

**Principles and policies of agrarian reform in post-communist countries:
The first building block for a comparative analysis of state capacity
and political development**

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First draft – do not quote
June 2001.

**To be presented at the
DEMSTAR workshop
June 28 – July 1
Femmøller, Denmark**

Paper presented for the Demstar June 2001 Workshop, Femmøller, Denmark

1. 0 Agrarian reform and the state in post-communist countries.¹

Despite several attempts to reform the backward state of the Russian agriculture by 'enlightened' Czars, the largely feudal structure in imperial Russia remained in place until the communist revolution. Following the revolution and with the end of Lenin's flirtation with New Economic Policy (NEP) agriculture was collectivised reflecting both Stalin's increasing grip on power and the communist mode of organization and worldview. Similar to the pre-soviet situation in Russia several attempts to institute land reform and emancipate the peasants were tried in Hapsburg Hungary in the nineteenth century, but the reform movement was crushed in 1868 and except from the attempts to collectivise agriculture along Soviet lines during the short lived 133-days of Béla Kun's Soviet Hungary in 1919, the *latifundiae* remained in place until after the 2nd world war and the subsequent establishment of a soviet backed communist regime (Hoench,1996, pp. 24, 93-94, 171-172).

Agricultural reform were also central in the Baltic states, who experienced a brief period independence following the collapse of imperial Russia, not only to reform the economies but also to build a supportive class for the new regimes (Nørgaard and Johannsen, 1999, p. 42) Thus in Latvia and Estonia the land of the large estates owned by the largely German nobility in Latvia and Estonia were distributed to the indigenous peasants. Similar, but less drastic reforms were undertaken in Lithuania. And as happened elsewhere in countries under communist control after the 2nd World War the three, now Soviet Republics, was brought into line with the soviet model of collectivised agriculture (Nørgaard and Johannsen, 1999, p. 34).² These few and short examples illustrates the importance agricultural reform, that is at least the importance political decision makers have placed on agriculture by their repeated attempt to change the sector for political, ideological or economic reasons – if not all three. Ironically the agricultural sector in the post-communist countries is once more changed from the perspective of a guiding vision or ideology if one prefer.

However, the study of agrarian reform in post-communist countries with respect to political and economic development is under researched compared to broad based comparisons of the transitions to democracy (Linz and Stepan, 1996, Ágh, 1998), questions of institutional design (Elster, Offe and Preuss, 1998; Johannsen, 2000) or economic reform policy (Nørgaard, 2000). While notable contributions towards the study of agrarian reform in post-communist countries have been made (Swinnen,

¹ I am indebted to Michael Nielsen and Tom Y.K. Nielsen who have assisted with the compilation of material for this first attempt to entangle the issue of agrarian reform.

² From the perspective of Moscow the process of collectivisation also served to break the strong underground resistance to the Soviet regime in the Baltic states (Misiunas and Taagepera, 1993; Lieven, 1993)

Wegren, 1998; Abrahms (ed.), 1996) these have been limited in scope with respect to links the patterns and outcomes of reform with political development. Moreover, fewer have taken an interest in the role of the state in the transformation and the state's ability to handle the political, administrative and technical challenges that turn up in the course of the transformation. However, while the lack of interest in the capacity of the state may be understandable given the necessity of state retrenchment in the process of moving from communism and planned economy to democracy and the market and furthermore, coincided with the heydays of the rational choice paradigm in social sciences it nevertheless proved inadequate. Not only did this perspective underscore the local context, but it did also underscore the role of the state as a policy agent and the capacity of the state handle the reforms (Johannsen and Nørgaard, 2001).

With respect to agrarian reform, the state and political developments are interwoven in a complex web of economic, political and social explanations and consequences. Ever since Barrington Moore's (1966) path breaking analysis of the social origins of political regimes it has been evident that the make-up of the rural sector and the manner in which it develops, are linked to the nature of the political regime and furthermore, issues of commercialisation, ownership rights and the structure of production in the rural sector are related to financial development and economic growth (Byamugisha, XXXX). That is agrarian reform affects the distribution of resources and wealth within a society, which again have implications for political development. Moreover, the state is crucial in land reform. That is the state institutionalises political organization in a given society and articulates, adjudicates and implements public policy and mediate conflicts (Barracough, 1999). Given the magnitude of the changes underway it is thus not possible to separate the role of the state from the issue of agrarian reform.

While we should not loose sight of the ambition to describe and analyse agrarian reform in post-communist societies and to contribute, in general, to the understanding of political and economic development, the particular and intermediate task is facilitate an understanding of the role of the state in the transformations. Thus the present study is organised around to assumptions. First, at the outset it is assumed that the state is crucial as a policy agent not only 'framing' the economic and political environment by creating incentives through financial levers and regulation but also in setting the principles of changes in the land code, that is choosing the agrarian reform policy. Second, we assume the capacity of the state to be the conditioning factor of agrarian reform policies and its consequences. That is we expect similar agrarian reforms in otherwise similar countries to produce dissimilar outcomes given differences in the capacity of the state to formulate and implement the chosen policies.

As this paper serves as the basis for a number of comparative case studies on agrarian reform the two assumptions have immediate methodological ramifications for the present task at hand. An intensive analysis of a few cases may provide us with more knowledge about the configurative aspects of agrarian reform, state capacity and political and economic development considering multiple causal factors working together. If only a few countries – let alone a single case study - are compared, it is all the more important that the concepts developed and used are applicable to other countries when inferences are sought (Landman, 2000) eventually allowing both venues of most similar and most different systems analysis. Furthermore, the comparative concepts can also be used in a statistical analysis seeking to establish broad patterns and highlighting the deviations, thereby giving the possibilities of a controlled case strategy. In model language state capacity constitute the unexplained variance when inferring causality between reform and political and economic development.

The reminder of this paper argues for the comparability of agrarian reform in post-communist countries preparing the way for both case and statistical analysis. Section 2 argues for the importance of the rural sector and surveys the initial similarities and dissimilarities between the countries. In section 3 the principle elements of agrarian reform are discussed by seeking to clarify the different options available land concluding with a survey of agrarian reform policies. In section 4 the perimeter for the further development of a model to examine the role of the state in political and economic development are discussed.

2.0 The importance of the rural sector at the dawn of reform

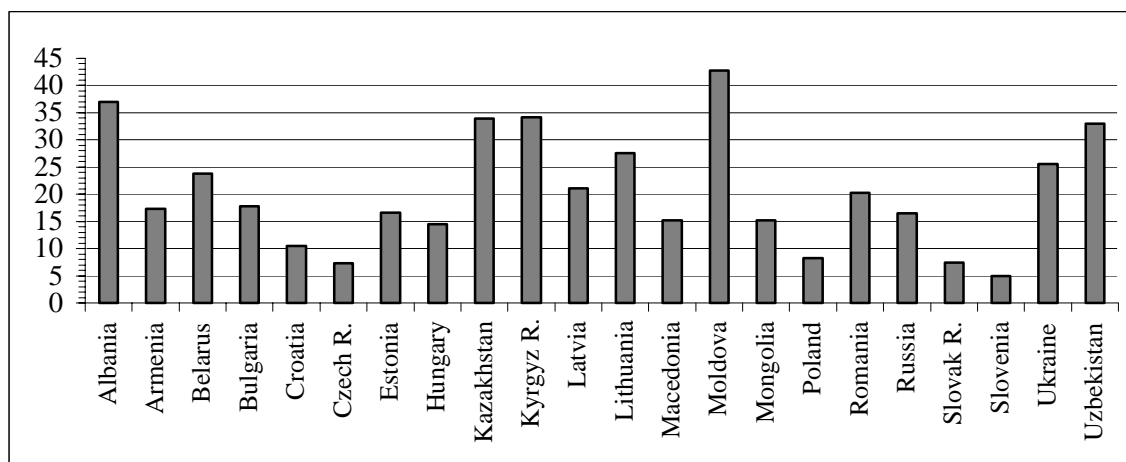
Nowhere has the pendulum of history swung to the extremes as in the countries of Eastern Europe and the former Soviet Union³ where the attempts agrarian reform have been important for economic and political modernization. The communist mode of agrarian reform perhaps constitute the largest ‘experiment’ with new forms of ownership and organization and the different reforms adopted following the collapse of the can be labelled the largest ‘laboratory’ for social science in general and agrarian reform in particular. Reflecting the political ideology of the communist regimes collectivisation and the setting of prices for input and output by the state had become the dominant way of organising communist agriculture. Thus the former communist

³ 7 Central and East European countries: Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia. 5 Countries in the Balkan region: Albania, Croatia, Yugoslavia (and Montenegro), Macedonia (FYROM) and Bosnia. The three Baltic states of Estonia, Latvia and Lithuania. 12 countries of the Commonwealth of Independent States (CIS): Armenia, Azerbaijan, Belarus, Kazakhstan, Moldova, Georgia, Tajikistan, Russia, the Kyrgyz Republic, Turkmenistan, Ukraine and Uzbekistan. Finally, the former Soviet satellite of Mongolia. In total 28 countries, discounting the former German Democratic Republic.

countries at the outset shared a common legacy, that is - with the exception of Poland and Yugoslavia - most land was cultivated through collectives, and prices for output and input set by the state administration. Individuals were only allowed to operate small plots of land and despite that these were intensively cultivated and contributed relatively more to the total output than their size would suggest, the bulk of agriculture was socialized. Furthermore, most of the social services from schools to healthcare and housing were provided by state and collective farms in rural areas. However, despite the common inheritance intra-regional differences exist both with respect to agricultural development, its political and economic importance and the chosen agrarian reform.

The study of agrarian reform in post-communist countries are not only important because they are struggling with political and economic reforms to remodel their societies, but also because that despite the communist modernization programme with its emphasis on industrial development, the agricultural sector was at the time of regime change still relatively large compared to industrial and service economies of western Europe and, furthermore, should not be neglected given the potentially enormous impact of the size of the rural population at that time.

Figure 1. Agriculture as percent of GDP, 1990



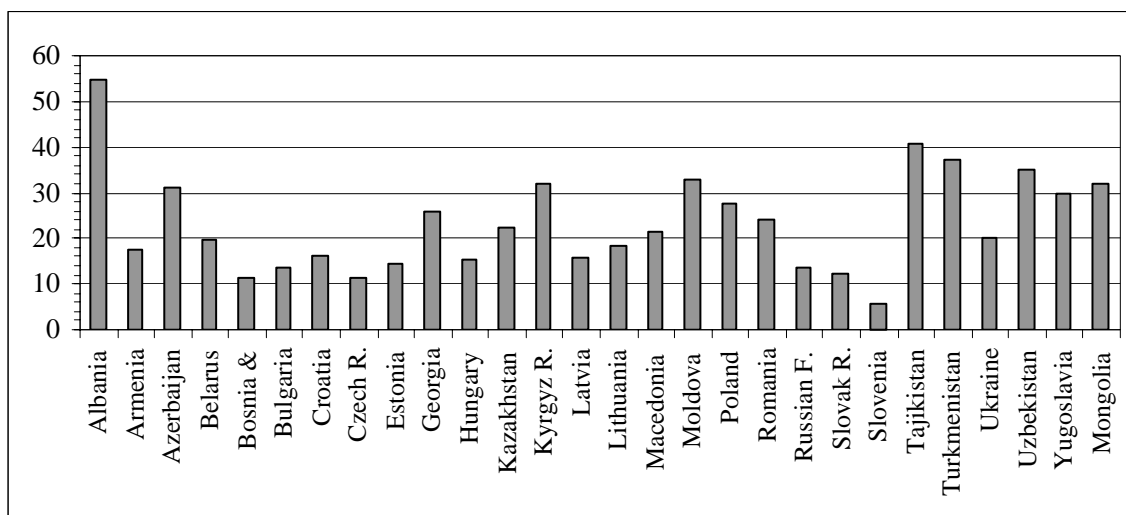
Source: World Development Indicators 1999. Latvia, Lithuania, Kazakhstan, Russia and Slovenia from OECD AGR-NME 2000. Figures for Moldova and Macedonia are from 1991 and 1992 respectively.

From figure 1 it can be seen that Mongolia, Albania, Kazakhstan, the Kyrgyz Republic and Uzbekistan were largely rural economies with agriculture contributing more than 30 percent to GDP in 1990 and despite the communist modernization programme with its emphasis on industrial development agriculture contributed between 5 and 10 percent to GDP in the most industrialized countries, like Slovenia, the Czech Republic and Poland. These figures should be compared to the USA and the UK where agriculture contributed

around 2 percent of GDP and compared to Spain where the share of agriculture stood at around 5 percent in 1990 (World Development Indicators, 2000). In terms of employment more than half of all Albanians and roughly a third of all employed in Azerbaijan, The Kyrgyz Republic, Moldova, Tajikistan, Turkmenistan, Uzbekistan, Yugoslavia and Mongolia received their outcome from agriculture. Only in Slovenia less than 10 per cent of the Labour force were employed in agriculture.

Combined figure 1 and 2 do not only exhibit the variation between the countries, but also underlines the even among the more industrial countries agriculture was relatively more important than among western countries.

Figure 2. Labour force in agriculture. Percent of total labour force. 1990.



Source: World Development Indicator, 2000.

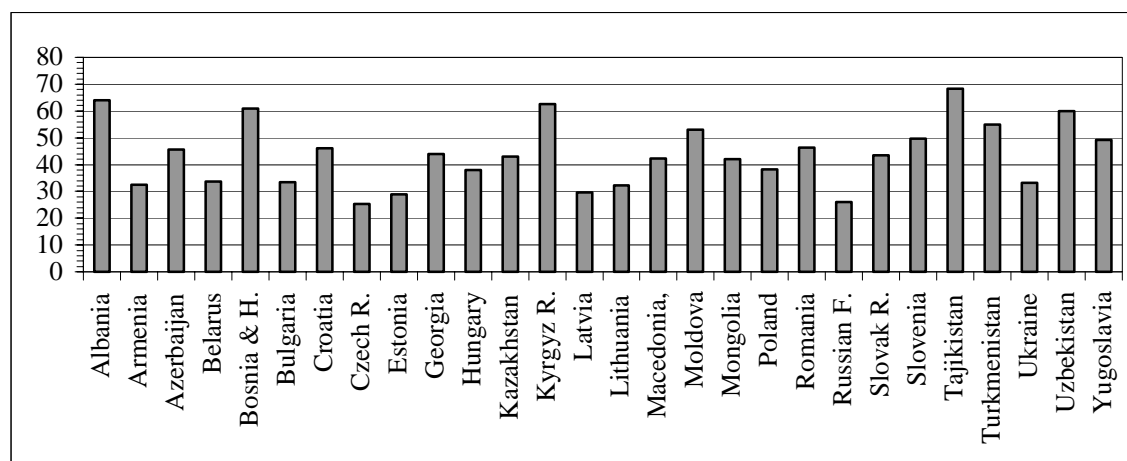
The size of the rural economy and the relative size of the labour force are normally indicative of rural subsistence economies either measured as the values added per worker or per hectare of agricultural land. In table 1 these two measures are compiled for the first available year and arranged in increasing order. As evident when comparing to the reference country included (Denmark) agriculture in the post-communist countries are characterised to add less value per worker and per hectare, that is they are less productive considering the cost of input and the value of the production. As could also be expected the list of value added per worker would resemble a list of GDP per capita if compiled, even if Polish agricultural workers are surprisingly adds relatively little to the value of the produce. However, when including value added per hectare of agricultural land other input factors than merely human labour, such as the nature and quality of the soil and crop have to be considered.

Table 1. Agriculture value added per worker and per hectare of agricultural land.
The two columns are arranged in increasing order. (Constant 1995 US\$)

Added per worker	1992	Per hectare of agricultural land	1992
Tajikistan	604		
Albania	1.224	Kazakhstan	20
Poland	1.546	Russian Federation	143
Moldova	1.550	Kyrgyz Republic	160
Romania	2.151	Lithuania	227
Uzbekistan	2.207	Uzbekistan	227
Lithuania	2.406	Estonia	290
Kazakhstan	2.612	Bulgaria	308
Ukraine	2.652	Latvia	316
Kyrgyz Republic	2.872	Romania	342
Russian Federation	3.141	Belarus	373
Belarus	3.571	Poland	406
Latvia	3.632	Moldova	410
Bulgaria	3.635	Hungary	459
Estonia	3.641	Ukraine	753
Armenia	4.022	Armenia	874
Hungary	4.176	Albania	894
Denmark	34.204	Denmark	1.862

Source: World Development Indicator, 2000.

Figure 3. Rural Population. Percent of total population. 1990



Source: World Development Indicator, 2000.

However, even if industrial reform policies are - without doubt - important for the post-communist countries both for the less and the more developed nations, it is evident that the well-being of the rural area are not less important for political development. Rural social and political relationships are undoubtedly bound together with the outcome in

political and economic terms of agrarian reform and, as evident from figure 3, the rural population constituted a relatively large part of the population. The rural population, in all countries, were above 25 percent of the population and in 17 of the 28 countries under study more than 40 percent of the population were rural dwellers. Thus an increase in productivity, that is the value added by workers and per hectare, has enormous potential for improving the livelihood of a majority of the people in the post-communist states.

This short survey has demonstrated that despite the similarity – with the exception of Yugoslavia and Poland – in the communist organization of agriculture the countries at the outset differed with respect to the size and importance of the agrarian sector. However, despite the dissimilarities between ‘laggers and leaders’ it will be possible to construct categories of groups of countries that share the same socio economic characteristic at outset. By highlighting the dissimilarities these socio economic characteristic can also be used either as controls for a following statistical analysis – a so-called ‘then and now’ analysis seeking to establish gains and losses over 10 years of reform.

However, with the collapse of ‘real living socialism’ a window of opportunity to change the political and economic framework for agriculture through agrarian reform policies opened. These reform policies with their lasting political and economic impact differ in scope, direction and speed among the countries and this variation in policies will be dealt with below.

3.0 Pattern of reform policy

Once the different reform policies are classified according to the discussion below the natural starting point will be to ask the roman question of *qui bono?* We thus assume interest to take a stake in the formulation and design of agrarian reform because they, in accordance with rational choice theory (Hall and Taylor, 1996; Peters, 1999), seek to protect and promote their interests. The method by which land is allocated for agricultural redistributes wealth. Competition through the market creates new winners and losers and the state interferes in rural economy by adding or subtracting resources through taxation, credits and support measures. We may speculate that interests who benefit from a given agrarian reform develop a stake in the policy and become wedded to the state building support for the measures and the state. Thus agricultural reform policies are packages that have structural, financial and legal elements with far reaching social, economic and political consequences. As such agricultural reform packages can fundamentally alter the social fabric of the countryside (and the country) and the state possesses multiple levers and tools, which can be applied in agrarian reform. In this

section the elements of agrarian reform are clarified followed by a short survey of the reforms adopted in the post-communist countries.

3.1 The elements of agrarian reform

At the outset three elements can be distinguished, that is the distribution of land titles or who come to own the land and other physical assets, the reliance on market based reforms and market institutions and finally the financial levers and regulation set by state influencing the rural economy.

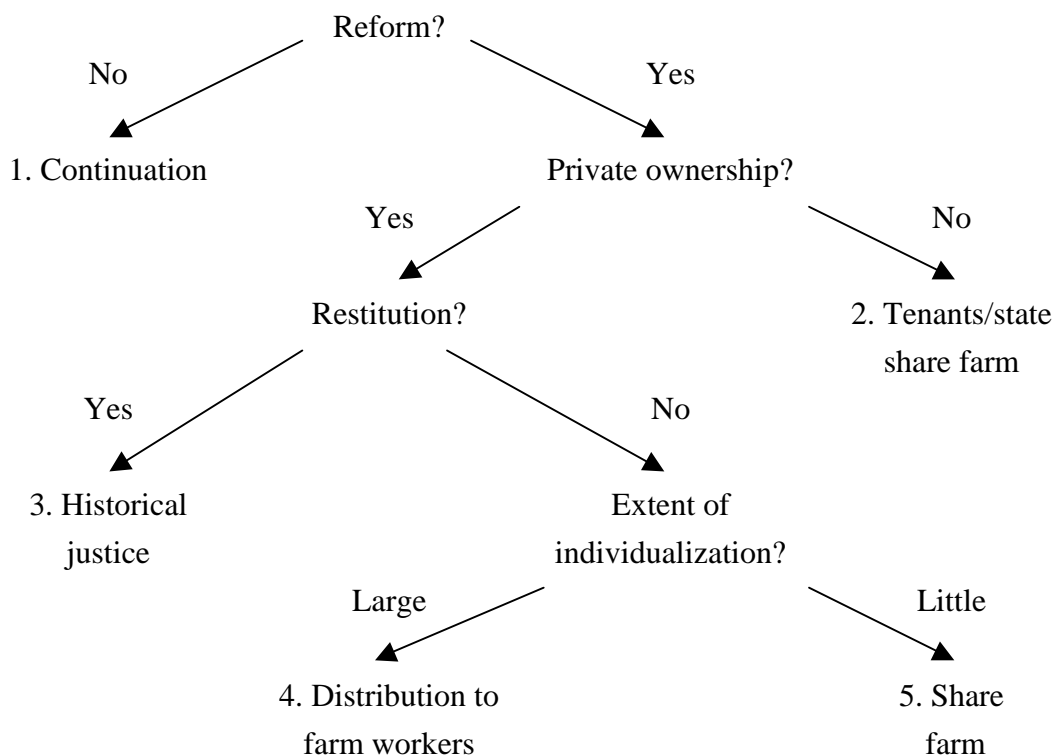
Distribution

In their analysis of the Albanian agrarian reform Cungu and Swinnen (1999, pp. 611-612) distinguish between three options. First, a minimal reform where the agricultural enterprises, collective and state farms are restructured into private companies. Second, a full distribution of assets and property right to the farm workers and the rural households and finally, what Cungu and Swinnen names the 'historical justice option' (p. 612) where there is full restitution of land and other assets to the former owners or their heirs who had it confiscated or nationalised under communist reform programmes. Counting in this fashion a fourth option of continuing the communist agrarian policies should be added to Cungu and Swinnens list. When including the fourth option it becomes clear there are rather four principle questions or political decisions concerning the distributive aspect of agrarian reform involved. These questions give rise to five possible 'pure' as illustrated in figure 4, discounting that some options can be combined.

Consciously or not all countries have had to face the first question of whether to reform the communist agrarian system. Thus the first type of outcome is the continuation the previous system. However, having made the decision to reform the second question concerns the adoption of the principle of private ownership. This principle is implicit in Cungu and Swinnen's discussion but a distribution to farm workers and rural households could be accomplished through lease rights where the state retain ownership of the land or simply transfers the former state farms into stock companies owned by the state foreclosing any private ownership of land. These possibilities form the second option. In contrast, restitution does by necessity require recognition of private ownership and in the affirmative to the use of restitution historical justice is the third possible option. Restitution is, however, not the only route having adopted private ownership. Trying to distinguish between different land reforms Lerman (1999) first divide the countries with respect to the use of restitution or distribution, that is the historical justice option above or a distribution of land to the

workers. Introducing the extend of individualization, with respect to the restructuring of the agricultural enterprises and the collective and state farm, as a dividing criteria within the distribution path it is possible for Lerman to distinguish between two options: the fourth option where land is physically distributed to households and workers creating independent farms outside collectives and the fifth option where individual rights to shares of collective land and other physical assets are distributed to the workers and households creating a stock company. This option do not foreclose that the former state farms are turned into state owned stock companies, but in comparison with the second option private ownership is recognized, effectively transferring the former collective farms into private stock companies.

Figure 4. The distributive questions of agrarian reform policies.



The five options distinguished above are the pure forms of concerning the distributive aspect of agrarian reform. These are the decisive questions with respect to who controls the land and also have ramifications for the emerging differences in farms structures. When Lerman (1999, p. 7) thus introduces the emerging differences in farm structures as a third divide, in conjunction with the extend of individualization and the choice between restitution and distribution these differences should be seen as an outcome of agrarian reform with resulting consequences for economic and political development.

However, it should be stressed that combinations of the pure forms are possible. For example legislation may allow for both share farms and the establishment of individual farms. In that case the share farm can be seen as a transitory solution in the process of splitting up a former collective farm giving the individual shareholder right to identify physical plots of land and withdraw these from the remaining share farm. It is also possible to combine restitution with distribution to workers either by the use of allocating 'reserve land' to the later or increasing the pool of reserve land by stipulating a maximum on the size of land which can be received under the restitution process. Thus the third, fourth and fifth option can be mixed to varying degree, whereas the first and the second option by logic cannot be combined with the later three as these require that the principle of private ownership of land is adopted.

Identifying the options in relation to decisions allow us not only to examine the consequences of the chose form or the mixture of the options chosen, but also to inquire into why a specific route was taken. For example why do some countries chose the historical justice option and others to rely on distribution to farm workers? However, before we turn our attention to this matter, which will be dealt with in relation to the capacity of the state to formulate policies, we will continue the focus on establishing the elements of agrarian reform.

Reliance on the market and building market institutions

In the past decade much attention have been devoted to the introduction of the market and the building of market based institutions and there is a mushrooming literature about macro-economic reforms and privatization processes in the post-communist countries. Within the literature five issues, the liberalization of prices, privatisation of assets, demonopolization and the creation of a functioning financial system and the system of state institution adapted to the needs of market economies are raised as the building blocks of a market strategy (for example see Przeworski et al. 1995, pp. 67-90; Dunford, 1998; Elster, Offe and Preuss, 1998, pp.156-202)

The building blocks can naturally be seen in relation to agrarian reform. As in other sectors of post-communist economy marketization mean demonopolitization - introducing competition in the food processing and input industry and functioning financial institutions where capital can be raised are imperative in any sector of the economy (Csaki and Tuck, 2000). Even if a the establishment of a system of state institutions adapted to the needs of market economies can be seen as a part of agrarian reform, this is rather a process of improving the capacity of the state to operate in the market economy once the process is set in motion. Thus this issue is related to our second assumption of state capacity to be a conditioning factor for political and

economic development. The privatization process are linked to the distributive question and macro-economic policy questions like the liberalization of prices for agricultural produce and input do also have bearing on the development of a market compatible system of incentives in the agrarian economy. However, even if we should expect that countries, which have made stern progress in creating market structures and liberalizing prices in other sectors and have chosen to adopt the principle of private ownership rights to land also have made progress in relation to privatization of land and the transformation of the inherited farming structure the equation is not so straightforward as restrictions of the effective creation of land markets can exist, either by law foreclosing the free selling and buying of land property or because the market in itself is ineffective. Moreover, as the state tries to balance between the need to create a viable and profitable agricultural sector and at the same time secure stable and cheap produce for the urban population this leaves possibilities of state interventions in the form of limiting producer prices in agriculture. Price support or the reverse is however not the only way in which the state influences the rural economy.

Financial levers and regulation.

Agriculture was no exception as the state interfered and heavily regulated all sectors of society and economy. During communist reign the state not only used the monopoly on credit facilities, measures of price support and wage policy, but also through a regulation of the non-state agricultural sector – basically the personal plots⁴ used to supplement the urban and rural families diet to interfere in the rural economy (Wegren, 1998). The options with respect to the distributive aspects and the market strategy in agrarian reform have not only rendered some of the traditional instruments obsolete, in particular wage policy in conjunction with privatisation, but also given the state new means of control - budgetary, tax and new forms of credit instruments –in relation to agriculture. Thus the third and final element of agrarian reform consists of the financial levers used by the state to transfers resources to or from agriculture from other sectors of the economy and the way in which local production are protected from global competition trough tariffs and barriers.

Whereas tariffs and barriers are relatively straightforward to interpret two aspects of transfers should be raised. The first part relates to the direct transfers to the producers such as price support, input and output related support, support in relations to historical entitlements and social transfers based on the overall farming income etc. In total these

⁴ The personal plots should not be seen as private plots as operators had no formal ownership, which is why we prefer to speak of the non-state sector and personal plots rather than private sector and private plots reserve the later terminology for the later genuine developments towards a private sector.

can offset the inherent taxation burden on the sector as is 'normal' among the OECD countries. The second aspect is the general services provided by the state to the agricultural sectors through research and development, education, infrastructure, marketing and state inspection services etc. Whereas the first are individualized and relates directly to the production draining or increasing the resources available at each farm the second are related to the strengthening of the institutions providing a collective good for the sector. As such the general services are concerns the building of state capacity in relation to agrarian reform.

As argued above the distributive, market reliance and the financial levers and regulation comprise the three elements of agrarian reform policy which will be used for the later classification. The policies are at least formally bargained and formulated within the institutions of the state. The following present a short survey of how the policy options have been used by the post-communist states

3.2 Agrarian reform policies in post-communist countries

Above five pure forms with respect to the distributive elements of agrarian reform were developed. While data for some countries are still lacking, and with Poland and the former Yugoslav Republics left out as these had a different structure as argued above⁵, table 2 presents an overview of the distributive variants of agrarian reform in the post-communist countries.

Most of the countries have chosen to reform the communist agricultural system and most have chosen to adopt the principle of private ownership. Furthermore, in general the restitution policy has been the dominant method in Central Europe, whereas distribution to farm workers dominates among the CIS countries. That five of the former Soviet countries are classified as not having adopted the principle of private ownership to land may seem somewhat surprising as the first wave of reform legislation was adopted in 1989-1991 when these were still part of the Soviet Union. Thus the 1990 land code allowed for the creation of individual farms outside the collectivist framework. However, even if these farms generally came to be known as 'private farms' the 1990 Land Code stipulated that the land (a maximum of 50 hectares) was given as lifetime inheritable possessions without any transfer rights to sell or lease the land to third parties (Csaki, Lerman and Sotnikov, 2000, p. 15). Thus the decision to adopt private ownership remained with the new independent countries once the Soviet Union fell apart.

⁵ Given that the socialized sector was rather small, Slovenia for instance, have transferred most of this land into the State Fund for Agricultural Land and Forests (Bojnec, 1994, p. 148) effectively making the former workers tenants on the land.

Table 2. The questions of distribution and agrarian reform in post-communist countries

	Reform	Private ownership	Restitution	Extent of individualization % Land in individual tenure		Main pattern of reform
				1990	1996	
Albania	Yes	Yes	No	0	100	Distribution to farm workers
Armenia	Yes	Yes	No	4	31	Distribution to farm workers
Azerbaijan	Yes	Yes	No	3	6	
Belarus		No	No	7	12	Tenant and continuation
Bulgaria	Yes	Yes	Yes	13	52	Restitution
Czech R. ⁶	Yes	Yes	Yes	0	23	Restitution
Estonia	Yes	Yes	Yes	6	63	Restitution
Georgia ⁷	Yes	Yes	No	7	23	Distribution to farm workers
Hungary ⁷	Yes	Yes	Yes, partly	6	54	Mix of restitution and distribution
Kazakhstan ⁸	Yes	No	No	0.2	13	Tenant
Kyrgyz R.	Yes	No	No	1	25	Tenant
Latvia	Yes	Yes	Yes	5	95	Restitution
Lithuania	Yes	Yes	Yes	9	67	Restitution
Moldova	Yes	Yes	No	9	16	Distribution to farm workers
Mongolia						
Romania	Yes	Yes	Yes, partly	12	67	Mix of restitution & distribution
Russian F. ⁹	Yes	Yes	No	1	25	Distribution to farm workers
Slovak R. ¹⁰	Yes	Yes	Yes	5	5	Restitution principle
Tajikistan	Yes	No	No	2	4	
Turkmenistan	Yes	Yes	No	0.2	0.3	
Ukraine	Yes	Yes	No	7	17	Distribution to farm workers
Uzbekistan	No	No	No	2	4	Continuation

Note: Per cent land in individual tenure of all agricultural land. Land shares remaining in collective cultivation are not classified as land in individual use.

Source: World Bank Discussion Paper, No. 387, Lerman (1997), Lerman (1999), OECD (1999), Armenia: World Bank Country Study (1995), Csaki, Lerman and Sotnikov (2000)

As evident from the table Uzbekistan continues unreformed with the share of land in individual use chiefly being an expansion of the personal plots. The three Baltic States, Bulgaria and the Czech and Slovak Republics have adopted the restitution type of land reform. In these cases land ownership rights obtained before collectivisation are recognised, and, if possible, physical plots of land are allocated to the beneficiaries. In Slovakia, however, the dominant restitution policy has been to give shares rather than physical plots of land (Swinnen and Mathjis, 1997, p. 337).

⁶ Restitution only used with respect to collective farms. State farm land is sold or leased out (Swinnen and Mathjis, 1997, p. 337)

⁷ The land of state farms is sold or leased out (Swinnen and Mathjis, 1997, p. 337). Furthermore, voucher privatization has also been used (Cungu and Swinnen, 1999)

⁸ Household plots can be privately owned (Lerman, 1997, p. 313)

⁹ Private ownership not recognized in 10 ethnic republics (Lerman, 1997, pp. 312-16)

¹⁰ Restitution given in shares and only used with respect to collective farms. State farm land is sold or leased out (Swinnen and Mathjis, 1997, p. 337)

In contrast to the process of restitution the main principle of land reform to distribute ownership rights to the land user have been used Albania, Azerbaijan, Moldova and Russia. As argued above this strategy often allows for the continuation of the large formerly state or collectively owned farm as well as their break-up, as it consists of two stages where first recipients are defined and receive paper certificates of entitlement to land and/or shares in the farms equipment, and subsequently, can choose either to remain as a shareholder within the farm or withdraw their land and shares to create a private farm (Brooks and Lerman, 1994: 3). Albania constitute the ‘purest’ case in the sense that more than 94 percent of the land, which was in use by state and collective farms in 1989 was in use by private individual farms in 1994 (Cungu and Swinnen, 1999, p. 606) and by 1996 the process had been completed (Lerman, 1999). In Kazakhstan, the Kyrgyz Republic and Tajikistan the land are distributed but the workers remain tenants on state owned land.

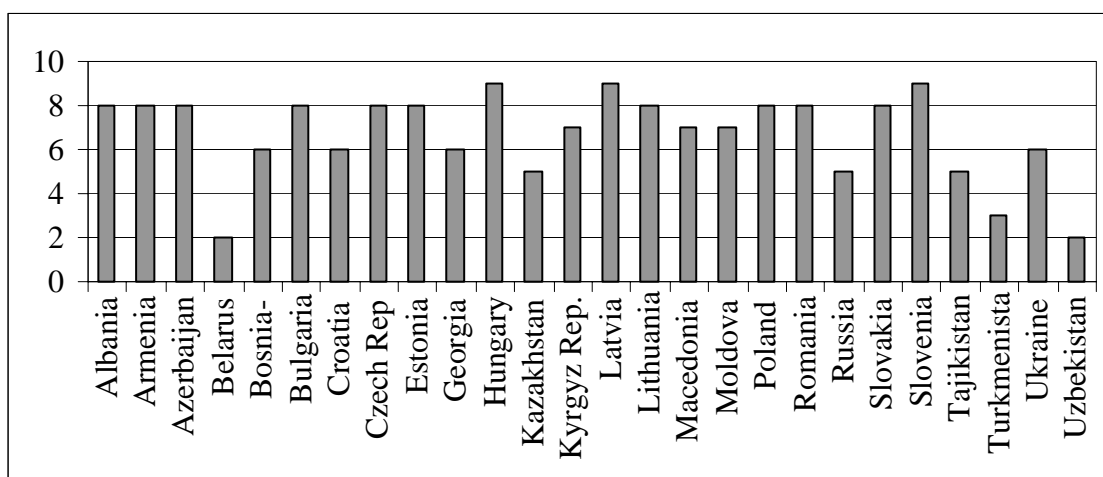
From the table it is also evident that these chosen reform models have implications for the creation of independent farms – that is the percentage of land in individual use whether or not ownership rights are held to the land. That is individual use is an outcome of the adopted policy differentiation we can already conclude that no option automatically leads to the desired outcome. However, in countries where the dominant pattern has been restitution (or a mix of restitution and distribution to farm workers), chiefly among the Central European Countries, more land is in individual use than in countries, which primarily have chosen to distribute land to the farm workers on an equal basis with Albania and Slovakia the main exceptions this pattern. While the distinction between the distribution and the restitution model is difficult to make these are clearly separated from those countries that are more or less unreformed or have relied on the tenant system. As these patterns is chiefly found among the Central Asian republics (and Belarus) the region clearly stands out with the possible exception of Kazakhstan and the Kyrgyz Republics in terms of the share of land in individual use.

The market strategy

The World Bank (2000b, pp. 42-43) has developed a status index measuring to which extent the market reforms in 5 different areas of rural development have been completed. First, ratings are given with respect to price and market liberalization that is whether the state retains control over prices and markets or competitive markets are established and only modest protection exists. Second, the extent to which the farming structure is based on private ownership and active land markets. Third, whether the agro-processing and input supply had been privatised within a framework allowing for foreign direct investments. Fourth, whether the soviet-type of rural financial system has

been restructured and finally, whether public institutions focused on research, education and extensions to the need of private agriculture have replaced the institutions of command economy. In each instance the ratings run from 1 to 10 with 1 indicating centrally planned economy and 10 are given for completed market reforms

Figure 5: Completeness of market based land reform



Source: World Bank (2000b, pp. 42-43)

In figure 5, which pictures the rating for market, based land reform it is not surprising that there is correspondence to the distributive questions discussed above. Thus in general countries, which above were classified as, unreformed or as tenant systems in general have lower rankings than the countries, which have adopted the principle of private ownership. However, despite that the two countries which receive the highest ranking have incorporated some element of restitution, either in it pure for (Latvia) or in combination with distribution to workers (Hungary) there is little distinction to the front runners (Albania, Armenia and Azerbaijan) of those who have chosen to rely on a pure distribution to farm workers.

Table 3: Correlations between reform components. 1999

	Price & Market	Land Reform	Agroprocess.	Rural finance	Institutional	Total
Price & Market	1,000	,911	,871	,815	,822	,939
Land Reform	,911	1,000	,902	,832	,818	,950
Agroprocess.	,871	,902	1,000	,877	,848	,960
Rural finance	,815	,832	,877	1,000	,824	,929
Institutional	,822	,818	,848	,824	1,000	,917
Total	,939	,950	,960	,929	,917	1,000

Note: Pearson's R, N=26 and all correlations are significant at the 0.01 level (2-tailed).

Source: Authors calculations based on World Bank (2000b, pp. 42-43)

The five reform components are highly correlated with each other as evident from table 3, which reveal that countries which have adopted market based reforms in one sector in general also have adopted market based reform in other sectors and vice versa, countries which have not adopted nor completed market based reforms in one sector also refrain from doing so or have not completed the reforms in other sectors. A factor analysis (1999 data) reveals that these have high loadings on one factor with an eigenvalue larger than 88 per cent.¹¹ These findings indicate that reforms seem to come in bundle's and that there is a stratification between the countries along a planned versus market based dimension of the reforms.

Thus the World Bank reform index may unravel information about whether land markets are functioning and market direction in general, but concerning the distributive aspects of allotments little distinction is found between the those variants which have adopted private ownership. This is an important finding because in terms of the redistribution of wealth, control and access to land the pure distribution strategy and the pure restitution strategy are fundamentally different with respect to benefactors and hence as it can be hypothesized also have different political consequences.

Financial levers

Communist agriculture was heavily subsidized and the incentives to increase productivity undermined by the wage policy and lines of credit and loans granted by state often with little hope of future repayment of these (Wengren, 1998, pp. 18-58). In the middle of the 1980'ties farmers were supported by close to 80 per cent, relatively to the value of production at farm gate prices, in the Soviet Union and around 50 per cent in Slovakia and Romania (see table 4). Thus in general the communist farmer received more support than farmers in the OECD countries. Without generalizing this seemingly difference between the countries of the Soviet Union and the Central Europe all countries follow a pattern as the transition begin and agrarian reforms are adopted. Thus the overall pattern are that the producer support is lowered at the end of 1980'ties and in the beginning of the 1990'ties only to increase to a lower level than the starting point by the end of the 1990'ties. This overall pattern covers, however, over substantial differences between the countries. Most dramatically in Lithuania where the PSE not only turns negative, as it has happened it all of the Baltic States and Russia, but reaches a low point in 1991 during the Sajudis lead agrarian reforms of over minus 200 per cent only to continue in red until 1995 where balance is reached. Perhaps we there find part

¹¹ Component Matrix: Price & market = 0,941; Land reform = 0,951; Agroprocessing = 0,958; Rural finance = 0,926; Institutional = 0,917. Extraction Method: Principal Component Analysis.

of the explanation of why the rural constituencies overwhelming votes to the left in 1992 and gave the country the first government of former communists in Central and Eastern Europe. Compared to the OECD average the support to the farmers by 1992 for all of the countries, for which data are available, are lower and despite later increases in PSE there were still a substantial difference between OECD and the post-communist countries by the end of the 1990'ties.

Table 3. Changes in producer support estimates (PSE). 1986-1999

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Czech Rep.				55	54	52	31	27	21	13	13	10	17	
Estonia	76	76	79	74	71	59	-97	-32	-10	0	7	5	20	15
Hungary				27	24	13	17	20	25	14	10	8	12	
Latvia	83	82	82	77	76	83	-101	-40	6	5	3	4	17	18
Lithuania	79	77	80	75	72	-263	-124	-37	-15	0	4	7	20	21
Poland				9	-18	0	20	15	19	17	24	21	25	
Romania	48	54	51	46	28	15	8	16	19	10	12	3	25	20
Russia	82	81	81	77	70	60	-94	-24	-15	16	25	29	15	-3
Slovak R.	56	51	46	50	50	35	28	26	23	18	11	13	26	25
OECD	43	43	37	32	38	40	39	38	36	34	31	32	38	

Note: PSE is defined as annual monetary value of gross transfers from consumers and taxpayers to support agricultural producers arising from policy measures. 1998 predictions, 1999 estimates. OECD do not include the Czech Republic, Hungary, Poland, Mexico and Korea.

Source: OECD (1999), OECD (2000).

Draining or granting the sector for resources is, however, not the only way in which the state interferes. Beneath the trade regime, that is the export and import regulation, both with respect to tariffs, currency control, price control and other regulative measures are found more or less official goals of protecting domestic producers from foreign competitors and promote export.

Table 5. Tariff barriers in agriculture 1998

	Average	Range
Albania	16.4	10 – 30
Estonia	0	0 – 0
Latvia	14	0 – 45
Lithuania	9.5	0 – 87
Russia	11	0 – 100
Slovakia	10.73	0 – 168,1
Slovenia	13.7	0 - 57,5

Source: OECD 1999

However, in table 5 which present the available data on tariff barriers in agriculture is may also be the case that importing competition is sought. Thus the Estonian farmers

likely operate in the most liberal trade regime of agriculture around the world as tariffs are set to zero. In contrast Albania have an average of 16.4 per cent on the value with a relatively little spread between different products whereas the tariffs range between nothing and 168 per cent in Slovakia.

This section has demonstrated that even if there is numerous options available for policy makers to create and combine an agrarian reform package the choice tend to cluster together and general patterns can be observed. Irrespective of the underlying distributional consequences the adoption of private ownership goes hand in hand with a market strategy. Furthermore, despite that farmers in some countries have been harder hit by a general reduction in producer support than farmer in other countries the general pattern is that agrarian reform have reduced subsidies to the sector to a point where this receives less than the equivalent sector in the OECD countries. Above all it's the emphasis has been to demonstrate that comparable categories and measures can be applied to the study of agrarian reform in post communist countries and the role of the state in political and economic development.

4.0 Developing the research model.

In terms of the two assumptions specified in the introduction of the state as a policy agent and state capacity as the conditioning factor of the consequences of agrarian reform this paper have limited itself only to survey agrarian reform packages in the post-communist countries. Thus it is relatively clear that in order to develop the full perimeter of the research model the concept of state capacity and the expected working hypothesis in terms of the consequences for political and economic development has to be specified.

However, from the present study building blocks and sketches of a comparative design has been established and in conjunction with the first assumption we may begin the drawing the contours of the working hypothesis inquiring into why certain reform packages were adopted and examined for its consequences in conjunction with the second assumption borders on the classical system analysis in the eastonian sense. As a policy area study, kept within the eastonian tradition, a policy process is followed inquiring into why a certain policy was adopted and the eventual outcome of this policy, given the capacity of the to formulate and implement it.

Political development, should not be restricted to the regime level, but interpreted more broad as the values, opinions, formation of new classes, movements and organizations that agrarian reform and economic development give rise to. That we prefer to speak of political development, rather than democratic development, do not foreclose an interest in rural support for democracy only that the chosen the perspective

implies that we see democratic development as a specific path within a broader theme of political development. Thus with respect to agrarian reform emphasis must be placed on the distributive aspects, which give rise to the formation of new interests and political alliances. Politically, the emerging farm structure, as an outcome of the structural legacy, the agrarian reform and agricultural policy, can be expected to give rise to different forms of interest formation and thereby constitute an important factor in explaining the dynamics of agrarian reform and the form and degree to which agricultural interests influence the state and the political values of the emerging class(es) of farmers.

Economically, the incentives created by agrarian reform for the individual or collective farm to invest in and develop the agricultural production and the successfulness of the agrarian reforms in developing new institutions of land markets, credit and finance and in developing sellable products and markets for these result in diverging rates of growth and distribution. These political and economic outcomes of land and agrarian reform have, in turn, ramifications for the capacity of the state.

While it may be premature to speak of vicious circles and circles of virtue, the study of agrarian reform – in short – become a contribution to the study of economic and political development.

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