

“Asset Distribution and Access: Land Tenure Programs.” With Virginia Lambert. In Luther G. Tweeten and Donald G. McClelland, eds., *Promoting Third-World Development and Food Security*. Westport, CT.: Praeger, 1997, pp. 153-182.

Asset Distribution and Access: Land Tenure Programs

Virginia A. Lambert with Mitchell A. Seligson

INTRODUCTION

Land is a fundamental asset needed for agricultural production. Donors have invested in less developed countries to influence the distribution of and access to farmland in order to increase agricultural productivity, improve the quality of rural life, and reduce rural unrest.

U.S. involvement in land reform began immediately after World War II, with major and generally successful reforms in Japan, Taiwan, and South Korea. Beginning in the 1960s, in response to the Cuban Revolution, redistributive land reforms were implemented in Latin America under the Alliance for Progress. Later, with the spread of economic liberalism and disappointment with these post-Cuban Revolution reforms, investment shifted to broaden access to land through market mechanisms and to strengthen tenure security through land titling and registration. Increasing concern for the environment is pushing a new set of land tenure issues to the forefront.

This review of the impact of donor investments to improve agricultural asset distribution and access over the past thirty years shows near universal agreement that family-size farms are more efficient than large farms, but that distortions in land markets often prevent land distribution from moving in the direction of optimal efficiency. Either redistributive land reform or elimination of market distortions is necessary to increase efficiency, but both of these approaches invariably run into opposition from powerful forces within the country. The review also shows that gross inequalities in land distribution have been a highly destabilizing force in rural areas, associated with numerous instances of rural rebellion in the developing world. At the same time, many land reforms have failed to quell insurgency or to affect the underlying inequalities reflected in

income. Finally, the review shows that an effective land tenure program must be crafted in response to the complex of factors that defines the agrarian structure of each country. No single formula will work for all countries at all times. Knowledge of the existing land tenure structure is a sine qua non for any intervention in this area.

Until the mid-1980s, the United States had been the principal international proponent and supporter for land tenure programs and as a result has amassed an impressive breadth of experience in this area. Although USAID support for land tenure interventions has waned in recent years, its expertise in this vital area of agricultural development remains.

This chapter first expands on definitional issues and delineates the evaluation literature on which the synthesis is based and then summarizes the motivations for land reform by outlining the historical pattern of investment in agrarian structure. It next draws on academic literature to examine the theoretical relationships between agricultural growth and agrarian structure. Finally, it examines empirical evidence of the effectiveness, in both political and economic terms, of various interventions intended to change the agrarian structure.

DEFINITIONS

The 1978 AID "Agricultural Development Policy Paper" identified five essential elements of agricultural development. "Asset distribution and access" (land tenure and local participatory institutions) was defined as "the relative equality of the distribution of assets, particularly land, and the effectiveness of local participatory institutions, including local government, cooperatives, and other farmer organizations, in ensuring access to productive inputs through enforcement of land tenure security, water rights, etc." (AID 1978, 26). Asset distribution and access concerned agrarian structure—the institutional framework determining distribution of and access to resources—thereby describing an arena for investment rather than a type of investment. Successful investments were expected to improve equity and equality of opportunity (particularly for the rural poor) and increase agricultural production and productivity.

The complexity and variation of agrarian structure across regions is well known and, technically, no ideal structure holds for all times and places:

There is nothing inherently good or bad, right or wrong about land tenure systems as such. While ideological arguments on the best ways of organizing agriculture continue, no tenure system can be adjudged best in the abstract. Any judgments concerning a particular system must take note of the institutional and technological conditions in the society and the stage at which that society lies in the transformation from an agrarian to an industrial economy. Our judgments should also consider what specific groups and individuals in that society are attempting to accomplish. (Dorner and Kanel 1970, 3)

In characterizing agrarian structure, the literature focuses on land tenure. Land tenure is the bundle of rights that determines how land is owned and operated and the behavior flowing from that institutional pattern. Land reform is a basic restructuring of the land tenure system (Thiesenhusen 1989). The *AID Spring Review of Land Reform* (1970) characterized land reform or land tenure reform as "(1) land ownership redistribution; and/or (2) granting land users secure, long-term tenancy at fair rents, both in areas where at least modest amounts of social infrastructure already exist"¹ (Lachman 1970).

Some analysts distinguish between land reform, the redistribution of land and property rights, and agrarian reform, the complex of changes in rural structure that accompany land redistribution. The term *agrarian reform* sometimes is used explicitly to call attention to the necessity for investments in services for farmers, land titling and registration, and rural infrastructure, as well as for redistribution of assets. In this chapter, the term *land reform* means programs based on land redistribution, with the understanding that broad structural change and *agrarian reform* must necessarily accompany land reform.

While land reform was the principal type of land tenure investment in the 1960s, later programs increasingly focused on tenure security and land market operations. Tenure security, the assurance of continuing access to resources, is a characteristic of both customary and formal tenure systems. In private property systems, tenure security ultimately rests on legal documentation and the state's guarantee of ownership rights. Land titling programs involve the issuance of private property titles to holders of plots of land, and registration refers to the recording of these titles by the state (Stanfield 1990).

Economic theory suggests that over time, efficient land markets will optimize land distribution and access and obviate the need for land reform. In less developed countries, however, distortions in land markets inhibit the participation of landless peasants and small farmers. To counter these distortions and increase market efficiency, donors have supported programs (1) to increase the supply of land accessible for peasants to purchase (e.g., through land banks or land purchase/sale programs),² and (2) to increase the effective demand for land by peasant producers (e.g., through credit schemes or mortgage guaranty programs).³ Systems to tax agricultural land, which base tax rates on the value of the land under optimal use, also seek to open land markets and increase productivity.

Land settlement projects expand the land under cultivation. "New lands settlement is defined as the spontaneous and sponsored settlement of areas which are largely uncultivated at the time of their occupation" (Scudder 1984, 1). These integrated rural projects involve not only land distribution but extensive infrastructure construction and institution building. The settlements are often on public land and usually involve virgin areas or reclaimed land.

Other interventions to modify the distribution of and access to land include land consolidation, limitations on sales, restrictions on rentals, and privatization

and decollectivization. There are no broad-based evaluations of these programs, though they may be more pertinent to decision making in the 1990s than those reviewed in this chapter. For example, restrictions on sales and land use through zoning regulations are primary interventions used in conjunction with environmental programs. Privatization and decollectivization have taken on new importance with the shift from socialist to market structures in Eastern and Central Europe and the Newly Independent States.

MOTIVATIONS FOR LAND REFORM: A HISTORICAL SYNTHESIS

Land reform is not an invention of the great revolutions of the twentieth century. Elias Tuma (1965) has shown that it dates back at least twenty-six centuries and possibly earlier. In spite of this protracted history, there is no clear consensus on its costs and benefits, because most reforms have been motivated by distinct and often conflicting objectives.

Consider the Mexican Revolution. One of its major outcomes was a major land reform. But this land reform actually occurred in reaction to an earlier reform instituted at the end of the nineteenth century, imposed from above by the government of Porfirio Díaz to stimulate agricultural development by privatizing communally held property. Entire indigenous communities lost land they had farmed for centuries, and they were forced either to become wage laborers on the sugar plantations that expanded onto the land they had once farmed or to migrate to other parts of Mexico in search of work. The Díaz reform, through its impact on the peasant, is widely seen as the central motivation behind the Mexican Revolution of 1910 (Womack 1969).

The Mexican case illustrates nicely the widely conflicting motivations for land reforms over the centuries. On the one hand are reforms designed to modernize agriculture. In some cases these reforms focus on changing the nature of land tenure (e.g., privatizing communal land), while in others they are directly confiscatory, taking land from what are viewed as "inefficient" small holders and recombining the properties into what are seen as "efficient" large estates or plantations. Although these reforms are nearly always justified in terms of improved agricultural efficiency, in many cases the real motivation is to take property from a less powerful group and turn it over to one more powerful.

On the other hand are reforms explicitly designed to redress inequalities in the distribution of land assets, as in numerous twentieth-century cases of peasant uprisings, including the Mexican Revolution of 1910, the Russian Revolution of 1917, the Chinese Revolution of 1949, the Bolivian Revolution of 1952, the Cuban Revolution of 1959, and the Nicaraguan Revolution of 1979.⁴ In each of these cases, a major land redistribution program was put in place either during the insurrection or soon after its conclusion. Numerous other cases of peasant uprisings did not result in full-scale revolution, but land was a central issue and such uprisings remain an element in the post-Cold War world, as in the January

1, 1994, Zapatista peasant uprising in southern Mexico, where demand for land was a central issue.

The success or failure of land reform must be assessed in relation to the motivation for the reform. Reforms brought about by peasants who demand land cannot be judged by the same criteria as those designed "from above" to enhance productivity.

U.S. Interests in Land Reform

Throughout its thirty-year involvement with land reform, the United States has been concerned with equity as often as with productivity. Until a marked shift in 1986, U.S. policy explicitly saw land reform in terms of its equity implications.⁵ So strong was the belief in the role of equity in land reform that it constituted a central tenet of U.S. policy in the two post-World War II guerrilla wars with the most direct U.S. involvement: Vietnam and El Salvador. In both cases, agricultural productivity took second place to counter-insurgency concerns.

The logic behind U.S. support for redistributive land reform in El Salvador is presented by the Rand Corporation (Schwarz 1991, 44):

El Salvador's land redistribution program, designed by American experts, financed by American economic aid, and largely implemented by American organizers and technicians, has been, along with America's attempt to improve the armed forces' respect for human rights, the heart of the U.S. effort to transform the conditions that motivate the insurgency. . . . From the beginning, land reform, initiated by the reformist civilian-military junta that prevailed briefly in 1979 to 1980, was seen primarily as a political tool. Even American advisers who doubted its economic utility stressed that it was a political necessity in the war against the guerrillas for the peasantry's hearts and minds.

A less official but highly knowledgeable source, Roy Prosterman, was directly involved in designing land reform programs in both Vietnam and El Salvador. He argues that land reform can help avoid "at least half a dozen great civil conflicts, otherwise overwhelmingly likely, which might well carry a combined death toll in the millions, and beyond even that, would bring individually small but cumulatively significant risks of a direct superpower confrontation" (Prosterman and Riedinger 1987, 1). With the Cold War behind, such counter-insurgency-based reforms will be far less common in the future. But the specter of Mexican instability brought on by the uprising in Chiapas demonstrates that such reforms may not have been permanently removed from the U.S. foreign policy agenda.

U.S. interest and support for land reform has had three distinct phases, described next.

Phase 1. Immediately following World War II, the United States saw land reform as a major tool to build democracy in Asia. The United States supported

reforms in Japan, Taiwan, and South Korea to stimulate the growth of "yeoman farmers," who were perceived at the time as representing the backbone of democracy. Those reforms have been linked by many scholars to the rapid economic growth that emerged in the 1950s and 1960s in all three countries and to their ability to avoid severe income inequality. The protracted period of authoritarian rule in Taiwan and South Korea also demonstrates, however, that reform is not a sufficient condition for the emergence and stability of democracy. Support for land reform beyond Asia was limited during this first phase.

Phase 2. The Cuban Revolution in 1959 radically altered the U.S. position on land reform, and the emergence of a strategic alliance between Cuba and the Soviet Union forced a rethinking of U.S. policy toward Latin America. The Kennedy administration developed a new strategy that promised massive foreign assistance on the condition that recipient governments implement structural economic transformations. A direct statement of U.S. faith in land reform was made in the 1961 Charter of Punta del Este for the Alliance for Progress, which proposed, among other things, land reform as a precondition for U.S. financial aid to Latin American countries. Following this accord, agrarian reform agencies were formed in virtually every Latin American country, and reform efforts were begun in most.

These land reforms, stimulated by the fear both in the United States and in Latin America of further communist takeovers, were limited in scope. The reform agencies, even with the best intentions, ran into a head wind of landlord opposition that was successful in blunting the reforms through budget restrictions, protracted legal battles in the courts, and, at times, threats and violence to intimidate peasants and land reform technocrats. In addition, U.S. policy lacked domestic political support because land reform threatened the property interests of U.S. companies operating overseas, particularly in Central America. Thus these Alliance for Progress reforms were limited in depth and scope.

Despite growing opposition to land reform in the United States, the Nicaraguan Revolution of 1979 again stirred fears of communist takeovers in the region. As a direct result, the United States began to provide strong support for land reform in neighboring El Salvador to win over the peasants from the growing insurgency. That was the last case in which the United States became directly involved in a major land reform program.

Comparing the first and second phases of U.S. involvement in land reform, it is clear that the pre-Castro reforms were more successful. The historical circumstances of World War II were critical to the success of land reform in Asia, since the war destroyed Japanese colonial administration and its system. It was replaced by a strong political power backed by military forces. No such preconditioning circumstances existed with the Alliance for Progress. In addition, reforms in Asia generally did not involve redistribution of land but rather a change in tenure status. In these "land-to-the-tiller" reforms, small

farmers continued to farm the same land they had farmed for generations, but as owners rather than tenants. Also, in Taiwan and other areas of Japanese colonial rule, political opposition to dislocation was reduced because the expropriated landowners were foreigners (Dorner and Thiesenhusen 1989).

In Latin America, the pre-Castro reforms were the most successful. The reforms in Mexico (1930s) and Bolivia (1952) were driven by populist forces in the context of national revolutions. Powerful state action pushed forward difficult reforms that displaced the native landed elite and redistributed hacienda land to landless peasants. Castro's land reform, the most extensive of any ever undertaken in Latin America, also emerged in the context of a national revolution and expropriated numerous foreign-owned properties as well as large estates owned by Cuban nationals.

Phase 3. Until the mid-1980s, land reform had been considered one of the tools available to increase land access and improve agriculture. The 1979 AID Policy Determination on Land Reform included redistribution of land ownership as one option among others for reform (cited in Montgomery 1984).

The policy shifted, however, under the influence of the Reagan administration. Initially, intervention was justified to stimulate the growth of small farms and, by extension, the growth of small business. By 1986, the AID Policy Determination on Land Tenure did not mention land reform or redistribution as potential interventions, and instead shifted attention toward land titling and registration and land markets.

AID supports those LDC policies and programs which lead to a general, country-wide reliance on market forces in the valuation and distribution of land ownership and land use rights. AID will also support programs that broaden the opportunity for access to agricultural land, promote tenure security, and stimulate productive uses of land to ameliorate the barriers to market entry that exist in some LDCs. (AID 1986, 2)

Not only U.S. policy shifted. Even though the World Bank had amassed considerable data that supported the conclusion that small farms were more efficient than large farms, the Bank concluded that the way to increase the number of small farms was through the rental market rather than reform (Binswanger, et al. 1993, 48). Despite the continuing need for and potential benefits of land reform in parts of the world, because of the weak financial and political feasibility of reform, other policy options may have more impact than land redistribution.

Accordingly, both USAID and multilateral funds for land reform have diminished since the mid-1980s, and investments in land tenure have shifted toward land titling and registration and projects to increase market efficiency. Other options for investment include support for land settlement (and resettlement) schemes, land consolidation, tenancy reform, and land taxation.

THEORETICAL CONCERNS

The following discussion lays out the theoretical rationale underlying five interventions in agrarian structure: redistributive land reform, land titling and registration, land market interventions, land taxation, and land settlement and resettlement. The inverse relationship between farm size and agricultural productivity is the main economic rationale underlying investments in redistributive land reform. Tenure security is the underlying economic rationale for investments in the other four areas.

Farm Size and Productivity: The Economic Rationale for Land Reform

Much evidence shows that small farms are more productive than large farms in developing countries. Large estates all over the developing world tend to be highly inefficient compared to small or family farms. Redistributive land reform, therefore, makes sense as an intervention to spur agricultural growth. The hypothesis that small farms generally have a higher value of output per unit of land and capital than do large farms has been tested empirically most extensively by Berry and Cline (1979). They analyzed the relationship for a sample of about thirty countries and concluded that

in practically all of these countries the large farm sector . . . uses its land less intensively than the small farm sector . . . based on the percent of farm area under cultivation. . . . A second set of statistical tests using cross-country data finds no evidence of faster growth of agricultural output in countries with larger average farm size. . . . Nor is the agricultural growth rate related, positively or negatively, to the degree of concentration in the distribution of land. Finally, . . . farm output and employment per area of available land are higher in countries with smaller average farm size and more equal distribution of land. (Berry and Cline 1979, 40)

In addition, they tested the relationship with internal production data from Brazil, Colombia, the Philippines, Pakistan, India, and Malaysia. "For all six countries with intensive data sets, the statistical tests . . . confirm the negative relationship between farm size and output per unit of land area available. This negative relationship holds, even when removing the influence of land quality" (Berry and Cline 1979, 126).

Additional empirical research has refined the measures of production and structure and verified the causal mechanisms. (See, for example, Sen 1981; Carter 1984; Carter and Jonakin 1987; Thiesenhusen and Melmed-Sanjak 1990; and Binswanger et al. 1993.) The inverse relationship has been confirmed uniformly across a variety of agricultural systems and geographical locations.

In the late 1960s, institutional economists developed a theoretical argument to explain this empirically observed inverse relationship and the potential contribution of optimal size to economic growth, equity, and particularly, poverty alleviation. On the supply side, because output per unit of land is greater on smaller holdings, land reforms that redistribute land from large

estates to small farms should boost aggregate production. The creation of relatively small family farms (or cooperative forms of tenure) also should provide employment for excess rural labor, thereby relieving the pressures for urban migration. On the demand side, incomes of the rural majority should increase as a result of land reform, stimulating increased demand for industrial goods and growth of the manufacturing sector (Dorner 1992).

The predicted results have not always materialized, however. First, the process is highly disruptive if it forces the relocation and resettlement of the former owners as well as the new owners. Second, it may well remove from the farms those with the most knowledge about successful agricultural production on that land. Third, the new farm owners may have no loyalty to the region to which they have been assigned and even less knowledge of its political and social environment. Fourth, land reform may negatively affect the business climate, producing a net outflow of investment and entrepreneurial skills. Fifth, the owners may resist the reform through legal means, tying up the program in the court system for decades, or through illegal intimidation and attacks on the new settlers.

Tenure Security

A second important theoretical relationship underlying interventions in agrarian structure is the positive relationship between tenure security and agricultural productivity. Theoretically, a person secure in his or her access to land will work the land more intensively, make long-term capital investments, exhibit greater concern for soil conservation, and practice more effective stewardship than someone with tenuous ties to the land, because he or she personally will realize the benefits of these investments over the long term.

Tenure security is a more important issue in land-scarce than in land-abundant regions, and it increases in importance over time in areas where population growth puts pressure on arable land resources. Security varies along a continuum, from holding land under the most tenuous conditions as a squatter, to holding fully titled and registered private property. Traditional or customary tenure in both private and communal property systems may provide considerable security, depending on locally accepted and enforced tenure rules (Stanfield 1990).

Land titling and registration. In private property systems, security of tenure is maximized through registered titles backed up by the legal system. In theory, fully registered titles contribute to investment and productivity because they allow the land to be used as collateral for credit. Legally registered titles are thought to increase tenure security by reducing land disputes and by providing a forum in which to resolve disputes that do arise. Land titles also facilitate land transfers in the land market by guaranteeing that the owner has the right to sell the land and by standardizing information for buyers and sellers. Titles also may be used to protect owners when external factors (such as roads, irrigation

systems, discovery of oil) change land values, because owners with title are likely to be less vulnerable than those without. The price of titled land, as a result of all of these factors, is often higher than the price of land not securely held.

On the other hand, land titling and registration programs have no impact on land distribution, positive or negative, and therefore do not address the fundamental equity question. Also, titling and registration are costly and therefore more likely to be available to large rather than small landowners. Large landowners, in turn, may use the additional advantages of titles to accumulate more land through the land market.

Land markets. There are two theoretical reasons to focus on land market interventions. First, the complexities of tenure systems and social and economic systems across cultures, regions, and nations make it unlikely for planners to select an optimal tenure structure to apply through land reform. Second, perfectly competitive markets allocate resources, including land resources, to their optimal use (Stringer 1987).⁶ Even less than perfectly competitive markets can increase efficiency in resource use and agricultural production.

Although land markets are imperfect everywhere, they are generally more distorted in less developed countries than in industrialized ones (Stringer 1987). In Latin America and countries with a strong dual structure of landholding (*latifundia* and *minifundia*), small and large properties are transferred in separate markets. Small farmers do not have access to the large farm sector, and when large farms enter the market they are rarely sub-divided. Land market interventions are designed to facilitate the subdivision of extensive large farms into intensive small farms and also to allow suboptimal farm units to be expanded.

Not all researchers believe land markets can achieve these benefits. In a World Bank paper Binswanger et al. (1993) hypothesize that coercion and imperfections in labor and credit markets and the inclusion of expected capital gains in land prices mean the value of land will exceed capitalized agricultural profits. A person without savings or capital who must take out a mortgage at market interest rates and whose only income from the land is from agricultural production can pay for the land only by reducing consumption, or, in effect, subsidizing the cost of his or her own occupation of that land.

Small farmers face an additional disadvantage in the land market if transaction costs are fixed. Further, in systems without insurance, small landowners are more likely than wealthier landowners to face distress sales (Binswanger and Elgin 1988; Carter and Mesbah 1990). Large farmers also tend to benefit more than small farmers from agricultural subsidies, such as special credit lines and tax breaks.

Land market interventions may not be effective if they are undertaken as isolated activities rather than as part of a broad land strategy. Dorner and Saliba (1981, 1) state that land market interventions are "most effectively applied in situations where redistribution *via* expropriation and tenure reform has already

proceeded, where a relatively egalitarian landholding structure already exists, and where the land market can be made, with the aid of these lesser instruments, to work more efficiently in the interests of both productivity and equality." Binswanger and Elgin (1988) argue that neither redistributive land reform nor redistribution through market mechanisms can be effective in a distorted environment that favors large farmers with benefits such as unequal income tax exemptions or access to credit. Thus, a precondition for the success of these programs is elimination of these distortions. A comprehensive title and registration system may be another precondition for land markets to function effectively.

Land taxation. Taxes on agricultural land have been proposed not only as a source of revenue but also as a tool to influence land distribution and to increase agricultural production. The nonrevenue functions of land taxation have been in use since the mid-1800s, and they have received donor funding in less developed countries since the 1950s.

In theory, a fixed tax on all land, productive or not, based on land values in optimal use would encourage owners of large, unproductive farms to sell their land or to use it more productively. Tax exemptions or credits for productivity-related improvements would also encourage more intensive land use. Alternatively, a progressive land tax could be applied which would be based on some measure of farm size and farm productivity and presumably would offer a stimulus to subdivide large, unproductive farms for sale to landless or land-poor farmers.

Land taxation requires a reliable cadaster. A cadaster also provides important information needed for the land market, natural resource management, and land reform, but it is costly to construct and maintain. As a practical matter, taxation systems have rarely been used for equity adjustments. Most taxation systems, even those that are explicitly progressive, are manipulated by the rich and powerful for their own benefit and harm the poor.

Land settlement. Land settlement projects are different from the other interventions because they do not deal with distribution of and access to existing resources but rather with bringing new resources into production. Colonization of new lands has been on the agenda of governments for centuries. As population densities have increased throughout the world, colonization schemes have become more attractive. Even without government intervention, spontaneous land settlement in frontier areas can serve as a safety valve for overpopulation.

Government- and donor-sponsored settlement on government-owned or reclaimed lands has been advocated as an alternative to or component of redistributive land reform. According to the World Bank (1985), the principal goal is increased agricultural production. During the 1970s and 1980s, most of the increase in agricultural production in the less developed world was due to opening new land to farming rather than to increased productivity. In many cases, absorption of excess rural population has been a goal. Equity objectives

(improved income and standard of living for the settlement households) are usually implicit.

On the other hand, land colonization schemes may do more damage than good. First, it is argued that unpopulated land is a myth. Increasingly, colonization schemes are situated on lands of ethnic minorities, especially the Indian populations of Latin America, because indigenous rights to those properties are not recognized. Second, "unsettled lands" are often located in fragile environments where colonization could do substantial damage while bringing only limited and ephemeral production gains.

EMPIRICAL EVIDENCE

What is the empirical evidence associated with the theoretical claims made for and against investments in land reform and tenure security? This section begins by examining evidence on the relationship between land reform and political stability, because political stability has been the primary motivation for virtually all U.S. interventions in land reform. Political stability is a vital precondition for economic growth, including agricultural growth. Next, the results of selected evaluations of land reform programs are summarized, beginning with evaluations of the 1970s, the decade following strong U.S. support for redistributive reform, and followed by evaluations of the 1980s. Finally, evaluations of interventions designed to improve tenure security are reviewed.

Land Reform and Political Stability

U.S. intervention in land reform since Castro's revolution has been designed, in part, to serve as a counter-insurgency strategy to deprive guerrilla groups of a peasant following. Unfortunately, the lessons learned from the post-World War II land reforms in Asia and the pre-Castro reforms in Mexico and Bolivia seem to have had little to do with more contemporary situations in Vietnam, El Salvador, and Iran. In all three cases, land reform did not accomplish its intended objectives and indeed may have exacerbated the problems of political instability.

*Vietnam.*⁷ Land reform was initiated in South Vietnam in 1956 but was restricted both in geographical area and number of properties affected. In 1968 the pace of reform accelerated dramatically, and over 100,000 titles were distributed. In 1969 land rents were frozen by the government, and in 1970 a major land-to-the-tiller law was passed. By 1974 almost 1 million titles had been granted covering 1.1 million hectares—44 percent of the total farm area of the country.

By any measure, the land reform in South Vietnam was massive and would appear to provide an excellent case against which to test the thesis that such reforms enhance political stability and quell insurgency. Yet, as is well known,

in 1975, one year after the conclusion of this massive reform, South Vietnam fell and was absorbed by the North. That land reform did not affect the outcome of the war would seem to suggest that land reform does not work as a counterinsurgency strategy. Others argue, however, that the reform was "too little, too late," and had it been implemented earlier would have succeeded.

El Salvador. The land reform in El Salvador was decreed in 1979 just as the civil war was commencing. It involved three distinct phases: Two phases involved expropriation of large properties and the third was a land-to-the-tiller program. According to Prosterman, the magnitude of the El Salvador reform was close to that of Vietnam, affecting approximately 30 percent of all land in farms and nearly 200,000 farmers (Prosterman and Riedinger 1987, 157).⁸

It is difficult to argue that the El Salvador reform was either too little or too late, yet the reform did not head off the civil war that began simultaneously and continued for twelve years. On the other hand, although the reform did come at the beginning of the insurgency, many powerful elements within the military strongly opposed the reformist junta that briefly held power in 1979 and was responsible for the land reform decree. The reform also was strongly opposed by business elites, some elements of the Church, and large landlords. In 1980 alone "over 500 peasant leaders, dozens of land reform officials, and hundreds of peasant union and cooperative members were assassinated" (Schwarz 1991, 45-46). Schwarz also reports that by 1983 thousands of beneficiaries had been killed.

*Iran.*⁹ In the early 1960s, the shah of Iran, under pressure from the Kennedy administration, launched his so-called Landless White Revolution, which in effect accelerated the land reform begun in the 1950s. By 1967, according to official sources, land had been redistributed to about 520,000 families, or about 15 percent of peasant families. Here again, the reform could not be considered too little or too late, yet it did not immunize the regime from dissent nor, ultimately, save it from being overthrown by opposition forces, no doubt because the government continued its repressive policies that served to exacerbate opposition (Green 1982).

These three cases of major land reforms give little support to the proposition that land reform has an important counterinsurgency role. In all three cases, there was a presumed direct association between *land* inequality and revolution, although a more powerful predictor of revolutionary activity may be *income* inequality. When income inequality is included in a cross-national multiple regression analysis, one finds no relationship between land inequality and insurgency, since all of the effects of land inequality are mediated by income inequality (Muller and Seligson 1987).¹⁰

Land reform, if carried to the point of actually affecting the distribution of income, as in Japan, Taiwan, and South Korea, can indeed make an important contribution to countering insurgency and fostering political stability. Land reform without income redistribution, however, is probably at best a temporary

palliative and can escalate conflict through alienation of powerful conservative groups.

The Economic Impact of Land Reform: Evidence from the 1970s

The earliest comparative regional studies of the economic impact of land reform appeared in the late 1960s, most focusing on Latin America. Two are examined here: the 1970 AID *Spring Review of Land Reform* and a World Bank evaluation of land reform in five Latin American countries. These studies repeatedly point to the problem of comparing across diverse situations and drawing generalizations from individual cases. The economic impact of land reform varies according to the pre-reform situation, the nature of the reform, and the general economic condition of each country.

Spring Review of Land Reform. In early 1970, USAID sponsored a conference on land reform. Thirty country-specific case studies as well as theoretical background papers and synthesis documents were prepared. The review focused on (1) the extent to which land reform had been an economic, social, and political success in countries that had tried it; (2) the relative merits of land reform compared with other strategies for rural development; (3) preconditions for successful reform; (4) design of land reform programs most appropriate for achieving stipulated objectives; and (5) the role of donors, if any, in this complex and politically sensitive process.

The *Spring Review* provided strong and consistent evidence confirming that pre-reform levels of agricultural production and productivity were increased or at least maintained when farm size was reduced as a result of reform. In general, the studies also affirmed the positive impact of land reform on employment and welfare. One of the synthesis documents reported that

the most important single finding is that social and political goals of wider distribution of opportunity, power, and employment among farm people need not be in conflict with but can be consistent with increased agricultural production and efficiency. In other words, equity and productivity tend to be mutually supporting objectives of land reform. There is little basis in fact for the common assumption that land reform, in reducing the size of landholding, also reduces economic efficiency and output. Rather, empirical studies discussed in the Review showed increased production per acre in association with land reform. Further, the opportunities land reform provides for increasing employment, income distribution, and hence markets in countries with high population growth rates and increasing unemployment are significant and are often the only alternatives to despair. (Carter et al. 1970, 2)

Another synthesis document, "Economic Results of Land Reform," found that, in terms of agricultural *output*, "in most land reform countries changes in output cannot in any clear way be traced to land reform. In most of them it is clear, however, that the growth in output has been quite satisfactory, and thus no

specific drawback to the economy stems from reforms as such" (Dovring 1970, 11).

In terms of agricultural *productivity*, Dovring found that

evidence on land reform as promoting or hampering productivity is in most cases even more indirect and tenuous than in the case of output. In its most precise form, the question is: does the land system established by land reform do a better job than the pre-reform system would have if it had continued, and does the reformed system allow the highest rates of increase in productivity which other systems would permit? (Dovring 1970, 14)

Based on the evidence in the case studies, he gives a "qualified yes" to smallholding reforms. For traditional large estates, no generalizations were possible because the variations in the specific cases were extreme (*colon* lands in Algeria, British-held estates in Kenya, *latifundia* in Latin America).

Land reform that involves smallholdings also has a positive effect on the demand for outputs of other sectors of the economy. Because small farms use relatively more labor than capital, requirements for heavy equipment, which would have to be imported, are reduced, while requirements for inputs such as fertilizer, which may be produced nationally, increase shortly after the reform.

Finally, land reform induces a larger proportion of incremental production that stays in rural areas as farmer income. Increased per capita output leads to higher farm consumption of both home produced food and other articles. Because land reform redistributes land, which is the main source of rural employment and income, and because it affects many people positively and only a few negatively, in an overall sense rural welfare increases.

Land reform in Latin America: Bolivia, Chile, Mexico, Peru, and Venezuela. This 1978 World Bank assessment by Eckstein et al. examines land reform in five countries: Mexico (1934-1940), Bolivia (1952-1955), Chile (1967-1973), Peru (1969-1976), and Venezuela (1965-1970). The report assesses economic impacts within the reform sector (including changes in agricultural production, welfare, and income of the affected parties) and the national economy as a whole. Like the *Spring Review*, the report is based on numerous background papers and case studies carried out between 1973 and 1975.

The five countries vary in many important respects, including pre-reform structure, scope of the reform, and postreform organization. Mexico and Bolivia predated the Alliance for Progress and were the most extensive. Venezuela relied heavily on settlement of beneficiaries on public land that was not previously farmed, so that only about 6 percent of existing farmland was affected by the reform. The most distinctive feature of the Peruvian reform was the transformation of coastal plantations to production cooperatives. Reform in Chile occurred at a later stage of development than in the other countries, because only about 26 percent of the total work force was engaged in agriculture as of 1955.

The report offers six broad generalizations (pp. i-iii):

1. In Mexico and Bolivia, traditional haciendas were extensively subdivided into small farms, affecting about half of the rural population in each country. Economic results over a relatively long period of time—since 1940 in Mexico and 1955 in Bolivia—show that the new small farmers have increased their (low) incomes and have raised their output from the land in comparison with previous owners. At the same time, the ex-owners of large estates who had retained substantial portions of their land appear to have considerably improved their techniques and productivity after the reform. In both countries national agricultural production has been rising substantially, faster than before reform and faster than average growth rates for Latin America. (Eckstein et al. 1978, i)
2. The experience of creating production cooperatives on large estates previously cultivated with costly machinery and chemical inputs was mixed, and much of it was too recent to draw conclusions about the durability of collective arrangements. In general, though, production and income effects from reforming traditional haciendas were greater than from reforming modern estates.
3. Distributing land to new settlers on a fairly large scale in Venezuela and to settlers of newly irrigated lands in Mexico was generally successful.
4. The evaluators found unequivocal positive impacts on production within the reform sector in four of the five countries. The clearest case was Bolivia, where the effects had been positive for ten to fifteen years. In Mexico and Venezuela, it was more difficult to sort out the effect of the reform, since most of the growth, except in staple food crops, seems to have come from the larger farms and the reserve lands.¹¹ Peru was the exception, where the data were based on incomplete case studies from relatively recent land transfers.
5. The effects on rural income distribution were the same across the five countries: Lower-income beneficiaries gained, while high-income landlords lost. "The extent of income equalization, however, varied considerably, depending on the scope of the reform, the treatment of ex-landowners, and the economic status of beneficiaries before and after the change" (Eckstein 1978, 92). The impact was greatest in Mexico and Bolivia, where the scope of the reform was large and ex-landowners were not compensated. In Venezuela, reform beneficiaries gained because they had been landless and poor before the reform; on the other hand, wealthy private owners lost little. In Chile and Peru, reform beneficiaries were generally not the landless poor, and the impact appears to have been minimal because "the reform was limited to an incremental equalization [among families] largely within the upper ranks of rural incomes" (Eckstein 1978, 93).
6. The impact of the reform on the national economy was assessed in terms of (a) national agricultural growth, (b) productivity, and (c) change in national income distribution. Agricultural growth increased after land reform in four of the five countries.

While it is impossible to separate the direct impact of land reform on production, there is a stronger case for inferring that land reform may have served on balance as a stimulus to national production, and certainly it has not prevented the observed growth accelerations in four of the five countries even if it did not necessarily bring them about. (112)

The inverse relationship between farm size and productivity was observed in all five cases, particularly in Mexico and Bolivia. The increase in productivity that accompanied the transfer of hacienda lands to small farms was attributed to greater labor intensity on small farms and, in some cases, increased production of cash crops for the local market.

All five countries evidenced incremental equalization of rural incomes, but the impact varied depending on the scope of the reform. None of the reforms extended to all of the rural landless, although some came much closer than others, and everywhere both the percent and number of rural landless increased again after the initial decrease. Overall, the income distribution effects have been a byproduct of other forces and policies, rather than an outcome of policies designed to produce a predefined distribution of rural incomes. In drawing generalizations across all five countries, the study notes the importance of examining land reform in the particular historical context of each country:

Land redistributions tend to come about in waves, to slow down after the first impetus as administrative proceedings get bogged down in conflicts over particulars and as opponents rally their forces for resistance. A first wave may or may not be followed by later ones after various intervals. Land reform is part of a dynamic process of change rather than a one-time action. (9-10)

Doreen Warriner (1973), a British economist, documents two major positive economic impacts of land reform in Asian and Latin American countries: increased peasant incomes and increased agricultural production. She presents data illustrating the role of ancillary services (e.g., infrastructure, education, credit, and market access) in land reform. Providing reform beneficiaries with infrastructure and services, however, raises the cost of reform considerably and may, as a result, limit its scope. On the other hand, without adequate services, beneficiaries may not be able to earn enough from their new land to maintain their families. An advantage of the early successful reforms in Japan, Taiwan, and Korea was that they required little investment of this type.

Warriner distinguishes between "integral reforms" (involving both land redistribution and the provision of services) and "simple reform" (involving only land redistribution). In general, integral reforms have had a greater and more sustained impact than simple reforms.

The Economic Impact of Land Reform: Evidence from the 1980s

Evidence from the 1970s found land reform ineffective in its ability to perform a counterinsurgency role, but it presented a strong case for reform on economic grounds. More recent evaluations from the 1980s reinforce these divergent conclusions.

Five major comparative analyses show that land redistribution can yield important positive benefits to labor and the agriculture sector, but they also demonstrate that (1) land reforms, by themselves, have in most cases been of

insufficient magnitude to have an impact on the economy as a whole; and (2) competing demands and direct opposition to land reform can so severely limit its scope that beneficiaries suffer from lack of services, especially credit, technical assistance, infrastructure, and market outlets. Many of the reforms were accompanied by the growth of inefficient and sometimes corrupt state agencies.

Power, distortions, revolt, and reform in agricultural land relations. The most recent in these assessments is the World Bank study by Binswanger et al. (1993). They state that while political stability is the principal motivation behind land reform programs, they also can have important economic benefits through increased efficiency. Land reform is necessary, they argue, because land markets are imperfect and fail to distribute land to the most efficient producers. Market failures, in turn, are due to policy distortions favoring large landowners and restrictions in credit availability. Accordingly, Binswanger et al. advocate a focus on macroeconomic policy reform.

Impoverished peasants cannot be expected to repay the full value of the land granted to them, because they lack financial resources to meet mortgage costs. Numerous land reform programs have failed, including those in Brazil, the Philippines, and Venezuela, because they insisted that peasants pay full compensation to landowners at market prices. On the other hand, when compensation is paid in bonds whose interest rate is substantially below market rates, political opposition is strong and the programs are quickly terminated.

Binswanger et al. argue that land reform can succeed under situations such as (1) revolution (Russia, China, Cuba, Bolivia, Mexico, and Nicaragua) or defeat of a colonial power (Korea, Taiwan, Vietnam); or (2) use of foreign grants and large internal subsidies to finance the reform. In the United States, the Foreign Assistance Act restricts or prohibits financing operations implied by this option.

Searching for agrarian reform in Latin America. The second major cross-cutting evaluation, edited by Thiesenhusen in 1989, examines the impact of land reform in ten countries in Latin America and the Caribbean. The volume generally supports the notion that while land reform is necessary for political reasons and wise for economic reasons, limitations on its implementation have sorely affected its performance. Thiesenhusen concludes that

the authors in this volume largely agree that reform programs to date in the region have been too small, too late, too underfunded, too dictated from above, too hierarchically organized, and too infrequently responsive to pressure from the grass roots. Since the land reforms occurred at the same time as other major structural changes (rapid population growth and urban expansion), the economic effects of the reform were of diminished importance. Relatively few peasants received land through reform, averaging about a fourth of those eligible, and in no country was more than 45 percent of the usable land involved, so that, over time, the impact on macroeconomic indicators was minimal. In sum, income and resources did not display much between-class redistribution, new jobs which were created by reform fell short of demand, and domestic markets did not

widen much. Even so, more jobs were created than would have been in the absence of reform, and some income additions to the peasantry resulted. (Thiesenhusen 1989, 487-89)

Various factors help explain these limited results. Among the most important were the multiple goals of many of the reforms—social, political, and economic—that were not necessarily compatible and resulted in shifting alliances over time. In addition, recipients of land often had inadequate access to ancillary services and inputs to farm effectively. The high cost of these services together with shifting political and social agendas led to abandonment of the beneficiaries and the lands. Also, the paternalism inherent in the redistributive and postreform phases was a deterrent to building effective local organizations and led to resentment among beneficiaries. The evidence suggests that “bureaucratic” reforms without either military or revolutionary zeal behind them are likely to become bogged down.

Latin American land reforms in theory and practice: A retrospective analysis. Dorner’s (1992) study reinforces many of the lessons in the Thiesenhusen study and concludes that “It is clear that the hopes and expectations raised by the Alliance for Progress were not realized.” Once again, it was not fundamental errors in economic logic that doomed the reforms, but rather lack of strong commitment, insufficient political will, and, at times, insufficient resources for adequate implementation. Still, some economic impacts, besides the effects on production, can be identified.

Economic trends that have been much more directly affected by the reforms include the voluntary division of some large holdings into medium-sized, capital-intensive farms. Likewise, the number of less capitalized, small family units has increased substantially in some countries as a result of land provided directly in small units or as a result of the decollectivization of recent years. A direct result of the reforms has been to make the peasantry more heterogeneous. While these have been positive results of the reforms, some negative consequences need also be recognized. In most cases reforms were quite partial, and land was often granted to those among the peasantry who were among the better-off rather than those in the deepest poverty. Likewise, in some cases the services crucial to a productive agriculture—inputs, credit, market—were not available via the private sector and were not supplied by government, leading to land abandonment by a substantial number of the beneficiaries. (Dorner 1992)

The peasant betrayed: Agriculture and land reform in the Third World. A 1987 review of land reform in twenty-seven countries by Powelson and Stock identifies “control” as the central variable responsible for disappointing economic results of reform. Acknowledging that each country is affected by many variables other than degree of control, they nevertheless argue that the economic benefits of land reform (improved level of living in rural areas, increased agricultural production) often have not been realized because the state has used land reform as a tool to skim off agricultural surplus. Rather than

allowing peasants to realize the benefits of land ownership and entrepreneurship, the state has tightly controlled reform beneficiaries and centralized decision making about land use, production and marketing, and land transfers.

The agrarian question and reformism in Latin America. The de Janvry study (1981) suggests that land reform had a positive impact on agricultural production. However, the increase in production was due to reform-induced change on lands excluded from reform rather than on farms created by reform. For pre-reform landowners, the threat or even the possibility of land reform discouraged extensive land use, but at the same time encouraged investment and technological improvement on "reserve lands," which landowners would be allowed to continue farming after the reform. These quality lands have received (according to de Janvry) the bulk of inputs from the public sector in the postreform era and have produced most of the commercial agricultural output.

In contrast, production in the reform sector has been restricted by the small size of farms created, organizational problems of group farms, the fact that, in most cases, only marginal lands were available to reform beneficiaries, and inadequacy of input and marketing services (de Janvry 1981, 211-22). Thus, the principal effect of land reform in the reform sector was political—it reduced the threat of rural political instability. Its effect on creating new markets for an expanding urban industrial sector was insignificant.

As both Thiesenhusen (1989) and Dorner (1992) note, however, if the justification for land reform is stated in terms of social welfare rather than economic growth, then the costs should be compared with those of other social programs and the benefits should be evaluated in terms of rural level of living rather than agricultural output. "One must evaluate the *relative effectiveness* of alternative ways of handling multifaceted problems. Land reform may turn out to be a 'halfway' measure. But if alternatives are only 20 percent effective, then land reform may still be a viable option" (Dorner 1992).

The Economic Impact of Other Land Access Interventions

This subsection summarizes the impact of investments in land titling and registration, land markets, land taxation, and land settlement. As in the case of land reform, however, it is difficult to isolate the independent effects of these programs on agricultural production and growth.

Land titling and registration. In an early study in Costa Rica (Saenz and Knight 1971), interviews with a cross-section of farmers showed that the more secure their claim to land, the higher their agricultural income. Another study in Costa Rica using 1974 data found that landowners with title had double the income of landowners without title, and that squatters and renters earned even less (Seligson, 1980, p. 90). Similar results were found in a World Bank study in Thailand (Feder et al. 1988), showing that titled owners had greater access to and use of credit and investment than untitled landholders.

While these cross-sectional studies showed that insecure tenure is related to lower agricultural productivity, they failed to control for the potential impact of land quality, climate, and the characteristics of landowners on production. Perhaps farmers with title farm differently or have better than those without title. A longitudinal study in Honduras, accompanying a land titling program, showed different results. Production did not increase as a result of new titles. Virtually none of the benefits of title (increased access to credit, technical assistance, investment, technology improvement, elevated land values) occurred in the areas studied (Seligson et al. 1984; Seligson and Nesman 1987, 1989; Stanfield et al. 1990). Preliminary unpublished results from a follow-up study of the same areas in 1994 confirmed the lack of impact of titles ten years after they were issued (G. Larson, personal communication).

Based on a comparative evaluation of USAID-sponsored land titling programs in Honduras, St. Lucia, and Ecuador, Stanfield (1990) found that small farmers perceived an increase in the value of titled versus untitled land, but this perception did not change behavior. There were no systematic differences between newly titled groups and control groups in the use of credit, at least during the five-year time period covered by the studies, because other factors, like farm size, that limit access of credit are not affected by presence of a title.

In communal land tenure systems like those found in parts of Africa, issues of land titling interact with those of individual tenure. Barrows and Roth (1989) examined historical data from Kenya, Uganda, and Zimbabwe to assess the impact of individualization and titling on tenure security, investment, and market operations. They concluded that titling in and of itself had little effect on investment or credit use because the key constraint was the supply of credit. Individualization occurs in response to changing economic opportunities and new technological options. Titling may be important in facilitating that process and may serve to protect farmers threatened with loss of land as change occurs.

Land markets. The empirical literature on land markets in less developed countries deals primarily with how markets function and secondarily with interventions designed to correct market distortions (Shearer et al. 1990). Like land reform, land market interventions, has been advocated as a means to increase agricultural growth by reducing market distortions and removing barriers to market access for the rural poor and landless.

Shearer et al. (1990) describe several USAID programs in land financing including the Penny Foundation land purchase/sale program in Guatemala, a mortgage guaranty fund in Honduras, and a proposed fund to allow co-owners of family land in St. Lucia to buy out other owners. In 1990 none of these programs was large enough or substantial enough to produce measurable results. In fact, the St. Lucia program was never fully implemented. The Honduras guaranty fund, which was intended to allow commercial banks to make land loans, was used very little before it expired. The Guatemala program ran into major organizational problems that threatened its continuation.

A central issue for both governments and private organizations in the implementation of such programs is the political capacity to foreclose on small, otherwise landless, farmers. To the extent a government cannot take land from a small farmer, a land bank is a drain on the national budget, and its feasibility depends on budget strength and political commitment to the program. For a private foundation, the inability to foreclose will gradually drain the capital base of the bank and end the program (AID 1989).

Land taxation. USAID studied the effectiveness of using land taxation systems in less developed countries for achieving nonrevenue goals like increased activity in the land market, intensified land use, and optimal holding size (Strasma et al. 1987). The evaluation concluded that

- Land taxation schemes that seek multiple ends (e.g., revenue, land redistribution, market efficiency) do none of them well.
- Land taxation schemes in less developed countries have been ineffective because—lacking the large expensive infrastructure required to assess, collect, and process the taxes—few people pay.
- In response to political pressures, tax rates are usually so low that the taxes are insignificant as a proportion of government revenue and do not justify the collection expense.
- Tax collection is frequently plagued with corruption.
- On the positive side, there is no evidence that land taxes (unlike export taxes, for example) discourage investment because, in general, they are so low that they do not affect incentives.

Thus, the costs of land taxation seem to outweigh their benefits in less developed countries. Also, as Binswanger et al. (1993) point out, land taxation schemes face the same political hurdles as redistributive land reform, which offers a much more direct path to achieving the same ends.

Land settlement. Successful land settlement projects increase agricultural production, benefit large numbers of low-income families, and can catalyze a process of regional development (World Bank 1985, ii). At the same time, they are costly and require substantial external financing. A central question raised is their potential for destroying fragile environments.

Effective cost recovery is an important issue in justifying these projects. Multiplier effects of employment and income generation are a central element of benefit calculation, but to realize these effects, settlement projects must be large (Scudder 1984). A World Bank review of twenty-seven settlement projects reported that “62 percent of the projects that had been audited had economic rates of return of 10 percent or better” (World Bank 1985, ii). While certainly acceptable, Scudder notes that rates of return are frequently disappointing three to five years after implementation begins, particularly relative to the estimates made in the appraisal documents. On the other hand, “while planning expectations tend to be too high in regard to the rapidity with which early returns can be expected, *they are too low in regard to possible long-term benefits*” (Scudder 1984, 2).

Overall, however, settlement has rarely been effective because of cost, relocation to remote areas, and the process of building both social and physical infrastructure. World Bank documents ranked management as the single most important variable relating to project success. Management was more effective when the inputs, tasks, and decisions were sequenced over time—which can take at least a generation for successful settlement projects (Scudder 1984, 9, 14, 34, 37; World Bank 1985, v–vi).

CONCLUSIONS AND IMPLICATIONS

Rarely does one encounter evidence so unequivocal concerning two crucial aspects of agricultural asset distribution and access as the following: First, family-size farms are more productive than large farms in most developing countries. Second, countries with large numbers of landless and land-poor farmers are primed for social instability, guerrilla war, and, ultimately, revolution. It is quite paradoxical, therefore, that in spite of the clarity of these findings, the benefits of intervening in agrarian structure are anything but clear. The first paradox is that even though large farms are inefficient and subdivision of such large farms ought to yield increases in agricultural productivity, often they do not. The second paradox is that even though programs that give land to the landless and land poor should, logically, reduce the potential for insurgency and instability, too often they have not.

Investment to change the distribution of land has fostered more impassioned debate than other donor programs intended to increase agricultural growth. Private property rights are pitted against the right of access to the means of survival. The merits of laissez-faire market mechanisms are examined relative to directed land redistribution. These considerations have had a direct impact on land reforms implemented the world over, and in many cases have prevented the logically obvious positive results of land reform from emerging. In view of these complexities and apparent inconsistencies, what conclusions can one draw about investing in agricultural asset distribution and access? Under what conditions have such investments been relatively successful?

Land reform. The evaluation literature emphasizes repeatedly that the most important precondition for land reform, and to a large extent other types of investments, is strong political will and capacity to implement change. Economic considerations are always secondary. Beyond this overriding consideration, the success of land reform in economic terms varies with the pre-reform structure, the postreform structure, and the overall structure of the economy. Generally, reforms implemented rapidly are less costly and more successful than reforms that linger. Reforms that pay full cash compensation to landlords almost always run out of resources long before they are completed. The most successful reforms have transferred landlord estates to family farms, whereby the only change was in ownership. The shift from haciendas to either family farms or cooperatives has been the most difficult. Among other factors,

the political strength of the landowners and the lack of rural infrastructure, peasant organization, and services for new farmers increased the cost of reform beyond the capacity of the government to implement it. Land reform has been more successful in countries able to supply a package of ancillary services to support it.

Land titling and registration. Cross-sectional studies suggested that investments in land titling and registration systems in developing countries might increase credit use and have other positive impacts; in contrast, longitudinal studies have not found any significant benefit from titling programs. Agricultural development can take place under a private property system without an effective title and registration system, but an ineffective system may impede growth, especially when formal bank credit based on collateral becomes a regular feature of agricultural operations. Continual maintenance of the registration system is essential. Continuity is more likely in situations where lack of secure tenure is recognized as a problem by the landholders themselves and where land titles are useful in obtaining credit. Because the costs of land titling and registration systems are high, they should be implemented only when the benefits are clear and the country has sufficient resources to invest over a long period of time.

Land markets. More problematic is an uneven and discriminatory pattern of title possession—when large farmers have titles (because they have the resources to pay for them or because the system has formal built-in biases favoring large farmers) and small farmers do not. Unless small farmers are on a level playing field with large farmers, the greater economic efficiency of the former will not constitute a sufficient incentive to make the invisible hand of the market do its work. Rather, the “invisible foot” of rent-seeking behavior will distort markets at the cost of greater efficiency. Widespread distortions in the developing world favor large farmers and efforts to stimulate land markets are more likely to be effective when they are preceded by other reforms to correct policies that disproportionately benefit large landowners.

Land taxation. Land taxation as a means of influencing land use and agricultural growth has generally not been successful. The most important condition for implementing such a system is political support to enact the system with rates high enough to have an impact on landowner behavior. A second condition is an administrative system sufficiently strong to implement the legislation. The ineffectiveness of land taxation systems in many less developed countries is due to their high cost. On the other hand, under some circumstances a land taxation system may generate enough revenue to be sustainable. After all, self-financing systems exist in all industrialized countries.

Land settlement and resettlement. Population growth throughout the Third World makes it increasingly unlikely that governments will find large land areas that are not already settled. For that reason alone, settlement schemes are not likely to offer a major opportunity for agricultural growth in most countries. When settlement is an option, successful projects must be large enough and

diverse enough to stimulate a long-term process of integrated area development that involves rural as well as urban elements. This implies a long period of donor support.

To what extent will future conditions be conducive to land reform? Two important factors have to be considered. First, does the political will and capacity exist to carry out reform and, in particular, to pay for it? Second, what are the objectives of the reform and what are the alternatives for achieving those objectives? As Binswanger and Elgin (1988) point out, the cost of land reform and how that cost will be covered is perhaps the most important question in terms of feasibility. Small farmers cannot pay for the land they receive. Elites are likely to resist paying for reform either through taxes or receipt of devalued bonds as compensation for expropriated land. If donor grants are not forthcoming, direct interventions to correct market and policy distortions that benefit large landowners at the expense of small farmers are likely to be more effective than land reform. In any event, without correcting these policies land reform will fail anyway.

Regarding objectives, some analysts suggest that future land reform should be evaluated more as a social program than as an economic program—and that its effectiveness in reducing poverty and unemployment should be compared to other alternatives available to Third World governments to achieve these ends. The dual objectives of increased agricultural production and improved equity of the earlier reform era, these analysts argue, should be dealt with through other investment programs.

Dorner (1992) and Montgomery (1984) examined whether donors, and particularly the United States, should continue to have a role in supporting agrarian reform. One lesson of the Alliance for Progress was that financial assistance and political pressure from the outside are not sufficient to convince an unsupportive government to implement a meaningful reform (Dorner 1992). Land reform requires an internal political commitment. Montgomery (1984) reiterates the point made in 1970 in the *AID Spring Review*: International support is only effective after the internal political decision has been taken.

U.S. assistance may be valuable in two areas. First, because the United States has been so active in this area, it can offer assistance in understanding past experiences and in carrying out crucial field research about the diversity of tenure institutions and systems. This pool of experience and research can be of great value in designing the types of interventions required to deal with emerging land tenure issues, not only in developing countries but also in Eastern and Central Asia and the New Industrial States.

Second, “land reform is not an isolated program, separated administratively and conceptually from other agricultural policies. The most obvious failures in land reform are those that have left new owners on their own after the old support system has been withdrawn” (Montgomery 1984, 224). International donors can play an important role in assisting governments and local organizations to fill this gap. Programs to improve land titling and registration

and land markets will not produce the same results as redistributive land reform, at least in the short run, but they may be essential precursors to or key components of a broader reform (Binswanger et al. 1993).

NOTES

1. The *Spring Review* noted that "[this strange animal called land reform] is an animal that changes its colors, its appearance, its anatomy, and its physiology almost as often and as much as other strange animals called democracy, freedom, capitalism. Virtually every author of our analytical papers apparently felt he had to define the term. Definitions vary according to whether you favor or oppose land reform; whether you treat it as an ideological symbol, or as an achievable goal, or look at actual results" (AID 1970, 3).

2. A land bank involves government purchase of farmland as it becomes available on the open market. That land is then made available to qualifying farmers for long-term lease and/or purchase. A land purchase/sale program also involves the purchase of large farms offered for sale in the land market. After purchasing and registering the large farms and then dividing them into family size plots, such programs provide financing as well as technical assistance and production credit to peasant families who purchase the plots. The titles for the plots are transferred to the peasants purchasing them, with mortgages and payment schedules attached.

3. Two types of credit schemes have been used in land market programs: those that guarantee the seller and those that guarantee the lender (Dorner and Saliba 1981). Under the first type, the government enters sale contracts between large landowners and groups of peasant farmers as a third party, guaranteeing the landowner payment for the land purchased by the group of farmers. Under the second type (the mortgage guaranty), the government backs up loans made by credit agencies directly to peasants purchasing land.

4. The earlier cases are reviewed in Moore (1966) and Skocpol (1979). The Latin American cases since 1956 are reviewed in Wickham-Crowley (1992).

5. The U.S. position on land reform is seen in the Alliance for Progress, as articulated in the Charter of Punta del Este.

6. Conditions for a perfect land market include (1) a substantial number of buyers and sellers so that no single land purchase influences the price of land, (2) homogeneous land units so that buyers and sellers are indifferent about from whom they buy or to whom they sell, (3) buyers and sellers who have easy and equal access to market information, and (4) complete freedom of entry and exit from the market for both buyers and sellers.

7. See Prosterman and Riedinger, 1987, Chapter 5.

8. Thiesenhusen (1993) suggests that only one-fifth of the agricultural land and 10 percent of the population were affected.

9. See Muller and Seligson, 1987, p. 428.

10. However, see Midlarsky (1989), who refutes these findings, and the response by Muller et al. (1989).

11. "Reserve" land is the area a landowner is allowed to keep without fear of later expropriation. The maximum size of reserve lands varies across countries, and in some cases by crop. Landowners generally select which land is to remain in the reserve, which means that reserve land is the most productive land with the best access to water and existing infrastructure.

REFERENCES

- Agency for International Development. June 1970. *Spring Review of Land Reform*. 58 vols. Washington, D.C.: USAID.
- . June 1978. "Agricultural Development Policy Paper." Washington, D.C.: USAID.
- . May 1986. "Policy Determination. Land Tenure." PD-13. Washington, D.C.: USAID.
- . August 1989. "A Report on Land Financing Projects and Agricultural Production Cooperatives in Central America." Washington, D.C.: USAID.
- Barrows, Richard, and Michael Roth. 1989. "Land Tenure and Investment in African Agriculture: Theory and Evidence." Land Tenure Center Paper 136. Madison: University of Wisconsin Land Tenure Center.
- Berry, R. Albert, and William R. Cline. 1979. *Agrarian Structure and Productivity in Development Countries*. Baltimore, Md.: Johns Hopkins University Press.
- Binswanger, Hans P., Klaus Deininger, and Gershon Feder. 1993. "Power, Distortions, Revolt, and Reform in Agricultural Land Relations." Working Paper. Washington, D.C.: World Bank.
- Binswanger, Hans P., and Miranda Elgin. 1988. "What are the Prospects for Land Reform?" Report No. IDP-21. Washington, D.C.: World Bank.
- Carter, E., E. J. Long, and E. Stern. June 1970. "Findings and Implications for A.I.D." *Spring Review of Land Reform*. 58 vols. Washington, DC: USAID.
- Carter, Michael R. 1984. "Identification of the Inverse Relationship between Farm Size and Productivity: An Empirical Analysis of Peasant Agricultural Production." *Oxford Economic Papers* 36: 131-45.
- Carter, Michael R., and Jon Jonakin. 1987. "The Economic Case for Land Reform: An Assessment of the 'Farm Size/Productivity Relation and Its Impact on Policy.'" Unpublished manuscript. Madison: University of Wisconsin Land Tenure Center.
- Carter, Michael R., and Dina Mesbah. 1990. "Economic Theory of Land Markets and Its Implications for the Land Access of the Rural Poor." In Shearer et al., "The Reform of Rural Land Markets in Latin America and the Caribbean: Research, Theory, and Policy Implications." Land Tenure Center Paper 141. Madison: University of Wisconsin Land Tenure Center.
- de Janvry, Alain. 1981. *The Agrarian Question and Reformism in Latin America*. Baltimore, Md.: Johns Hopkins University Press.
- Dorner, Peter. 1992. *Latin American Land Reforms in Theory and Practice: A Retrospective Analysis*. Madison: University of Wisconsin Press.
- Dorner, Peter, and Bonnie Saliba. 1981. "Interventions in Land Markets to Benefit the Rural Poor." Land Tenure Center Research Paper. Madison: University of Wisconsin Land Tenure Center.
- Dorner, P., and D. Kanel. June 1970. "The Economic Case for Land Reform: Employment, Income Distribution, and Productivity." *Spring Review of Land Reform*. 58 vols. Washington, D.C.: USAID.
- Dorner, Peter, and William C. Thiesenhusen. 1989. "Selected Land Reforms in East and Southeast Asia: Their Origins and Impacts." Madison: University of Wisconsin Land Tenure Center.
- Dovring, F. June 1970. "Economic Results of Land Reform." *Spring Review of Land Reform*. 58 vols. Washington, D.C.: USAID.

- Eckstein, Shlomo, Gordon Donald, Douglas Horton, and Thomas Carroll. 1978. "Land Reform in Latin America: Bolivia, Chile, Mexico, Peru and Venezuela." Staff Working Paper No. 275. Washington, D.C.: World Bank.
- Feder, Gershon, Tongroj Onchan, Yongyuth Chalamwong, and Chira Hongladarom. 1988. *Land Policies and Farm Productivity in Thailand*. Baltimore, Md.: Johns Hopkins University Press.
- Green, Jerrold D. 1982. *Revolution in Iran*. New York: Praeger.
- Lachman, A. June 1970. "What is Land Reform?" *Spring Review of Land Reform*. 58 vols. Washington, D.C.: USAID.
- Midlarsky, Manus I. (and reply by Edward N. Muller, Mitchell A. Seligson and Hung-der-Fu). June 1989. "Land Inequality and Political Violence." *American Political Science Review* 83 (2): 587-595.
- Montgomery, John D., cd. 1984. *International Dimensions of Land Reform*. Boulder: Westview Press and Lincoln Institute of Land Policy.
- Moore, Barrington, Jr. 1966. *The Social Origins of Dictatorship and Democracy*. Boston: Beacon Press.
- Muller, Edward N., and Mitchell A. Seligson. June 1987. "Inequality and Insurgency." *American Political Science Review* 81 (2): 425-451.
- Muller, Edward N., Mitchell A. Seligson, and Hung-der Fu. 1989. "Land Inequality and Political Violence." *American Political Science Review* 83 (June 1989): 577-587.
- Powelson, John P., and Richard Stock. 1987. *The Peasant Betrayed: Agriculture and Land Reform in the Third World*. Boston: Oelgeschlager, Gunn, and Hain and Lincoln Institute of Land Policy.
- Prosterman, Roy L., and Jeffrey M. Riedinger. 1987. *Land Reform and Democratic Development*. Baltimore, Md.: Johns Hopkins University Press.
- Saenz, P. Carlos Joaquín, and C. Foster Knight. 1971. "Tenure Security, Land Titling, and Agricultural Development in Costa Rica." San Jose: University of Costa Rica Agrarian Law Project.
- Schwarz, Benjamin C. 1991. "American Counterinsurgency Doctrine and El Salvador: The Frustrations of Reform and the Illusions of Nation Building." Santa Monica, Calif.: Rand Corporation.
- Scudder, Thayer. 1984. "The Development Potential of New Lands Settlement in the Tropics and Subtropics: A Global State-of-the-Art Evaluation with Specific Emphasis on Policy Implications." Executive Summary. A.I.D. Evaluation Discussion Paper No. 21. Washington, D.C.: USAID.
- Seligson, Mitchell A. 1980. *Peasants of Costa Rica and the Development of Agrarian Capitalism*. Madison: University of Wisconsin Press.
- Seligson, Mitchell A., and Edgar Nesman. May 1987. "Baseline Survey of the Honduran Small Farmer Titling Project: Descriptive Analysis of the 1985 Sample." Land Tenure Center Research Paper No. 93. Madison: University of Wisconsin.
- . August 1989. "Land Titling in Honduras: An Impact Study in the Comayagua Region." Madison: University of Wisconsin Land Tenure Center.
- Seligson, Mitchell A., Earl Jones, and Edgar Nesman. 1984. "Community and Cooperative Participation Among Land Reform Beneficiaries in Honduras." *Journal of Rural Cooperation* 12 (1-2): 65-87.
- Sen, A. K. 1981. "Market Failure and Control of Labour Power: Towards an Explanation of 'Structure' and Change in Indian Agriculture." *Cambridge Journal of Economics* 5: 201-228.

- Shearer, Eric, Susana Lastarria-Cornhiel, and Dina Mesbah. 1990. "The Reform of Rural Land Markets in Latin America and the Caribbean: Research, Theory, and Policy Implications." Land Tenure Center Research Paper No. 141. Madison: University of Wisconsin Land Tenure Center.
- Skocpol, Theda. 1979. *States and Social Revolutions*. Cambridge: Cambridge University Press.
- Stanfield, David. 1990. "Rural Land Titling and Registration in Latin America and the Caribbean: Implications for Rural Development Programs." Land Tenure Center Paper No. 190. Madison: University of Wisconsin Land Tenure Center.
- Stanfield, David, Alex Coles, Edgar Nesman, and Mitchell A. Seligson. June 1990. "The Honduras Land Titling and Registration Experience." Land Tenure Center Research Paper No. 191. Madison: University of Wisconsin.
- Strasma, John, James Alm, Eric Shearer, and Alfred Waldstein. 1987. "Impact of Agricultural Land Revenue Systems on Agricultural Land Usage." Report prepared for USAID. Burlington, Vermont: Associates in Rural Development.
- Stringer, Randy. September 1987. "Land Transfers and the Role of Land Banks in Rural Development." Land Tenure Center Research Paper. Madison: University of Wisconsin.
- Thiesenhusen, William C., ed. 1989. *Searching for Agrarian Reform in Latin America*. Boston: Unwin Hyman.
- Thiesenhusen, William C., and J. Melmed-Sanjak. 1990. "Brazil's Agrarian Structure: Changes from 1970 through 1980." *World Development* 18: 393-415.
- Thiesenhusen, William C. 1993. "Agrarian Reform in El Salvador: A Contemporary Assessment." Typescript. Madison, WI.
- Tuma, Elias H. 1965. *Twenty-Six Centuries of Agrarian Reform: A Comparative Analysis*. Berkeley: University of California Press.
- Warriner, Doreen. 1973. "Results of Land Reform in Asian and Latin American Countries." *Food Research Institute Studies in Agricultural Economics, Trade, and Development* 12 (2). Stanford, Calif.: Stanford University, Food Research Institute.
- Wickham-Crowley, Timothy P. 1992. *Guerrillas and Revolution in Latin America: A Comparative Study of Insurgents and Regimes since 1956*. Princeton, N.J.: Princeton University Press.
- Womack, John. 1969. *Zapata and the Mexican Revolution*. New York: Knopf.
- World Bank. 1985. "The Experience of the World Bank with Government-sponsored Land Settlement." Washington, D.C.: World Bank.
- . 1987. "World Bank Experience with Rural Development 1965-1986." Report No. 6883. Washington, D.C.: World Bank.