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# LAND REFORM AS FOREIGN AID

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by Roy L. Prosterman

Much of postwar foreign aid has been irrelevant, or worse, in relation to the real needs of the people of the recipient countries. It was the perception of this basic fact, above all, that led to the disaster of October 29, 1971, when by a vote of 41 to 27 the U.S. Senate temporarily terminated all bilateral U.S. economic aid, as well as a good deal of our bilateral military assistance. For shock value abroad, the Senate had probably taken no more momentous step since it had rejected the League of Nations. Fortunately, the aid decision was a largely reversible action, at least in theory. But if it is to be *permanently* reversed, and if a long-term consensus is to emerge in favor of a planned and dependable flow of funds into economic assistance programs, at least two basic questions have to be answered: Why have conflict and poverty persisted, despite the tens of billions expended in aid programs? And are there other approaches, new priorities, that could rescue and reinvigorate America's foreign aid program?

Measured by almost any standard, our first postwar aid program, the Marshall Plan, was an enormous success. Paradoxically, it was that very fact which was translated into disaster for much of the rest of postwar foreign aid. The Marshall Plan had operated in the very special European environment, but we sought to transplant its lessons in aid-giving to every part of the globe.

Basically, the economic "package" involved in Marshall Plan-type aid put very heavy emphasis on infrastructure—major capital projects such as dams, power plants, highways, harbors, and airports. An occasional steel mill or extractive complex might be included, or, more often, was expected to be established by private capital as a result of the

attractions provided by the new infrastructure.

But the difference in economic impact between building a dam and power plant complex in France versus building it in Pakistan are enormous. The dam-and-power-plant complex, built in France, has a multiplying effect through its connections with a host of other local activities: it may bring about major increases in extraction, production, finishing, retailing, agriculture, banking and new capital investment, all of which the Pakistan project is quite incapable of stimulating. In France, as well as *increasing* the total production of goods and services, the project is set in an already-existent institutional framework (effective unions, effective tax collection, previous land reform) in which that increase is substantially *redistributed* to a large number of beneficiaries within the population. This redistributive arrangement also helps to bring about a greater total increase, since it makes effective the demands for goods and services of many consumers who now have cash in hand. In Pakistan, there is some increase but very little *redistribution*—the rich live higher on the hog, and the great majority of the poor stay just as poor.

If we can understand why foreign assistance proved so doggedly irrelevant to achieving either economic growth or political security in the Third World, we can then begin to establish some criteria for measuring what is “good” aid and what is “bad” aid. The realization that the less-developed world is still predominantly agrarian is, certainly, key to such an analysis. Despite massive migrations to the cities, about three-fifths of the population of these countries still lives in the rural sector, where there is enormous poverty with the mass of the people almost wholly excluded from the cash economy. One index of deprivation in the rural sector—and at the same time an index of economic want, of social inferiority, and of political impotence—is the proportion of the population which lives as tenant farmers, sharecroppers or laborers on another’s land.

## *Land and Revolution*

If one takes the agrarian portion of the total population of a society (thus accounting for the weight that the rural sector has in the entire society) and multiplies it by the proportion of that agrarian population which is landless (tenant farmers, sharecroppers, plantation laborers), one gets the percentage of the total population of that society which makes its living as landless peasants. This percentage furnishes an "index of rural instability":

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*Landless peasants as an approximate percentage of the total pre-revolutionary population of:*<sup>1</sup>

Pre-1911 Mexico	62
Pre-1952 Bolivia	60
Pre-1941 China (rice region only)	35-45
Pre-1961 South Vietnam	42-58
Pre-1917 Russia	32-47
Pre-1959 Cuba	39
Pre-1936 Spain	33+

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In fact, in virtually all of the societies that have undergone major revolutions in this century, the bulk of the rural population has consisted of non-landowning peasants, who rarely were less than a third of the total population of the country.

This has been true in all of the Marxist revolutions, and this fact has been made a part of their revolutionary doctrine by the Chinese and Cubans. (Over half of the men who served with Castro in the Sierra Maestra were ex-plantation workers from Oriente province.) Even in Russia, the land-to-the-tiller law was one of the two basic measures passed by the new Soviet in the first week of the October revolution, and Lenin would almost certainly have failed without the support of the peasant militias. Had the Spanish republicans—a tragic parallel to

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<sup>1</sup>These figures have been calculated from a variety of sources. A range of figures represents a situation where many peasants both own some land and farm other lands as tenants. The higher percentage figure reflects the result of considering them as wholly tenants, the lower percentage figure as wholly owners.

Kerensky—not procrastinated in carrying out land reform, the largely peasant vote that elected the radical reformers in 1936, and precipitated Franco's move, would not have materialized. In Spain the right wing won, in Russia the left.

Other societies that have had serious peasant troubles, short of completed revolution, have followed a similar land-ownership pattern:

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*Landless peasants as an approximate percentage of the total population of:*

Central Luzon (Hukbalahap country: the average for the rest of the Philippines, where the Huks have not been active is under 25 percent)	50-57
Java (where the Communist PKI regularly won elections from 1955 until their abortive putsch of 1965)	50
Eastern India (including West Bengal, where the Communists elected past state governments and carried out waves of land seizures)	40+
Other areas with relatively high percentages include northeastern Brazil (where one out of six South Americans lives), Pakistan, Nicaragua, Guatemala, Honduras, Nepal, Ethiopia, and parts of the Middle East.	

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By contrast, Thailand has around 20 percent and Cambodia under 10 percent landless peasants, and this may be closely related to the slowness of any *indigenous* revolutionary movement to take hold. Post-1953 Bolivia—where Che Guevara complained of the “stolid indifference” of the peasantry to his appeals—had a population of which only 5 percent were landless peasants.

*Dien's Negative Reform*

In South Vietnam, land tenure and rebellion were closely related. The Viet Minh began distribution of French lands and those of absentee landowners in 1946, in the areas they controlled, and cut rents on other lands by one-half to two-thirds, with credible penalties for overcollection. In 1954 they undertook an even more sweeping redistribution accompanied in 1954-55 by extensive violence aimed at landlords and ex-officials in the North.

Ngo Dinh Diem in the 1950's had the opportunity to carry out a democratic social revolution in the South that would have contrasted sharply and favorably with the difficulties of collectivization and the political repression in the North. But neither the Eisenhower Administration nor Diem had much enthusiasm for land reform. Landlords dispossessed by the Viet Minh were re-established during 1957 and 1958 under cover of a "rent control" law which was neither credible nor enforceable, except for the purpose of getting the land occupant to re-acknowledge the landlord's rights.<sup>2</sup> A minute redistribution of land also took place, under a complex law that permitted the landlords to retain land sufficient to hold at least 60 average tenant families.

The largely negative character of Diem's purported land reform was a major factor in allowing the Vietcong to establish a resurgent revolutionary movement among the peasantry.

In 1960, there were over one million South Vietnamese families—between six and seven million people out of a rural population of 11 million and a total population of 14-15 million—who were wholly or predominantly dependent on tenant farming. In the populous Mekong Delta, seven out of ten families were tenants. They worked an average tract of four to five acres, and paid a third of their crop in rent, which left them virtually no surplus. They had no effective security of tenure, and could be evicted virtually at will. If there was a crop failure, rent generally remained payable in full. The landlord supplied neither inputs, nor credit, nor advice. He merely collected the rent.

The Vietcong promised land, and when they took over an area, they fulfilled the promise so far as all appearances were con-

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<sup>2</sup> "Rent control" laws likewise proved unenforceable under Chiang Kai-shek on the mainland, and in the Philippines and India during the 1950's. The quality and quantity of administrative talent per family-to-be-benefitted is astronomical. Efforts to use "rent control" as a land-reform placebo continue to crop up, however.

cerned. Larger landlords fled; absentees could not collect their rents; the few landlords who remained were subject to strictly-enforced limitations. Surplus, security of tenure, status all appeared to belong to the former tenant.

Little wonder, then, that through the 1960's the Vietcong used the recruiting appeal, "we have given you land, now give us your son." Large infusions of manpower from the North did not begin until 1965. Both before and after, the peasants of the South supplied 5,000 to 7,000 recruits a month to the Vietcong, an estimated three-fifths of them as volunteers or "soft-sell" enlistees. The peasants also supplied the famous guerrilla environment: intelligence reports, porters to carry in and bury supplies, "safe" houses. They gave little or no affirmative support to Saigon. The failures of government intelligence were humiliatingly underlined when multi-battalion Communist forces moved into position before Tet 1968 and, while making elaborate logistical preparations, nonetheless achieved almost complete surprise.

Saigon, in 1965 and 1966, issued decrees that formalized once more the power of landlords to reassert their rights to lands in newly "pacified" villages. Again, negative land reform drove tens of thousands of peasants into the arms of the NLF, the landlords riding in with the ARVN jeeps after the American innocents had cleared and "secured" the village. Tenant farmers told Stanford Research Institute interviewers in 1967 that they regarded land ownership a matter of crucial importance *five times more frequently* than they mentioned "security" as a concern. Clearly, the experience of being "saved from the Communists" meant something different to them than it meant to us. One of Henry Kissinger's staff members has summed up the tragic inversion of priorities: "The Americans offered the peasant a constitution; the Vietcong offered him his land and with it the right to survive."<sup>3</sup>

<sup>3</sup>Robert L. Sansom, *The Economics of Insurgency* (Cambridge: M.I.T. Press, 1970), p. 234.

The combined shock of the Tet offensive, the McCarthy movement, and Johnson's withdrawal in March 1968 made it clear to the Saigon government that American backing could not be taken for granted and that land reform was essential if it was to receive peasant support. In late 1968 President Thieu ended, with surprising effectiveness, the process by which landlords had returned to reassert their rights in newly-secured villages. This coincided, pragmatically, with the "accelerated pacification" campaign that began in the 1968-69 winter. In April 1969 Thieu froze all evictions, preparatory to more sweeping measures.

By far the most important land acquisition of the Diem land reforms had been 575,000 acres—about 10 percent of the country's cultivated land—acquired in 1958 by the French government from former French landowners and presented as a gift to Diem for distribution to the peasants. Instead of distributing them, Diem let local officials rent the bulk of them out and pocket the proceeds. The tenants remained tenants.

In mid-1969, Thieu decreed the accelerated *free* distribution of these and other government-owned lands, under drastically simplified administrative procedures. From 1969 to late spring 1971, the distribution—chiefly of the French lands—had affected over 450,000 acres, giving title to some 120,000 ex-tenant farmer families.

### *Thieu's Land-to-the-Tiller*

The Land-to-the-Tiller Bill, a companion measure providing for distribution of privately-owned lands, was introduced in July 1969, and passed by the National Assembly in March 1970. A *New York Times* editorial called it "probably the most ambitious and progressive non-Communist land reform of the twentieth century."<sup>4</sup> There were, of course, important non-Communist precedents for reform in Mexico and Bolivia. Even more immediate models were available in Japan,

<sup>4</sup>The New York Times, April 9, 1970.



South Korea (where extensive land reform was, fortunately, carried out before the 1950 invasion by the North), and even in Taiwan—where, 10 years too late for application to mainland peasant grievances, Chiang Kai-shek carried out a drastic land distribution to the Taiwanese tenant farmers. Significant, but lesser, land reforms have also been carried out in Iran and Venezuela, and by the British in response to the Malayan insurgency, and major land reforms now appear likely in Peru and northeastern Brazil.

The Land-to-the-Tiller program in South Vietnam is both more simplified and more sweeping than any of the previous efforts, with the possible exception of the (essentially “grab-your-own”) program in Bolivia. Thieu’s measure affects *all* private tenanted land—together with the government-lands distribution, it covers over 60 percent of all cultivated land in the country—and the recipient is normally the present tiller (thus no administrator has to pick and choose). He gets what he presently tills (identifiable on aerial photos, so no surveyor has to be sent out, and no dikes have to be torn down and rebuilt along the paddies). And he gets it free of charge (along with a moratorium on real estate taxes, so no one has any excuse to approach him for any payment under any pretext). The landlords will get paid the fair value of the lands, in cash and bonds, by Saigon. The total cost of \$400 million equals about five days’ cost of the war at 1968-69 levels, and the United States has indicated it will pick up around one-third of the costs.

By December 31, 1971, Land-to-the-Tiller distribution had resulted in 375,250 final titles being issued covering 1,145,000 acres. Because the war reduced the rural population, there were at the start of 1969 about 800,000 tenant farmer families. By year-end 1971, the combination of government-lands-distribution and Land-to-the-Tiller had thus reached nearly one-third of the nation’s cultivated land and over one-half of these tenant-farmer families.

## *From Reform To Development*

Clearly, if the United States was to be involved in Vietnam, its failure to insist on early land reform was a major flaw in policy: nonviolent social change might have “persuaded,” where enormous violence could not. Whether the current massive program is timely or too late, however, concerns us less here than does the more general model of the benefits—economic, social, and political—that have accrued from this century’s major, non-Marxist land reforms. In simplified form, these may be visualized as follows:

1. A peasant previously paying one-third to one-half his crop in rent to a landlord no longer makes that payment.
2. He pays a smaller amount to the government for about 10 years (in Vietnam, nothing) to cover all or most of the cost of acquisition from the landlord. In Taiwan, where peasants paid the highest price for their land of any of the reforms, net family income doubled early in the repayment period and more than tripled following the last payment.
3. The balance is surplus over and above what he formerly kept. Some is used to improve family nutrition. Some is reinvested in agricultural inputs, of which the peasant is now ensured of the *entire* yield.
4. The additional yield goes to the urban and export markets. Some of the surplus income is used for still further agricultural inputs, including small capital investments in tools or irrigation—over-all production increases of 50-100 percent in the decade following reform have been typical. Other surplus income is used for consumer products like transistor radios, clothing, or bicycles. Many of the demands for agricultural and consumer products can be met by urban industry. (Landlords may be encouraged or even required to invest a substantial proportion of their compensation for the land in such industries.)
5. It now becomes important and relevant to have storage facilities for grain, and optimum

marketing and purchasing facilities. Cooperative village efforts, through taxation, borrowing or profit-sharing investment, mobilize part of the surplus for storage and other capital projects, and mobilize joint buying and selling power in co-ops for fertilizer purchase, marketing, credit and other ends. 6. Other portions of the surplus are collectively mobilized for "social overhead." Wealth left in the village rather than siphoned off by landowners can be used for schools and dispensaries.

7. With more schools, and surplus available to support children through more years of schooling, literacy increases. Surplus, and freedom from landlord and money-lender political pressures, combine with enhanced social status and greater literacy to increase the prospects for political activity. Ex-tenant-farmers run for village office, and later for district and higher offices.

8. During this time, urban industry continues to grow, spurred by the demands of an increasingly prosperous countryside.

A foreign aid program that will start, nurture, and speed such a cycle, is one which holds real promise for democratic social change in the Third World: change which is not merely concerned with growth, but with the underlying *redistribution* of benefits and powers. Tragically, such a program was begun in Vietnam only after enormous violence had already occurred; but in many countries it has provided a wholly nonviolent alternative, for development without the upheaval of revolution, and a pattern for organization of agriculture whose results have been consistently superior to those of collectivization.

"Democracy" here starts at the grass-roots, giving people effective decentralized control over the institutions and decisions which most intimately affect their lives. It differs markedly not only from the centralized decision-making and political constraints imposed by the Marxist models, but also from the democracy-imposed-from-the-top model by which a small educated elite goes through

the motions of “democratically” deciding the fate of an impoverished, illiterate peasantry in countries such as the Philippines and India.

And while this development strategy achieves internal security, it does so by means far removed from the model that defines “security” narrowly, usually in terms of military hardware. Instead, security is achieved because the basic and legitimate grievances of the population are met, and because the government *deserves* to govern.

### *Tripod for Progress*

Such an approach to development is clearly not going to be achieved by the Marxist model. That model of forced-draft accumulation from the peasantry is not only distasteful to impose and carry out, it does not even achieve its narrow economic goal. Nor will such an approach to development be achieved through Marshall Plan-type “infrastructure projects,” whether administered through AID or the World Bank, *for mere multilaterality, without correct priorities, yields no added magic*. Even the “Green Revolution” has failed, wherever land ownership has been concentrated, in its goal of feeding the still-penniless poor. How and where, then, might we channel our foreign assistance to the less-developed world over the next quarter-century in order to succeed where we have so often failed over the past quarter-century? The need, I believe, is to concentrate resources upon three priority programs: *Land reform, increased food production in the context of land reform, and population control*. On this tripod, an effective aid program can be built for the Third World. On this tripod, I believe, from extensive briefings on Capitol Hill, that the coalition that supported the Marshall Plan and the heyday of foreign aid can be re-assembled.

As to the first element, land reform, what needs to be done as a practical matter is to begin channeling major resources, preferably through a multilateral mechanism, to support land reforms in countries that wish to under-

take them, but are forestalled by the landlords' effective political opposition arising out of fears of confiscation. Landlords who have much of their wealth tied up in land are unwilling to see substituted for it 20-year Government-of-"X" bonds, where "X" clearly does not display resources that lend confidence that the bonds will be paid off. My field work, in Brazil, Colombia, the Philippines and Vietnam, has persuaded me of something which common sense should also suggest: that if there is a really credible promise to pay the full equivalent of the land's value, many fewer landlords will be inclined to promote a *coup d'etat* over the program, and many will indeed see it as positively beneficial. Credible compensation becomes, in effect, a further variable which can take the place of highly-centralized power in the government sponsoring the reform.

#### *Guarantees from Aid*

American aid in this area should be used chiefly to support a guarantee, preferably through a multilateral agency, that the bonds issued to the landlords will be paid. Either by a direct guarantee of the bonds, or a guarantee of the adequacy of the sinking fund used to retire them, landlords can be given a "Federal Deposit Insurance Corporation" type of assurance that the bonds are safe. In countries where reasonable investment opportunities exist, they might also be strongly encouraged, or required, to put a substantial portion of this compensation into productive investments.

In countries where there is more elbow room for planning, and less immediate competition than in Vietnam, the recipients of land could pay a substantial part of the land costs back into a sinking fund, which would then be used to retire the bonds. The relation of rents to land values is normally such that this annual payment will be substantially less than the rents formerly paid, quite apart from the increase in production that usually occurs upon land distribution. But the multilateral

guarantor would also function to subsidize some interest payments, and occasionally some capital costs, to assure that this immediate increase in income accrued to the beneficiaries in every case. The guarantee agency would also help to set up an adequate sinking fund mechanism to collect the payments from the land recipients. There should also be a support program for related measures of extension service and agricultural credit, the latter aimed—in recognition of the low “opportunity cost” of labor and the high “opportunity cost” of capital goods—at making available hand tools, small irrigation pumps, and other inputs suitable to a tract of a few acres that was to be worked principally by hand; *not* heavy tractors and combines geared to some Midwestern fantasy of what a “real farm” should look like.

I have calculated that, for an expenditure equal to roughly one-fifth to one-sixth of our erstwhile bilateral and multilateral foreign-assistance programs in the economic area, we could, during each year of the next decade, support massive land reform programs in a dozen of the most needy countries (including the five most populous non-Communist underdeveloped societies: India, Pakistan, Bangladesh, Brazil, and Indonesia), together with complementary credit and extension programs pointed towards maximizing the increase in food production. Our outlay would be some \$500 million a year, channeled to an “Agricultural Credit and Insurance Fund” administered by the World Bank or Inter-American Development Bank—if they were desirous of handling such a program—or to a new multilateral agency. This \$500 million ought to be matched by similar contributions from other nations, thus providing, over a decade, some \$10 billion. Calculating that up to one-half the total cost of the average country’s program would be supported by some form of subsidy or collateral assistance from the fund, while the other half would be paid for by the mobilization of sinking-fund repayments, \$10 billion would be adequate to

achieve land-ownership for roughly 20 million families—about 100 million people—over the decade. This is based on the per-family costs of the full-compensation programs in Venezuela, Taiwan and Vietnam, together with calculations for such a program in north-eastern Brazil, and data on land values in a number of other countries.

*This would constitute the largest program of planned democratic development ever carried out,* but even so, the annual U.S. contribution and the scope of the program could readily be doubled. Indeed the possibility might arise for foreign aid outlays at higher levels than ever before, even approaching the United Nations-suggested target of 1 percent of GNP annually, as the new priorities proved their relevancy to the real needs of the people. We would finally have found our elusive quarry: a development strategy as effective for the Third World as the Marshall Plan was for Europe.

Such an approach to foreign aid priorities seems consistent with national and congressional moods favoring a “low posture,” yet without a sophomoric retreat from all commitments. It de-emphasizes the role of military hardware, although it remains consistent with McNamara’s equation, “Security is development.” It recedes from bilateral giving, yet insists that multilateral agencies must also be held to standards of accomplishment. And it carries a harsh judgment of most postwar foreign aid, while recognizing that the faults are remediable.