows the government more efficiently to extract the agricultural surplus from farmers.

DESTROYING THE RURAL CULTURE

Land reformers in Third World governments often view rural folk as ignorant and unsophisticated, who must be guided, if not coerced, into the ways of modern life. Yet a growing body of anthropological literature debunks this myth of the "ignorant poor." It has been found, for example, that peasant communities typically evolve economic cultures that facilitate production. They have their own marketing and credit systems. Often the market is the village green. Peasants bring crops and other goods on designated market days and sell their products at prices determined by mutual agreement between buyer and seller.

The credit system usually depends on local moneylenders. Such creditors frequently are women, who dole out credit for flexible numbers of days rather than on rigid bank schedules. They might lend fertilizer by the spoonful. They do not demand filling out the multiple forms and providing the security required by formal banks. Their personal acquaintance with the borrower often eliminates the need for collateral. The Third World's poor do not lack entrepreneurship.

The Meaning of Black Markets. When governments demand, as part of a land reform program, that farmers borrow only from approved banks and buy and sell only through state agencies, the local economic culture, which often has existed for centuries, is quashed. In many Third World countries, activities normally undertaken by localities, such as the regulation of markets or traditional uses of the land, are subsumed by the central government. Yet local governments could provide just the political leverage and real political support for local farmers necessary to counter infringement on property rights by central governments.

The existence in less developed countries of massive black markets for the production, transportation and distribution of agricultural goods demonstrates two important points. First it shows that government policies have failed to such an extent that only by ignoring government restrictions can people survive. Second, it makes clear that local farmers are good entrepreneurs and capable of productive activity without, and sometimes in spite of, government controls

CASES OF FAILED LAND REFORM

Tanzania

Tanzania has become the classic case of a country that destroyed its agricultural sector through socialist policies. At the time of independence in 1961, Tanzania was a food exporting country. At first, the new government

maintained a balance of private enterprise with government intervention. As such, Tanzanian agricultural and industrial output grew for the first six years of independence.

In the Arusha Declaration of 1967, however, Tanzanian ruler Julius Nyerere gave the central government greater control of agriculture with the ultimate aim of collectivization. Local tribal chiefs were stripped of all political, administrative and judicial powers. The government in Dar es Salaam and Nyerere's political party, the Tanganyika Africa National Union, sought to control all economic activity.

Central to Nyerere's blueprint for socialist agriculture was the requirement that Tanzanian peasant farmers move to socialist (*Ujamaa*) villages, where the government was supposed to provide schooling, electricity, water, transportation, and health services. In most *Ujamaa* villages, people were expected to work mainly on collective farms. Farmers received instruction from government agents on how and what to plant. They were required to purchase their inputs from and sell their output to state agencies.

The Arusha Declaration and the *Ujamaa* villages led to disaster. When farmers balked at relocating, the government ordered the army out to move them forcibly. When some peasants fled back to their original homes, their homes were burned. Forced into the government's credit and marketing system, farmers balked again, selling their goods on the black market where they received better prices for their crops or more timely payment. The stifling government policies, meanwhile, depressed agricultural productivity. Shortages then plagued the government food stores. Agricultural output per capita decreased throughout the 1970s by an average of .87 percent annually, in contrast to annual growth rates of 2.38 percent in the 1960s (see Table 1).

Only in 1987, under pressure from the International Monetary Fund, did the Tanzanian government allow farmers to make their own choices once again concerning the production of crops. The result is increased agricultural output. In 1987 Tanzania's per capita income increased for the first time in years.

Yet there are signs that the old statist policies are difficult to change. Recently President Ali Hassan Mwinyi, who succeeded Nyerere in 1985, again cracked down on farmers who, due to the inefficiency of the government's distribution system, were selling their crops to private distributors for transportation to market.

Egypt

Land reforms in 1952 and 1969, which reduced the size of large estates, converted Egypt into a country of mostly small, private farmers. Before 1952, 45 percent of cultivated land had been owned by 1.2 percent of all farmers. The other 55 percent had been owned by the remaining 98.8 percent of farmers. By 1975 the one percent of farmers owning the largest estates held only 28.7 percent of the land while the remaining 99 percent of small farmers

Table 1
Average Annual Rates of Agricultural Growth Per Capita
(percent)

Country	1960s	1970s	Average
More Developed			
Britain	1.54	1.81	1.67
Canada	0.34	1.53	0.93
France	1.82	1.30	1.56
Germany, West	1.13	1.25	1.19
Germany, East	3.13	1.67	2.40
Italy	2.10	1.85	1.98
Spain	1.54	0.89	1.21
United States	0.72	1.10	0.91
Less Developed, market-oriented economies			
Bolivia	1.74	-1.10	0.31
Ivory Coast	2.56	0.93	1.74
Paraguay	-0.38	1.44	0.53
Less Developed, controlled economies			
Algeria	-2.31	-1.87	-2.09
Botswana	-0.03	-3.92	-1.96
China	1.09	2.25	1.67
Egypt	0.21	-1.30	-0.55
India	-0.16	0.78	0.31
Indonesia	0.24	2.39	1.31
Iran	0.69	0.12	0.41
Mexico	-0.24	-0.08	-0.16
Peru	-0.79	-2.39	-1.59
Philippines	-0.37	0.45	0.04
Somalia	-0.23	-4.68	-2.48
Tanzania	2.38	-0.87	0.75
Turkey	0.24	0.56	0.40
Venezuela	0.89	-1.88	-0.50
Zambia	-0.60	-2.31	-1.46

Source: Calculated from Food and Agriculture Organization *Production Yearbooks*.

owned 71.3 percent of the land. Unlike the situation in Tanzania, farmers were given title to private plots.

However, as part of land reform, farmers were required to buy their seeds, fertilizer, and other inputs from government-controlled cooperatives and to sell much of their output back to the cooperatives. The government eventually also became the monopoly purchaser of certain export crops, such as cotton, as a means to control foreign exchange. In addition, farmers were required to follow the advice of government agronomists concerning planting and other technical matters.

Former owners of large estates who retained small but still substantial holdings after land reform used bribes and political influence to receive special permission from marketing boards to diversify into unregulated and profitable crops such as fruits. Poorer farmers, however, could grow only what was required by the government, selling at low, controlled prices. The government used marketing coops to pay farmers low prices for basic commodities to keep food inexpensive for the urban masses. The income of poor farmers increased by 2 percent between 1960 and 1975, while the income of rich farmers with political connections went up by 27 percent during that period.

Egypt's agricultural output per capita declined during the 1970s at an average rate of 1.3 percent per year. Today, Egypt must import wheat and sugar. Recent government attempts to cut its budget deficit by reducing food subsidies paid to consumers and increasing food prices have triggered riots. This demonstrates that once the state distorts the market process, high economic and political costs are required to correct the situation. Momentary political stability often requires a continuation of policies that will lead to ever deeper economic and agricultural disaster.

Mexico

Land reform in Mexico dates from the Revolution of 1910-1920 and accelerated significantly in the mid-1930s under President Lazaro Cardenas. Periodic expropriations have occurred since that time. The actual redistribution process has taken place over decades.

In Mexican land reform, large holdings, called haciendas, have been expropriated and divided among small farmers in two ways: 1) as small, private holdings, mainly in the south and southeast of the country, and 2) as *ejidos*, or cooperative villages, mainly in the north. The *ejidos* sometimes are farmed collectively, sometimes by individuals on separate plots of land and sometimes with a mixture of both. The land usually cannot be sold, though the use of individual plots can be inherited. A farmer who leaves his *ejido* land loses it.

Many *ejido* farmers are forced to produce export crops that must be sold to the government at below market prices. Government direction of production on *ejidos* gives little incentive to farmers to increase output. For example, in

the province of Morelos, farmers in the early 1970s earned $7 to $11 per hectare per month from sugar production and $26 from rice. If farmers had been free from government direction, they could have earned $40 per hectare per month by growing tomatoes or hay.

Mexico offers a comparison between private and collective, government-directed farmers. From 1929 to 1959 the average compounded annual production growth in agricultural output was 2.8 percent in the South Pacific region of the country, with its high concentration of private farmers. In the *ejido*-dominated north, the growth rate was only .8 percent. Overall, Mexican agricultural output has not kept up with population growth, forcing Mexico to import food.

Peru

In 1968, in part due to violent attempts by peasants to take over large, underutilized tracts of land owned by rich individuals, the Peruvian military took power, promising true land reform. The new military rulers then expropriated land and sold it to farming cooperatives supposedly to be run democratically by the peasant farmers. However, during the period of decades that it would take the farmers to pay for the land, the coops were subject to government restrictions and supervision.

As in the case in other land reforms by grace, state agencies were set up to sell inputs to farmers, buy their outputs at controlled prices, and to provide them with credit. Farmers were forbidden to use other sources.

Gradually the state began to dominate all agricultural functions, particularly sugar, a chief export crop. During the 1960s, before revolutionary land reform, Peru's agricultural output per capita declined at an annual rate of .79 percent. Land reform accelerated this decline to an annual average of 2.39 percent in the 1970s. And while Peru was exporting 462 million metric tons of sugar in 1974, by 1981 it has to import 158 million metric tons. Aware that land reform had failed, the government since 1980 has been parceling out cooperative land to small private farms.

PARTIAL SUCCESS STORIES

Bolivia. As Table 1 indicates, a few less developed countries have allowed market forces to operate in agriculture. Bolivia is one of them. The great distances, mountain barriers and thick jungles between the seat of power in La Paz and the farmers in the countryside, combined with weak and unstable governments, made it impossible for the authorities to control the farmers. Acting on their own, farmers set up market centers, carried their products on their own trucks, organized their own system of credit, and managed to make livings above the subsistence level and to increase their productivity during the 1960s.

Bolivia's hyperinflation of the past decade, however, has hurt agriculture. As the peso boliviano became worthless, the economy reverted to a virtual barter system. With no worthwhile medium of exchange for which to sell their crops, farmers tended to grow only what they could consume.

Paraguay. In Paraguay, land reform mainly has resettled farmers on unoccupied land and then has left them alone. At first agriculture stagnated as great numbers of farmers moved into areas in which there were no roads, markets, or developed facilities for buying, selling, and credit. By the 1970s, as these institutions began to develop, agricultural output per capita grew a healthy 1.44 percent annually.

Indonesia. Indonesia is the only country in this study with a controlled economy in which agricultural output per capita has grown by more than 1.0 percent annually during the two decades. The reason for this is the new strains of rice rather than the government land reform policy.

China. In China, output per capita increased during the early 1960s mainly because the "Great Leap Forward" in the late 1950s left the country so severely depressed that there was little way to go but up. In that period of intensive communization the government insisted on diversifying the communes by introducing "backyard" industry like small steel mills. These were uneconomical and diverted labor from crops that then rotted in the fields.

In the late 1970s, however, Chinese leader Deng Xiaoping greatly liberalized the rural economy. While farmers still must deliver minimum quotas to the state at controlled prices, they have their own small plots, on which they can grow what they like, sell where they like, at whatever prices the market offers. This new incentive has ignited Chinese peasant productivity, transforming China from a food-deficit country into one that generally is self-sufficient. China has demonstrated the potential of the free market.

RECOMMENDATIONS

While land reform usually is planned and carried out by the governments of the less developed countries themselves, the U.S. can influence the direction of such reforms. The U.S. Agency for International Development is charged with distributing foreign assistance funds and economic advice to Third World countries.

In the past, AID officials often were silent in the face of land reforms that left governments rather than individual farmers in control of agricultural production. In some cases, AID officials have endorsed such plans and even provided indirect financial assistance. In El Salvador in the 1980s, for example, AID officials backed the establishment of a government marketing board for coffee. As a result, coffee production fell substantially.

Using Historic Models. The U.S. should favor land reform. It must be, however, land reform based on historic models that have increased food output and improved rural living standards. The U.S., through AID, should:

1) Recommend only land reform that results in ownership of land by individuals.

History teaches that, for the most part, farm land is best used when individuals hold titles to property.

2) Oppose such forms of government control of agriculture as state marketing boards, price controls, and exclusive state sources of farm inputs.

Even when land is technically the property of individuals, they do not enjoy the full rights of ownership if they are prohibited from planting what they wish and from engaging in buying and selling with other private suppliers and merchants. U.S. AID officials should oppose such controls.

3) Promote divestiture of state-owned or controlled lands to individual farmers and the abolition of state institutions that control the agricultural sector.

Land reform today in most cases must entail undoing the mistakes of past land reforms. AID should develop plans for deregulation and divestiture and provide funds if necessary to help in the transition to free markets. In this transition, collective farms should be converted to individual, private plots for those who till the land. In the case of government established cooperatives, as part of a complete privatization effort, individual farmers should be allowed to sell their shares in the coop if they do not wish to be members. Government marketing boards, meanwhile, should be phased out. AID could provide financial assistance to cover short-term transition costs. Also eliminated should be government monopolies on supplying agricultural inputs, on transporting crops to market, and on marketing produce.

4)Promote privatization of government enterprises that provide agricultural inputs, transport, marketing, and other support functions.

Where these functions cannot survive without government subsidies or favors, they should be shut down. In cases of privatization, workers should receive individual shares of the new private company.

5) Urge strongly that the legal protection of property rights be part of land reform.

Land reform through the grace of political elites usually fails because the farmers themselves obtain no real political power by which to resist infringements on their rights. Only in a democratic system, in which the people have effective control of the government and in which laws are meant to protect the rights of the people from government abuses, can land reform and free markets work. When AID officials devise strategies to overcome the problems of past land reforms, they must make the protection of property rights a critical component of their plan.

CONCLUSION

The old structures of land tenure in less developed countries — communal and tribal, or feudal hacienda type — typically are economically inefficient. Land reform often has been viewed as the only means to improve the situation. Painfully, however, Third World nations have learned that many kinds of land reform create more problems than they solve. It often has been a new, wasteful agricultural arrangement: farms governed by a central political authority that extract all profits from the agricultural sector, leaving little incentive for farmers to be productive.

Future land reformers therefore must treat the land reforms of the past as a problem needing to be dealt with.

The world's most successful land tenure systems have been based on private property, with title vested in owners who have the right to buy, sell, mortgage, and bequeath their property. Title to land should not be linked to any restriction of freedom to buy inputs, obtain credit, or sell outputs to whomever the farmer pleases, at whatever price he can obtain. While government advice or credit to farmers might in some cases be useful, there should not be a government monopoly in these areas.

The U.S. government should continue to support land reform in the Third World — but only when that reform leads to private ownership of land by the peasant farmer who formerly tilled it as tenant or serf, and only when the reform is completely distinct from agricultural price controls, forced procurement, or monopoly purchases of farm output.

Peasants prior to reforms usually had their own systems of marketing and credit, which at least allowed for local production and distribution of agricultural goods. Botched land reform often has made the situation worse and resulted in extensive black markets for the sale, transportation, and marketing of agricultural products.

As populations in the Third World increase, an expanding, efficient farm sector is critical. Farmers in less developed countries are hardworking and entrepreneurial. What they lack is economic liberty and the full protection of their rights by the governments of their countries.

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LAND REFORM IN THE THIRD WORLD: WHAT WORKS AND WHAT DOESN'T

INTRODUCTION

In many less developed countries of Africa, Asia, and Latin America, agricultural production is the principal economic activity. This has made land reform an integral part of state economic planning in these countries. But the kind of land reform most commonly adopted has decreased agricultural output and even has led to mass starvation. Before United States policy makers advocate land reform programs, therefore, they must understand why land reform in general has failed and to discover how future land reforms might be developed that benefit less developed countries. Only in this way can land reform serve the goals of American foreign assistance to promote economic development and eliminate hunger.

Land reform is seen by many Third World leaders as a means to return to peasants land that had been taken from them, to distribute wealth more equitably, and to increase agricultural output. While land reform in some cases seeks to settle unoccupied areas, for the most part it requires that land be confiscated from owners, sometimes outright although usually with compensation, typically representing a fraction of the land's market value.

In some revolutions, as in El Salvador and Vietnam, both sides have favored land reform. The U.S., meanwhile, has supported and helped finance land reform in many non-socialist countries, especially when these countries have been threatened by Marxist takeovers.

Leverage or Grace. There are two types of land reform: The first is reform via political or economic leverage; the second is reform via what is called "grace" or the "generosity" of the lord, landowner, or central political authority. Reform via leverage occurs when farmers use some form of economic or political power to extract greater freedom to use the land and dispose of their crops, or even to acquire property titles, from the lords,

kings, or owners of the land. They might, for example, form alliances with other powerful lords or interest groups, or use their ability to supply food as leverage to acquire rights to the land.

In reform via grace, the farmers acquire nominal rights from the lord, landowner, or authority, but have no real power to defend these rights if the authorities choose to revoke them. Often the political authorities retain actual control of farms, for example, by dictating what farmers must grow, where they must purchase seeds and other inputs, and at what price they must sell their crops.

Typically Third World governments have not viewed land reform as a way to raise rural living standards. Instead, these governments see the countryside as a source of cheap food for the politically powerful and volatile urban areas, particularly the capital. Food also has been used as an export, to earn hard currency for consumer goods for the urban areas. Such policies, of course, require that the peasant be paid very little for his crops. Predictably, therefore, the peasant loses the incentive to work hard and produce much more than his family's needs. In these cases, land reform benefits neither the peasant to whom the land has been given nor the general economy.

Silent Americans. U.S. Agency for International Development (AID) officials, assigned to distribute foreign aid funds and economic advice in less developed countries, often are silent in the face of economically unsound land reform. In some cases AID officials have endorsed such reforms and helped in their planning. Less developed countries suffering economic stagnation and foreign debt burdens can ill afford to continue to discourage food production by their own people. The U.S. can help prevent this by using its foreign aid funds and influence to promote land reform based on sound principles. These include: individual rather than collective ownership of land; the freedom of farmers to grow what they wish, to purchase seeds and other inputs or borrow money from private suppliers, and to sell to whomever they wish at free market prices; and protection by the law and by political authorities of these rights.

THE EVOLUTION OF PROPERTY RIGHTS

Land differs from other economic commodities. It is immobile, virtually indestructible, and has a greater number of uses than most commodities. The economic value of land, therefore, can be thought of as a bundle of rights to use the land, including the right to farm, to harvest, to walk over the land, to build upon it, to extract minerals from it, and to hunt on it. Often different rights are held by different individuals or by individuals with inherited positions, such as kings, barons, counts, or sheiks, that entitle them to certain rights to the land. Each right often has carried an obligation to a "superior" power such as king, feudal lord, tribal chief, or state. Example: under the feudal regime in medieval Europe, a king, who by nature of his position owned all land in his kingdom, would allow lesser nobles to exercise control over parts of the land in exchange for military service.

Changing Tenure Systems. Land tenure systems have changed over the centuries. Western society has come to accept a concept of "ownership" similar to that of the Roman law that preceded feudalism. Under this, the various uses of land – for example, for farming, hunting, and location of dwellings – all are defined as the rights of a single owner rather than as rights held by different individuals or royal title holders. Still, in Western society political authorities usually retain the rights of zoning, of imposing health and safety restrictions, and of acting against behavior deemed criminal or injurious to social peace that occurs on a person's private property. In extreme cases the power of eminent domain allows the government to take property, with compensation paid to the owner, when necessary for a public project like a road. Generally, however, in Western society a person is assumed to enjoy all of the rights attached to property.

In many parts of the Third World before World War II, landholding systems resembled either European feudalism or pre-feudal tribalism more closely than they did modern Western systems. Land was often held in common by African tribes, whose chiefs would define rights and responsibilities according to tribal custom. In Latin America, much land was held in vast haciendas by those who wielded political power to prevent the poor from obtaining property. This was similar to European feudalism, with serf labor bonded to the land and the lord by indebtedness or by law, and private "justice" administered by the landowner.

After World War II, therefore, land reform has aimed at redistributing property in a manner considered more equitable. It also sought to redefine property rights in accordance with the Western concept of individual ownership on which the modern market system is based.

LAND REFORM BY LEVERAGE AND LAND REFORM BY GRACE

History records two general types of land reform: by leverage and by grace.

A land reform by leverage occurs when the tillers, through their own political strength or through alliance with stronger powers, force the kings, lords, or nominal landowners to grant them greater and greater freedom to use the land and to dispose of the crops produced on it. European feudalism was dismantled by the leverage of serfs, who formed their own organizations, similar to unions and courts of justice, and then bargained with their lords. Their strength lay in their ability to supply food, which the lords could not produce on their own, and their ability to ally with one lord, king, or the church in competition with another, extracting concessions as the price of alliance.

Selling on the Market. Through this, European peasants first transformed themselves from serfs to freemen. Next they converted their labor obligations to their lords into cash rents, and began to sell their produce on the market rather than deliver it to the lord. Later they gained the right to sell their land.

As the lords became more subject to the monarchy, the rents paid by the peasants became indistinguishable from taxes. Thus taxable land held as property by those who farmed it appeared in practice before it was recognized in the codified legal system. The evolving legal system and parliamentary democracy completed the set of rights, powers, and obligations that have become the modern land tenure systems. Under the Western legal system, the right to property has meant that the political authorities generally cannot interfere with the use and disposal of land by its owners.

No Guarantee of Rights. By contrast, land reform by grace occurs when a "gracious" government, ostensibly in the interests of "its" peasants, confiscates land from feudal or other claimants and redistributes it to the poor. Almost always, however, the poor neither have nor receive real political power. There is no guarantee of their rights and the law does not protect property. The government retains the power to control agricultural activities on the land. The political authorities can take back at any time whatever minor freedoms might be given to the landless.

Land reforms by grace have occurred in ancient Greece and Rome, in China many times throughout the centuries, in the Middle East and other Asian countries. The British tried a number of land reforms by grace in their Indian territories.

Problems with a "Gracious King." No land reform by grace has lasted. There have been several reasons for this. First, although done in the name of the peasant, a reform by grace virtually always benefits the power that undertakes it. The gracious king confiscates land from his enemies, or from nontaxpaying nobility, and gives it to peasants whom he can tax. In one way or another, the gracious power exacts "compensation" from the peasant beneficiary. Second, in land reforms by grace, the king or central political authority retains the power to take back the land, force the peasants into bankruptcy, or to control the peasants' use of the land and the sale of their crops.

The inadequacy of land reform by grace has been recognized by Chinese historians in their descriptions of the dynastic cycle. Many new Chinese dynasties began their reign by distributing land to the peasants. As the central government increased peasant taxes to fight its wars and to meet the burdens of a growing population, the peasants returned their lands and themselves (as serfs) to the tax-exempt nobility.

MODERN LAND REFORMS BY GRACE

Land reform can be accomplished in a number of ways. In the case of Paraguay, for example, the government assisted farmers in moving into largely empty, uncultivated land, sometimes in distant parts of the country. More common is the practice in parts of Mexico of expropriating large estates and turning them into cooperatives to which farmers must belong in exchange for the privilege of tilling the soil. In Egypt, the owners of large

estates were required to sell portions of their land to the government, which distributed plots to individuals.

Virtually all contemporary land reform of the Third World has been by grace, leaving the peasant weak in relation to central political authorities. A lack of confidence in their titles to their land and crushing restrictions imposed by government have been factors in the decisions of many farmers in less developed countries to abandon the land and migrate to the cities.

Peasants Benefit Little. Often government involvement in the agriculture sector that accompanies reform by grace ostensibly is meant to benefit the peasant. For example, farmers might be promised subsidized credit if they borrow exclusively from government banks. They might be promised assured sources of seed, fertilizer, and other inputs if they purchase exclusively from government suppliers. And farmers might be promised assured markets for their crops if they sell exclusively to government marketing boards.

In practice, the peasants have benefitted little from this government involvement. For one thing, governments in less developed countries have proved to be very inefficient and wasteful. For another, the socialist ideologies accepted by many of these governments mandate maximum central control and planning of economic activities.

Finally, the need to establish a strong base of political support by handing out public sector jobs causes governments, and budgets, to grow. The system's economic inefficiencies shrink the tax base. As the government seeks new sources of revenue, it turns to the agricultural sector. The system of state agencies involved in the regulation of agriculture allows easy government exploitation of farmers as a means to meet other budget and interest group needs.

Extorting Profits. Third World countries use a number of techniques to extract the agricultural surplus from peasants. Example: they require farmers to sell their output to state agencies, such as agricultural marketing boards, at prices set by the state. These prices are nearly always below the actual market value of the commodities and sometimes below the cost of production. The government pockets the extorted profit or provides cheap food for its urban political base.

Governments often require farmers to buy their inputs, such as seed and fertilizers, from state agencies, at prices set to benefit the state. Often farmers can acquire credit only from state-owned banks, at subsidized rates of interest. But the scarce credit usually goes only to political favorites. Poor farmers frequently cannot get any.

Governments in less developed countries often require farmers to join "cooperatives" set up by the state, to which farmers must sell their crops. Instead of being run by the farmers themselves to serve their own interests, these "cooperatives" are agencies by which the state buys crops from farmers in bulk at low prices or to which it sells inputs at high costs, which the cooperative must recoup from individual farmers. Dealing with a single unit

allows the government more efficiently to extract the agricultural surplus from farmers.

DESTROYING THE RURAL CULTURE

Land reformers in Third World governments often view rural folk as ignorant and unsophisticated, who must be guided, if not coerced, into the ways of modern life. Yet a growing body of anthropological literature debunks this myth of the "ignorant poor." It has been found, for example, that peasant communities typically evolve economic cultures that facilitate production. They have their own marketing and credit systems. Often the market is the village green. Peasants bring crops and other goods on designated market days and sell their products at prices determined by mutual agreement between buyer and seller.

The credit system usually depends on local moneylenders. Such creditors frequently are women, who dole out credit for flexible numbers of days rather than on rigid bank schedules. They might lend fertilizer by the spoonful. They do not demand filling out the multiple forms and providing the security required by formal banks. Their personal acquaintance with the borrower often eliminates the need for collateral. The Third World's poor do not lack entrepreneurship.

The Meaning of Black Markets. When governments demand, as part of a land reform program, that farmers borrow only from approved banks and buy and sell only through state agencies, the local economic culture, which often has existed for centuries, is quashed. In many Third World countries, activities normally undertaken by localities, such as the regulation of markets or traditional uses of the land, are subsumed by the central government. Yet local governments could provide just the political leverage and real political support for local farmers necessary to counter infringement on property rights by central governments.

The existence in less developed countries of massive black markets for the production, transportation and distribution of agricultural goods demonstrates two important points. First it shows that government policies have failed to such an extent that only by ignoring government restrictions can people survive. Second, it makes clear that local farmers are good entrepreneurs and capable of productive activity without, and sometimes in spite of, government controls

CASES OF FAILED LAND REFORM

Tanzania

Tanzania has become the classic case of a country that destroyed its agricultural sector through socialist policies. At the time of independence in 1961, Tanzania was a food exporting country. At first, the new government

maintained a balance of private enterprise with government intervention. As such, Tanzanian agricultural and industrial output grew for the first six years of independence.

In the Arusha Declaration of 1967, however, Tanzanian ruler Julius Nyerere gave the central government greater control of agriculture with the ultimate aim of collectivization. Local tribal chiefs were stripped of all political, administrative and judicial powers. The government in Dar es Salaam and Nyerere's political party, the Tanganyika Africa National Union, sought to control all economic activity.

Central to Nyerere's blueprint for socialist agriculture was the requirement that Tanzanian peasant farmers move to socialist (*Ujamaa*) villages, where the government was supposed to provide schooling, electricity, water, transportation, and health services. In most *Ujamaa* villages, people were expected to work mainly on collective farms. Farmers received instruction from government agents on how and what to plant. They were required to purchase their inputs from and sell their output to state agencies.

The Arusha Declaration and the *Ujamaa* villages led to disaster. When farmers balked at relocating, the government ordered the army out to move them forcibly. When some peasants fled back to their original homes, their homes were burned. Forced into the government's credit and marketing system, farmers balked again, selling their goods on the black market where they received better prices for their crops or more timely payment. The stifling government policies, meanwhile, depressed agricultural productivity. Shortages then plagued the government food stores. Agricultural output per capita decreased throughout the 1970s by an average of .87 percent annually, in contrast to annual growth rates of 2.38 percent in the 1960s (see Table 1).

Only in 1987, under pressure from the International Monetary Fund, did the Tanzanian government allow farmers to make their own choices once again concerning the production of crops. The result is increased agricultural output. In 1987 Tanzania's per capita income increased for the first time in years.

Yet there are signs that the old statist policies are difficult to change. Recently President Ali Hassan Mwinyi, who succeeded Nyerere in 1985, again cracked down on farmers who, due to the inefficiency of the government's distribution system, were selling their crops to private distributors for transportation to market.

Egypt

Land reforms in 1952 and 1969, which reduced the size of large estates, converted Egypt into a country of mostly small, private farmers. Before 1952, 45 percent of cultivated land had been owned by 1.2 percent of all farmers. The other 55 percent had been owned by the remaining 98.8 percent of farmers. By 1975 the one percent of farmers owning the largest estates held only 28.7 percent of the land while the remaining 99 percent of small farmers

Table 1
Average Annual Rates of Agricultural Growth Per Capita
(percent)

Country	1960s	1970s	Average
More Developed			
Britain	1.54	1.81	1.67
Canada	0.34	1.53	0.93
France	1.82	1.30	1.56
Germany, West	1.13	1.25	1.19
Germany, East	3.13	1.67	2.40
Italy	2.10	1.85	1.98
Spain	1.54	0.89	1.21
United States	0.72	1.10	0.91
Less Developed, market-oriented economies			
Bolivia	1.74	-1.10	0.31
Ivory Coast	2.56	0.93	1.74
Paraguay	-0.38	1.44	0.53
Less Developed, controlled economies			
Algeria	-2.31	-1.87	-2.09
Botswana	-0.03	-3.92	-1.96
China	1.09	2.25	1.67
Egypt	0.21	-1.30	-0.55
India	-0.16	0.78	0.31
Indonesia	0.24	2.39	1.31
Iran	0.69	0.12	0.41
Mexico	-0.24	-0.08	-0.16
Peru	-0.79	-2.39	-1.59
Philippines	-0.37	0.45	0.04
Somalia	-0.23	-4.68	-2.48
Tanzania	2.38	-0.87	0.75
Turkey	0.24	0.56	0.40
Venezuela	0.89	-1.88	-0.50
Zambia	-0.60	-2.31	-1.46

Source: Calculated from Food and Agriculture Organization *Production Yearbooks*.

owned 71.3 percent of the land. Unlike the situation in Tanzania, farmers were given title to private plots.

However, as part of land reform, farmers were required to buy their seeds, fertilizer, and other inputs from government-controlled cooperatives and to sell much of their output back to the cooperatives. The government eventually also became the monopoly purchaser of certain export crops, such as cotton, as a means to control foreign exchange. In addition, farmers were required to follow the advice of government agronomists concerning planting and other technical matters.

Former owners of large estates who retained small but still substantial holdings after land reform used bribes and political influence to receive special permission from marketing boards to diversify into unregulated and profitable crops such as fruits. Poorer farmers, however, could grow only what was required by the government, selling at low, controlled prices. The government used marketing coops to pay farmers low prices for basic commodities to keep food inexpensive for the urban masses. The income of poor farmers increased by 2 percent between 1960 and 1975, while the income of rich farmers with political connections went up by 27 percent during that period.

Egypt's agricultural output per capita declined during the 1970s at an average rate of 1.3 percent per year. Today, Egypt must import wheat and sugar. Recent government attempts to cut its budget deficit by reducing food subsidies paid to consumers and increasing food prices have triggered riots. This demonstrates that once the state distorts the market process, high economic and political costs are required to correct the situation. Momentary political stability often requires a continuation of policies that will lead to ever deeper economic and agricultural disaster.

Mexico

Land reform in Mexico dates from the Revolution of 1910-1920 and accelerated significantly in the mid-1930s under President Lazaro Cardenas. Periodic expropriations have occurred since that time. The actual redistribution process has taken place over decades.

In Mexican land reform, large holdings, called haciendas, have been expropriated and divided among small farmers in two ways: 1) as small, private holdings, mainly in the south and southeast of the country, and 2) as *ejidos*, or cooperative villages, mainly in the north. The *ejidos* sometimes are farmed collectively, sometimes by individuals on separate plots of land and sometimes with a mixture of both. The land usually cannot be sold, though the use of individual plots can be inherited. A farmer who leaves his *ejido* land loses it.

Many *ejido* farmers are forced to produce export crops that must be sold to the government at below market prices. Government direction of production on *ejidos* gives little incentive to farmers to increase output. For example, in

the province of Morelos, farmers in the early 1970s earned $7 to $11 per hectare per month from sugar production and $26 from rice. If farmers had been free from government direction, they could have earned $40 per hectare per month by growing tomatoes or hay.

Mexico offers a comparison between private and collective, government-directed farmers. From 1929 to 1959 the average compounded annual production growth in agricultural output was 2.8 percent in the South Pacific region of the country, with its high concentration of private farmers. In the *ejido*-dominated north, the growth rate was only .8 percent. Overall, Mexican agricultural output has not kept up with population growth, forcing Mexico to import food.

Peru

In 1968, in part due to violent attempts by peasants to take over large, underutilized tracts of land owned by rich individuals, the Peruvian military took power, promising true land reform. The new military rulers then expropriated land and sold it to farming cooperatives supposedly to be run democratically by the peasant farmers. However, during the period of decades that it would take the farmers to pay for the land, the coops were subject to government restrictions and supervision.

As in the case in other land reforms by grace, state agencies were set up to sell inputs to farmers, buy their outputs at controlled prices, and to provide them with credit. Farmers were forbidden to use other sources.

Gradually the state began to dominate all agricultural functions, particularly sugar, a chief export crop. During the 1960s, before revolutionary land reform, Peru's agricultural output per capita declined at an annual rate of .79 percent. Land reform accelerated this decline to an annual average of 2.39 percent in the 1970s. And while Peru was exporting 462 million metric tons of sugar in 1974, by 1981 it has to import 158 million metric tons. Aware that land reform had failed, the government since 1980 has been parceling out cooperative land to small private farms.

PARTIAL SUCCESS STORIES

Bolivia. As Table 1 indicates, a few less developed countries have allowed market forces to operate in agriculture. Bolivia is one of them. The great distances, mountain barriers and thick jungles between the seat of power in La Paz and the farmers in the countryside, combined with weak and unstable governments, made it impossible for the authorities to control the farmers. Acting on their own, farmers set up market centers, carried their products on their own trucks, organized their own system of credit, and managed to make livings above the subsistence level and to increase their productivity during the 1960s.

Bolivia's hyperinflation of the past decade, however, has hurt agriculture. As the peso boliviano became worthless, the economy reverted to a virtual barter system. With no worthwhile medium of exchange for which to sell their crops, farmers tended to grow only what they could consume.

Paraguay. In Paraguay, land reform mainly has resettled farmers on unoccupied land and then has left them alone. At first agriculture stagnated as great numbers of farmers moved into areas in which there were no roads, markets, or developed facilities for buying, selling, and credit. By the 1970s, as these institutions began to develop, agricultural output per capita grew a healthy 1.44 percent annually.

Indonesia. Indonesia is the only country in this study with a controlled economy in which agricultural output per capita has grown by more than 1.0 percent annually during the two decades. The reason for this is the new strains of rice rather than the government land reform policy.

China. In China, output per capita increased during the early 1960s mainly because the "Great Leap Forward" in the late 1950s left the country so severely depressed that there was little way to go but up. In that period of intensive communization the government insisted on diversifying the communes by introducing "backyard" industry like small steel mills. These were uneconomical and diverted labor from crops that then rotted in the fields.

In the late 1970s, however, Chinese leader Deng Xiaoping greatly liberalized the rural economy. While farmers still must deliver minimum quotas to the state at controlled prices, they have their own small plots, on which they can grow what they like, sell where they like, at whatever prices the market offers. This new incentive has ignited Chinese peasant productivity, transforming China from a food-deficit country into one that generally is self-sufficient. China has demonstrated the potential of the free market.

RECOMMENDATIONS

While land reform usually is planned and carried out by the governments of the less developed countries themselves, the U.S. can influence the direction of such reforms. The U.S. Agency for International Development is charged with distributing foreign assistance funds and economic advice to Third World countries.

In the past, AID officials often were silent in the face of land reforms that left governments rather than individual farmers in control of agricultural production. In some cases, AID officials have endorsed such plans and even provided indirect financial assistance. In El Salvador in the 1980s, for example, AID officials backed the establishment of a government marketing board for coffee. As a result, coffee production fell substantially.

Using Historic Models. The U.S. should favor land reform. It must be, however, land reform based on historic models that have increased food output and improved rural living standards. The U.S., through AID, should:

1) Recommend only land reform that results in ownership of land by individuals.

History teaches that, for the most part, farm land is best used when individuals hold titles to property.

2) Oppose such forms of government control of agriculture as state marketing boards, price controls, and exclusive state sources of farm inputs.

Even when land is technically the property of individuals, they do not enjoy the full rights of ownership if they are prohibited from planting what they wish and from engaging in buying and selling with other private suppliers and merchants. U.S. AID officials should oppose such controls.

3) Promote divestiture of state-owned or controlled lands to individual farmers and the abolition of state institutions that control the agricultural sector.

Land reform today in most cases must entail undoing the mistakes of past land reforms. AID should develop plans for deregulation and divestiture and provide funds if necessary to help in the transition to free markets. In this transition, collective farms should be converted to individual, private plots for those who till the land. In the case of government established cooperatives, as part of a complete privatization effort, individual farmers should be allowed to sell their shares in the coop if they do not wish to be members. Government marketing boards, meanwhile, should be phased out. AID could provide financial assistance to cover short-term transition costs. Also eliminated should be government monopolies on supplying agricultural inputs, on transporting crops to market, and on marketing produce.

4)Promote privatization of government enterprises that provide agricultural inputs, transport, marketing, and other support functions.

Where these functions cannot survive without government subsidies or favors, they should be shut down. In cases of privatization, workers should receive individual shares of the new private company.

5) Urge strongly that the legal protection of property rights be part of land reform.

Land reform through the grace of political elites usually fails because the farmers themselves obtain no real political power by which to resist infringements on their rights. Only in a democratic system, in which the people have effective control of the government and in which laws are meant to protect the rights of the people from government abuses, can land reform and free markets work. When AID officials devise strategies to overcome the problems of past land reforms, they must make the protection of property rights a critical component of their plan.

CONCLUSION

The old structures of land tenure in less developed countries — communal and tribal, or feudal hacienda type — typically are economically inefficient. Land reform often has been viewed as the only means to improve the situation. Painfully, however, Third World nations have learned that many kinds of land reform create more problems than they solve. It often has been a new, wasteful agricultural arrangement: farms governed by a central political authority that extract all profits from the agricultural sector, leaving little incentive for farmers to be productive.

Future land reformers therefore must treat the land reforms of the past as a problem needing to be dealt with.

The world's most successful land tenure systems have been based on private property, with title vested in owners who have the right to buy, sell, mortgage, and bequeath their property. Title to land should not be linked to any restriction of freedom to buy inputs, obtain credit, or sell outputs to whomever the farmer pleases, at whatever price he can obtain. While government advice or credit to farmers might in some cases be useful, there should not be a government monopoly in these areas.

The U.S. government should continue to support land reform in the Third World — but only when that reform leads to private ownership of land by the peasant farmer who formerly tilled it as tenant or serf, and only when the reform is completely distinct from agricultural price controls, forced procurement, or monopoly purchases of farm output.

Peasants prior to reforms usually had their own systems of marketing and credit, which at least allowed for local production and distribution of agricultural goods. Botched land reform often has made the situation worse and resulted in extensive black markets for the sale, transportation, and marketing of agricultural products.

As populations in the Third World increase, an expanding, efficient farm sector is critical. Farmers in less developed countries are hardworking and entrepreneurial. What they lack is economic liberty and the full protection of their rights by the governments of their countries.

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*This study is based on research in the book ***The Peasant Betrayed: Agriculture and Land Reform in the Third World*** **by John P. Powelson and Richard Stock (Cambridge, Mass.: Lincoln Institute of Land Policy, 1987. Revised edition forthcoming from the Cato Institute, Washington, D.C.)**

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LAND REFORM IN THE THIRD WORLD: WHAT WORKS AND WHAT DOESN'T

INTRODUCTION

In many less developed countries of Africa, Asia, and Latin America, agricultural production is the principal economic activity. This has made land reform an integral part of state economic planning in these countries. But the kind of land reform most commonly adopted has decreased agricultural output and even has led to mass starvation. Before United States policy makers advocate land reform programs, therefore, they must understand why land reform in general has failed and to discover how future land reforms might be developed that benefit less developed countries. Only in this way can land reform serve the goals of American foreign assistance to promote economic development and eliminate hunger.

Land reform is seen by many Third World leaders as a means to return to peasants land that had been taken from them, to distribute wealth more equitably, and to increase agricultural output. While land reform in some cases seeks to settle unoccupied areas, for the most part it requires that land be confiscated from owners, sometimes outright although usually with compensation, typically representing a fraction of the land's market value.

In some revolutions, as in El Salvador and Vietnam, both sides have favored land reform. The U.S., meanwhile, has supported and helped finance land reform in many non-socialist countries, especially when these countries have been threatened by Marxist takeovers.

Leverage or Grace. There are two types of land reform: The first is reform via political or economic leverage; the second is reform via what is called "grace" or the "generosity" of the lord, landowner, or central political authority. Reform via leverage occurs when farmers use some form of economic or political power to extract greater freedom to use the land and dispose of their crops, or even to acquire property titles, from the lords,

kings, or owners of the land. They might, for example, form alliances with other powerful lords or interest groups, or use their ability to supply food as leverage to acquire rights to the land.

In reform via grace, the farmers acquire nominal rights from the lord, landowner, or authority, but have no real power to defend these rights if the authorities choose to revoke them. Often the political authorities retain actual control of farms, for example, by dictating what farmers must grow, where they must purchase seeds and other inputs, and at what price they must sell their crops.

Typically Third World governments have not viewed land reform as a way to raise rural living standards. Instead, these governments see the countryside as a source of cheap food for the politically powerful and volatile urban areas, particularly the capital. Food also has been used as an export, to earn hard currency for consumer goods for the urban areas. Such policies, of course, require that the peasant be paid very little for his crops. Predictably, therefore, the peasant loses the incentive to work hard and produce much more than his family's needs. In these cases, land reform benefits neither the peasant to whom the land has been given nor the general economy.

Silent Americans. U.S. Agency for International Development (AID) officials, assigned to distribute foreign aid funds and economic advice in less developed countries, often are silent in the face of economically unsound land reform. In some cases AID officials have endorsed such reforms and helped in their planning. Less developed countries suffering economic stagnation and foreign debt burdens can ill afford to continue to discourage food production by their own people. The U.S. can help prevent this by using its foreign aid funds and influence to promote land reform based on sound principles. These include: individual rather than collective ownership of land; the freedom of farmers to grow what they wish, to purchase seeds and other inputs or borrow money from private suppliers, and to sell to whomever they wish at free market prices; and protection by the law and by political authorities of these rights.

THE EVOLUTION OF PROPERTY RIGHTS

Land differs from other economic commodities. It is immobile, virtually indestructible, and has a greater number of uses than most commodities. The economic value of land, therefore, can be thought of as a bundle of rights to use the land, including the right to farm, to harvest, to walk over the land, to build upon it, to extract minerals from it, and to hunt on it. Often different rights are held by different individuals or by individuals with inherited positions, such as kings, barons, counts, or sheiks, that entitle them to certain rights to the land. Each right often has carried an obligation to a "superior" power such as king, feudal lord, tribal chief, or state. Example: under the feudal regime in medieval Europe, a king, who by nature of his position owned all land in his kingdom, would allow lesser nobles to exercise control over parts of the land in exchange for military service.

Changing Tenure Systems. Land tenure systems have changed over the centuries. Western society has come to accept a concept of "ownership" similar to that of the Roman law that preceded feudalism. Under this, the various uses of land — for example, for farming, hunting, and location of dwellings — all are defined as the rights of a single owner rather than as rights held by different individuals or royal title holders. Still, in Western society political authorities usually retain the rights of zoning, of imposing health and safety restrictions, and of acting against behavior deemed criminal or injurious to social peace that occurs on a person's private property. In extreme cases the power of eminent domain allows the government to take property, with compensation paid to the owner, when necessary for a public project like a road. Generally, however, in Western society a person is assumed to enjoy all of the rights attached to property.

In many parts of the Third World before World War II, landholding systems resembled either European feudalism or pre-feudal tribalism more closely than they did modern Western systems. Land was often held in common by African tribes, whose chiefs would define rights and responsibilities according to tribal custom. In Latin America, much land was held in vast haciendas by those who wielded political power to prevent the poor from obtaining property. This was similar to European feudalism, with serf labor bonded to the land and the lord by indebtedness or by law, and private "justice" administered by the landowner.

After World War II, therefore, land reform has aimed at redistributing property in a manner considered more equitable. It also sought to redefine property rights in accordance with the Western concept of individual ownership on which the modern market system is based.

LAND REFORM BY LEVERAGE AND LAND REFORM BY GRACE

History records two general types of land reform: by leverage and by grace.

A land reform by leverage occurs when the tillers, through their own political strength or through alliance with stronger powers, force the kings, lords, or nominal landowners to grant them greater and greater freedom to use the land and to dispose of the crops produced on it. European feudalism was dismantled by the leverage of serfs, who formed their own organizations, similar to unions and courts of justice, and then bargained with their lords. Their strength lay in their ability to supply food, which the lords could not produce on their own, and their ability to ally with one lord, king, or the church in competition with another, extracting concessions as the price of alliance.

Selling on the Market. Through this, European peasants first transformed themselves from serfs to freemen. Next they converted their labor obligations to their lords into cash rents, and began to sell their produce on the market rather than deliver it to the lord. Later they gained the right to sell their land.

As the lords became more subject to the monarchy, the rents paid by the peasants became indistinguishable from taxes. Thus taxable land held as property by those who farmed it appeared in practice before it was recognized in the codified legal system. The evolving legal system and parliamentary democracy completed the set of rights, powers, and obligations that have become the modern land tenure systems. Under the Western legal system, the right to property has meant that the political authorities generally cannot interfere with the use and disposal of land by its owners.

No Guarantee of Rights. By contrast, land reform by grace occurs when a "gracious" government, ostensibly in the interests of "its" peasants, confiscates land from feudal or other claimants and redistributes it to the poor. Almost always, however, the poor neither have nor receive real political power. There is no guarantee of their rights and the law does not protect property. The government retains the power to control agricultural activities on the land. The political authorities can take back at any time whatever minor freedoms might be given to the landless.

Land reforms by grace have occurred in ancient Greece and Rome, in China many times throughout the centuries, in the Middle East and other Asian countries. The British tried a number of land reforms by grace in their Indian territories.

Problems with a "Gracious King." No land reform by grace has lasted. There have been several reasons for this. First, although done in the name of the peasant, a reform by grace virtually always benefits the power that undertakes it. The gracious king confiscates land from his enemies, or from nontaxpaying nobility, and gives it to peasants whom he can tax. In one way or another, the gracious power exacts "compensation" from the peasant beneficiary. Second, in land reforms by grace, the king or central political authority retains the power to take back the land, force the peasants into bankruptcy, or to control the peasants' use of the land and the sale of their crops.

The inadequacy of land reform by grace has been recognized by Chinese historians in their descriptions of the dynastic cycle. Many new Chinese dynasties began their reign by distributing land to the peasants. As the central government increased peasant taxes to fight its wars and to meet the burdens of a growing population, the peasants returned their lands and themselves (as serfs) to the tax-exempt nobility.

MODERN LAND REFORMS BY GRACE

Land reform can be accomplished in a number of ways. In the case of Paraguay, for example, the government assisted farmers in moving into largely empty, uncultivated land, sometimes in distant parts of the country. More common is the practice in parts of Mexico of expropriating large estates and turning them into cooperatives to which farmers must belong in exchange for the privilege of tilling the soil. In Egypt, the owners of large

estates were required to sell portions of their land to the government, which distributed plots to individuals.

Virtually all contemporary land reform of the Third World has been by grace, leaving the peasant weak in relation to central political authorities. A lack of confidence in their titles to their land and crushing restrictions imposed by government have been factors in the decisions of many farmers in less developed countries to abandon the land and migrate to the cities.

Peasants Benefit Little. Often government involvement in the agriculture sector that accompanies reform by grace ostensibly is meant to benefit the peasant. For example, farmers might be promised subsidized credit if they borrow exclusively from government banks. They might be promised assured sources of seed, fertilizer, and other inputs if they purchase exclusively from government suppliers. And farmers might be promised assured markets for their crops if they sell exclusively to government marketing boards.

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Finally, the need to establish a strong base of political support by handing out public sector jobs causes governments, and budgets, to grow. The system's economic inefficiencies shrink the tax base. As the government seeks new sources of revenue, it turns to the agricultural sector. The system of state agencies involved in the regulation of agriculture allows easy government exploitation of farmers as a means to meet other budget and interest group needs.

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The credit system usually depends on local moneylenders. Such creditors frequently are women, who dole out credit for flexible numbers of days rather than on rigid bank schedules. They might lend fertilizer by the spoonful. They do not demand filling out the multiple forms and providing the security required by formal banks. Their personal acquaintance with the borrower often eliminates the need for collateral. The Third World's poor do not lack entrepreneurship.

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Tanzania has become the classic case of a country that destroyed its agricultural sector through socialist policies. At the time of independence in 1961, Tanzania was a food exporting country. At first, the new government

maintained a balance of private enterprise with government intervention. As such, Tanzanian agricultural and industrial output grew for the first six years of independence.

In the Arusha Declaration of 1967, however, Tanzanian ruler Julius Nyerere gave the central government greater control of agriculture with the ultimate aim of collectivization. Local tribal chiefs were stripped of all political, administrative and judicial powers. The government in Dar es Salaam and Nyerere's political party, the Tanganyika Africa National Union, sought to control all economic activity.

Central to Nyerere's blueprint for socialist agriculture was the requirement that Tanzanian peasant farmers move to socialist (*Ujamaa*) villages, where the government was supposed to provide schooling, electricity, water, transportation, and health services. In most *Ujamaa* villages, people were expected to work mainly on collective farms. Farmers received instruction from government agents on how and what to plant. They were required to purchase their inputs from and sell their output to state agencies.

The Arusha Declaration and the *Ujamaa* villages led to disaster. When farmers balked at relocating, the government ordered the army out to move them forcibly. When some peasants fled back to their original homes, their homes were burned. Forced into the government's credit and marketing system, farmers balked again, selling their goods on the black market where they received better prices for their crops or more timely payment. The stifling government policies, meanwhile, depressed agricultural productivity. Shortages then plagued the government food stores. Agricultural output per capita decreased throughout the 1970s by an average of .87 percent annually, in contrast to annual growth rates of 2.38 percent in the 1960s (see Table 1).

Only in 1987, under pressure from the International Monetary Fund, did the Tanzanian government allow farmers to make their own choices once again concerning the production of crops. The result is increased agricultural output. In 1987 Tanzania's per capita income increased for the first time in years.

Yet there are signs that the old statist policies are difficult to change. Recently President Ali Hassan Mwinyi, who succeeded Nyerere in 1985, again cracked down on farmers who, due to the inefficiency of the government's distribution system, were selling their crops to private distributors for transportation to market.

Egypt

Land reforms in 1952 and 1969, which reduced the size of large estates, converted Egypt into a country of mostly small, private farmers. Before 1952, 45 percent of cultivated land had been owned by 1.2 percent of all farmers. The other 55 percent had been owned by the remaining 98.8 percent of farmers. By 1975 the one percent of farmers owning the largest estates held only 28.7 percent of the land while the remaining 99 percent of small farmers

Table 1
Average Annual Rates of Agricultural Growth Per Capita
(percent)

Country	1960s	1970s	Average
More Developed			
Britain	1.54	1.81	1.67
Canada	0.34	1.53	0.93
France	1.82	1.30	1.56
Germany, West	1.13	1.25	1.19
Germany, East	3.13	1.67	2.40
Italy	2.10	1.85	1.98
Spain	1.54	0.89	1.21
United States	0.72	1.10	0.91
Less Developed, market-oriented economies			
Bolivia	1.74	-1.10	0.31
Ivory Coast	2.56	0.93	1.74
Paraguay	-0.38	1.44	0.53
Less Developed, controlled economies			
Algeria	-2.31	-1.87	-2.09
Botswana	-0.03	-3.92	-1.96
China	1.09	2.25	1.67
Egypt	0.21	-1.30	-0.55
India	-0.16	0.78	0.31
Indonesia	0.24	2.39	1.31
Iran	0.69	0.12	0.41
Mexico	-0.24	-0.08	-0.16
Peru	-0.79	-2.39	-1.59
Philippines	-0.37	0.45	0.04
Somalia	-0.23	-4.68	-2.48
Tanzania	2.38	-0.87	0.75
Turkey	0.24	0.56	0.40
Venezuela	0.89	-1.88	-0.50
Zambia	-0.60	-2.31	-1.46

Source: Calculated from Food and Agriculture Organization *Production Yearbooks*.

owned 71.3 percent of the land. Unlike the situation in Tanzania, farmers were given title to private plots.

However, as part of land reform, farmers were required to buy their seeds, fertilizer, and other inputs from government-controlled cooperatives and to sell much of their output back to the cooperatives. The government eventually also became the monopoly purchaser of certain export crops, such as cotton, as a means to control foreign exchange. In addition, farmers were required to follow the advice of government agronomists concerning planting and other technical matters.

Former owners of large estates who retained small but still substantial holdings after land reform used bribes and political influence to receive special permission from marketing boards to diversify into unregulated and profitable crops such as fruits. Poorer farmers, however, could grow only what was required by the government, selling at low, controlled prices. The government used marketing coops to pay farmers low prices for basic commodities to keep food inexpensive for the urban masses. The income of poor farmers increased by 2 percent between 1960 and 1975, while the income of rich farmers with political connections went up by 27 percent during that period.

Egypt's agricultural output per capita declined during the 1970s at an average rate of 1.3 percent per year. Today, Egypt must import wheat and sugar. Recent government attempts to cut its budget deficit by reducing food subsidies paid to consumers and increasing food prices have triggered riots. This demonstrates that once the state distorts the market process, high economic and political costs are required to correct the situation. Momentary political stability often requires a continuation of policies that will lead to ever deeper economic and agricultural disaster.

Mexico

Land reform in Mexico dates from the Revolution of 1910-1920 and accelerated significantly in the mid-1930s under President Lazaro Cardenas. Periodic expropriations have occurred since that time. The actual redistribution process has taken place over decades.

In Mexican land reform, large holdings, called haciendas, have been expropriated and divided among small farmers in two ways: 1) as small, private holdings, mainly in the south and southeast of the country, and 2) as *ejidos*, or cooperative villages, mainly in the north. The *ejidos* sometimes are farmed collectively, sometimes by individuals on separate plots of land and sometimes with a mixture of both. The land usually cannot be sold, though the use of individual plots can be inherited. A farmer who leaves his *ejido* land loses it.

Many *ejido* farmers are forced to produce export crops that must be sold to the government at below market prices. Government direction of production on *ejidos* gives little incentive to farmers to increase output. For example, in

the province of Morelos, farmers in the early 1970s earned $7 to $11 per hectare per month from sugar production and $26 from rice. If farmers had been free from government direction, they could have earned $40 per hectare per month by growing tomatoes or hay.

Mexico offers a comparison between private and collective, government-directed farmers. From 1929 to 1959 the average compounded annual production growth in agricultural output was 2.8 percent in the South Pacific region of the country, with its high concentration of private farmers. In the *ejido*-dominated north, the growth rate was only .8 percent. Overall, Mexican agricultural output has not kept up with population growth, forcing Mexico to import food.

Peru

In 1968, in part due to violent attempts by peasants to take over large, underutilized tracts of land owned by rich individuals, the Peruvian military took power, promising true land reform. The new military rulers then expropriated land and sold it to farming cooperatives supposedly to be run democratically by the peasant farmers. However, during the period of decades that it would take the farmers to pay for the land, the coops were subject to government restrictions and supervision.

As in the case in other land reforms by grace, state agencies were set up to sell inputs to farmers, buy their outputs at controlled prices, and to provide them with credit. Farmers were forbidden to use other sources.

Gradually the state began to dominate all agricultural functions, particularly sugar, a chief export crop. During the 1960s, before revolutionary land reform, Peru's agricultural output per capita declined at an annual rate of .79 percent. Land reform accelerated this decline to an annual average of 2.39 percent in the 1970s. And while Peru was exporting 462 million metric tons of sugar in 1974, by 1981 it has to import 158 million metric tons. Aware that land reform had failed, the government since 1980 has been parceling out cooperative land to small private farms.

PARTIAL SUCCESS STORIES

Bolivia. As Table 1 indicates, a few less developed countries have allowed market forces to operate in agriculture. Bolivia is one of them. The great distances, mountain barriers and thick jungles between the seat of power in La Paz and the farmers in the countryside, combined with weak and unstable governments, made it impossible for the authorities to control the farmers. Acting on their own, farmers set up market centers, carried their products on their own trucks, organized their own system of credit, and managed to make livings above the subsistence level and to increase their productivity during the 1960s.

Bolivia's hyperinflation of the past decade, however, has hurt agriculture. As the peso boliviano became worthless, the economy reverted to a virtual barter system. With no worthwhile medium of exchange for which to sell their crops, farmers tended to grow only what they could consume.

Paraguay. In Paraguay, land reform mainly has resettled farmers on unoccupied land and then has left them alone. At first agriculture stagnated as great numbers of farmers moved into areas in which there were no roads, markets, or developed facilities for buying, selling, and credit. By the 1970s, as these institutions began to develop, agricultural output per capita grew a healthy 1.44 percent annually.

Indonesia. Indonesia is the only country in this study with a controlled economy in which agricultural output per capita has grown by more than 1.0 percent annually during the two decades. The reason for this is the new strains of rice rather than the government land reform policy.

China. In China, output per capita increased during the early 1960s mainly because the "Great Leap Forward" in the late 1950s left the country so severely depressed that there was little way to go but up. In that period of intensive communization the government insisted on diversifying the communes by introducing "backyard" industry like small steel mills. These were uneconomical and diverted labor from crops that then rotted in the fields.

In the late 1970s, however, Chinese leader Deng Xiaoping greatly liberalized the rural economy. While farmers still must deliver minimum quotas to the state at controlled prices, they have their own small plots, on which they can grow what they like, sell where they like, at whatever prices the market offers. This new incentive has ignited Chinese peasant productivity, transforming China from a food-deficit country into one that generally is self-sufficient. China has demonstrated the potential of the free market.

RECOMMENDATIONS

While land reform usually is planned and carried out by the governments of the less developed countries themselves, the U.S. can influence the direction of such reforms. The U.S. Agency for International Development is charged with distributing foreign assistance funds and economic advice to Third World countries.

In the past, AID officials often were silent in the face of land reforms that left governments rather than individual farmers in control of agricultural production. In some cases, AID officials have endorsed such plans and even provided indirect financial assistance. In El Salvador in the 1980s, for example, AID officials backed the establishment of a government marketing board for coffee. As a result, coffee production fell substantially.

Using Historic Models. The U.S. should favor land reform. It must be, however, land reform based on historic models that have increased food output and improved rural living standards. The U.S., through AID, should:

1) Recommend only land reform that results in ownership of land by individuals.

History teaches that, for the most part, farm land is best used when individuals hold titles to property.

2) Oppose such forms of government control of agriculture as state marketing boards, price controls, and exclusive state sources of farm inputs.

Even when land is technically the property of individuals, they do not enjoy the full rights of ownership if they are prohibited from planting what they wish and from engaging in buying and selling with other private suppliers and merchants. U.S. AID officials should oppose such controls.

3) Promote divestiture of state-owned or controlled lands to individual farmers and the abolition of state institutions that control the agricultural sector.

Land reform today in most cases must entail undoing the mistakes of past land reforms. AID should develop plans for deregulation and divestiture and provide funds if necessary to help in the transition to free markets. In this transition, collective farms should be converted to individual, private plots for those who till the land. In the case of government established cooperatives, as part of a complete privatization effort, individual farmers should be allowed to sell their shares in the coop if they do not wish to be members. Government marketing boards, meanwhile, should be phased out. AID could provide financial assistance to cover short-term transition costs. Also eliminated should be government monopolies on supplying agricultural inputs, on transporting crops to market, and on marketing produce.

4)Promote privatization of government enterprises that provide agricultural inputs, transport, marketing, and other support functions.

Where these functions cannot survive without government subsidies or favors, they should be shut down. In cases of privatization, workers should receive individual shares of the new private company.

5) Urge strongly that the legal protection of property rights be part of land reform.

Land reform through the grace of political elites usually fails because the farmers themselves obtain no real political power by which to resist infringements on their rights. Only in a democratic system, in which the people have effective control of the government and in which laws are meant to protect the rights of the people from government abuses, can land reform and free markets work. When AID officials devise strategies to overcome the problems of past land reforms, they must make the protection of property rights a critical component of their plan.

CONCLUSION

The old structures of land tenure in less developed countries — communal and tribal, or feudal hacienda type — typically are economically inefficient. Land reform often has been viewed as the only means to improve the situation. Painfully, however, Third World nations have learned that many kinds of land reform create more problems than they solve. It often has been a new, wasteful agricultural arrangement: farms governed by a central political authority that extract all profits from the agricultural sector, leaving little incentive for farmers to be productive.

Future land reformers therefore must treat the land reforms of the past as a problem needing to be dealt with.

The world's most successful land tenure systems have been based on private property, with title vested in owners who have the right to buy, sell, mortgage, and bequeath their property. Title to land should not be linked to any restriction of freedom to buy inputs, obtain credit, or sell outputs to whomever the farmer pleases, at whatever price he can obtain. While government advice or credit to farmers might in some cases be useful, there should not be a government monopoly in these areas.

The U.S. government should continue to support land reform in the Third World — but only when that reform leads to private ownership of land by the peasant farmer who formerly tilled it as tenant or serf, and only when the reform is completely distinct from agricultural price controls, forced procurement, or monopoly purchases of farm output.

Peasants prior to reforms usually had their own systems of marketing and credit, which at least allowed for local production and distribution of agricultural goods. Botched land reform often has made the situation worse and resulted in extensive black markets for the sale, transportation, and marketing of agricultural products.

As populations in the Third World increase, an expanding, efficient farm sector is critical. Farmers in less developed countries are hardworking and entrepreneurial. What they lack is economic liberty and the full protection of their rights by the governments of their countries.

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