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Efficiency, Equity and Agricultural Change with Special Reference to Land Tenure in Western Europe.

INTRODUCTION

This paper is parochial in dealing only with Western Europe. Despite the geographical limitation, which also implies restriction to developed areas, European conditions are sufficiently diverse to provide highly relevant examples of the complex effects which land tenure can have on efficiency and equity. It is also stressed that the European situation is continuously altering in response to economic change, and is frequently affected by general legislation, particularly taxation provision, as well as by law specific to land holding itself.

Tenure and efficiency

Theoretical work on tenure and efficiency normally stresses the distinction between *owning* and *operating* land. At one end of the spectrum both functions may be vested in one person or small family group, though the size of their operation can range from very small peasant proprietorships to large-scale owner-occupation. Economically one of the great problems of adaptation becomes that of adjusting man-land ratios as conditions change, since for many institutional reasons the land market may be imperfectly adapted to exchanges of land[1]. More generally the existence of a labour market can also be of considerable importance since it allows labour application to exceed that available to a family group should the marginal hiring cost be exceeded by the value of the marginal product. Both points relating to markets are equally relevant to conditions of tenancy and will reappear.

In the efficiency context, following Schickele (1941), there is a critical distinction between 'durable' and 'non-durable' inputs. The former comprise land and fixed capital; the latter include labour and all other intermediate inputs. Efficiency of allocation clearly demands that the marginal rates of substitution between durable and non-durable inputs should in all cases be the same, and that they should relate to the relative prices of inputs. Since in owner occupation there is unified control of both classes of input a rational operator should attempt to ensure that the efficiency conditions are met,

provided, among other things, that he has unencumbered ownership, access to capital and is not inhibited by the uncertainties of biological production. It is also clear that land should be allocated to those best able to utilize its full capabilities; in short there needs to be an element of competitive pressure within the land market to secure any indicated land reallocation and to preserve freedom of entry for newcomers of superior efficiency.

Any form of tenancy involves divergence between ownership and operation, and a multiplication of problems. Tenancy may be based on a share or a cash rental, and there may be numerous stipulations relating to length of leases, compensation for unexhausted improvements at the termination of a tenancy, responsibility for repair and upkeep of durable inputs, control of cropping practices, provision for rent review during the course of a lease and arrangements for eviction and ending of a tenancy agreement. There are various standard criticisms of tenancy. For example share tenancy has long been regarded as potentially defective on the grounds that a tenant will not apply non-durable inputs to the point at which their marginal cost equates to the value of marginal product, for the tenant who bears the cost only obtains some share of the benefit[2]. Cash rent tenancy can also be inefficient if the split in control between durable inputs, now supplied by the landowner, and non-durable inputs, supplied by the tenant, results in breaches of the equi-marginal principle. Tenants, for example, may under-supply if they are insecure or do not receive compensation for improvements; landlords similarly may under-supply if they are unable to secure rent increases adequate to balance the cost of any new investment made. A significant advantage of tenancy, on the other hand, can be division of responsibility since the role of landownership involving care for layout and for buildings, as well as access to long-term capital, can complement the farming skills of tenants (Walston 1978). However Schickele regarded the problem of divergent control as overriding and this prompted him to declare that owner-occupation is probably more conducive to efficiency than cash rent tenancy. This argument, however, is by no means clear cut. Indeed following the recent work of Currie (1981) it appears that any broad statement relating to the merits of 'systems' is likely to be misleading since the potential variations in tenure form can be considerable. Currie himself ends his survey with a note in favour of 'tripartite' arrangements involving landowner, capitalist farmer and worker. The point stressed is that such a system, if it works in accord with rather stringent conditions, can allow markets to function for all factors to satisfy the marginal conditions. He notes, in particular, the importance of the man-land ratio and the need to adjust scales of operation to ensure efficiency across the operating structure.

Tenure and Equity

Still by way of introduction it remains to consider the relation between efficiency and equity. Suppose in a tripartite system that the size distribution of operating units is well adjusted to fit the managerial abilities of farmers, tenure laws satisfy the needs of both parties and workers are protected

against exploitation. Efficiency conditions can thus be satisfied. However inequity could be diagnosed if there is a marked discrepancy between the wealth, income and political power of landowners and that of other members of society. The replacement of private landowners by institutional or state ownership, on some agreed terms, might be recommended though this need not lead to any change in the operating structure. By contrast a latifundia system may be inequitable and also inefficient since it can prevent attainment of an optimum man-land ratio. At the other end of the scale, social and political systems can be found widespread throughout Europe which have quite different effects stemming from particular concern to secure equity between members of farming families in matters of inheritance. This was embodied, particularly, in the Napoleonic laws which codified the equality of joint heirs, the limitation of testamental power available to a current owner of land and prohibition of attempts to shape future inheritance. This is not universal in continental Europe – in Germany the law varies from area to area, while in Denmark division is prevented. However from the viewpoint of this paper the effect of law and custom has often been to create a pattern of small farms, many of which also suffer from gross fragmentation with associated inefficiency in operation[3].

THE OPERATING AND OWNERSHIP STRUCTURE OF EUROPEAN AGRICULTURE

A necessarily brief résumé of European conditions, so far as the countries of the EEC are concerned, appears in Table 1. For the moment the important points to notice concern the average size of holdings (col. 4) where the United Kingdom has an easy lead (64.3 ha in 1975, almost three times the figure for Denmark and France). The United Kingdom also has the lowest percentage of part-time farmers, and a very low number of farms in the 1-5 hectare group, first place of both characteristics being taken by Italy. The country with the highest incidence of tenancy is Belgium, followed by France, Netherlands and the United Kingdom (col. 5).

Tenure in Britain

In Britain[4] conventional wisdom has it that the landlord-tenant arrangements have operated with greatest efficiency. Though it must be emphasized that the small farm problem is not absent in Britain, an important historical legacy has been a size structure of operating units well adapted to basic farming conditions, and untrammelled by fragmentation. However it cannot be concluded from this that tenure controversy is absent in Britain. The issue has become of great topical concern with strong debate about the merits of the landlord-tenant system, the degree of tenant security to aim at, and the most appropriate way to ensure that adaptation to agricultural change can occur.

Landlordism evolved in Britain out of a manorial system in which land was held in fragmented portions by peasant farmers who were subject to the

TABLE 1 *The operating and ownership structure of European agriculture*

	Holdings[d] (000's) 1979	Per cent holdings 1979		Average size: ha 1975	Per cent area tenanted 1975	Per cent farm size increase 1960–75	Per cent holders part-time 1975
		1-5 ha	> 50 ha				
Belgium	97[a]	29.1[a]	3.8[a]	13.9	73	70	25
Denmark	120	11.3	9.6	22.6	14	44	13
France	1103	19.4	13.5	24.3	47	43	19
W. Germany	807	32.1	3.7	13.8	29	48	18
Ireland	260[b]	17.3[b]	7.4[b]	20.5	8	20	15
Italy	2145[b]	68.2[b]	1.8[b]	7.5	17	10	40
Luxembourg	6	19.5	15.3	23.5	42	75	11
Netherlands	132	24.2	2.8	14.4	44	31[c]	8
United Kingdom	260	14.5	31.3	64.3	43	28[c]	7
Average/Total	5175[b]	41.9[b]	6.3[b]	16.9	35	40	27

Notes: [a]For 1978; [b]For 1975; [c]Due to break in series figures show change between 1960 and about 1970; [d]Holdings of 1 hectare and over; [e]Part-time is defined as spending under 25 per cent of time on the holding.
Sources: The Agricultural Situation in the Community and Yearbook of Agricultural Statistics, Eurostat; *EEC Agricultural and Food Statistics,* June 1974, MAFF.

overriding control of a feudal lord. These arrangements operated for centuries until overtaken by 'enclosure movements' which were particularly powerful in the 'agricultural revolution' of the eighteenth century. Enclosure, it is said, resulted in the formation of estates divided into self-contained rented farms which were adequately equipped with fixed capital items at the expense of the landowner and subject to cash rent tenancy. In its orginal form it was underwritten only by common law and custom. Governmental intervention, except in passing Enclosure Acts sanctioning initial changes in layout, did not affect the relation of landlord and tenant. It was not until 1875, and the first Agricultural Holdings Act, that tenants became statutorily eligible to compensation for improvements and entitled to a minimum period of one year before a notice to quit could become operative.

Ownership was heavily concentrated. The 'New Domesday' Survey of 1875 showed that most of the land belonged to a few hundred families who enjoyed an opulence contrasting starkly with the conditions of agricultural workers who made up the base of the tripartite system. Landlordism has been in decline ever since as a result of complex causes stemming partly from periods of economic adversity and partly from the effects of legislation. Estate duty, payable on the death of the owner of property, is often pictured as the major destroyer of the landed estate. However, when introduced in 1894 duty was low, and when it became stiffer in 1924 agricultural land was protected by rebate to 45 per cent of the level incurred for other property. Political power had a part to play in this. Nevertheless it could be claimed that the landlord-tenant system, powerfully reinforced by the custom of primogeniture, represented a valuable form of ownership structure which it would be unwise to disrupt with dramatic suddenness.

It was during the inter-war years that economic depression began to have an effect. Rented land was 88 per cent of the total in England and Wales in 1910, 75 per cent in 1924 and 62 per cent by 1950. An interesting controversy in the inter-war years concerned land nationalization, *not* on grounds of equity or out of a desire to dispossess landlords without compensation. The argument was that the system worked effectively only when landowners had access to capital and were prepared to invest in improvement. However under capital scarcity a takeover was seen as a way of refurbishing the system by allowing in state funds and simultaneously maintaining the independence of tenant farmers. This argument (revived by Walston in 1978) contrasts with discussion of land nationalization earlier in the century among the radical wing of the British Liberal Party which was concerned more with distribution of ownership as an equity issue, rather than with farming efficiency. The British Labour Party is now again raising similar issues.

The next important development was the Agricultural Holdings Act of 1948 which codified wartime practices. The Act provided a technical position in which tenancies were deemed to be year to year, but ejection of a tenant was only possible in limited circumstances such as bankruptcy or bad husbandry. In effect it became extremely difficult for a landlord to obtain repossession, except on the death of a tenant. The 1948 Act, since it

created very secure tenancies, also had to provide a mechanism for fixing rents. If negotiation between landlord and tenant proved unsuccessful either party could refer the dispute to arbitration. However the instructions to arbitrators were initially vague and unsatisfactory, although stiffened by more precise provisions in 1958. The results were that the movement of rents became sluggish and large disparities began to appear between those paid by secure sitting tenants and by new entrants fortunate enough to have an opportunity to bid for a farm available for letting. In the land market this was reflected in large 'vacant possession premiums'. Land sold subject to tenancy has generally been lower priced (£951 per hectare in 1976 for example) while land available with vacant possession has been much more sought after and highly valued (£1,814 in 1976). Security of tenure and the behaviour of rents persuaded many landowners to sell farms, whenever they became available, at the high vacant possession price, or indeed to sell to tenants at a compromise price. This process went on rapidly after 1950 (rented land 62 per cent of total) pulling down the rented proportion to 48 per cent by 1960.

A further blow to landowners came in 1974 with the conversion of estate duty into capital transfer tax. Hitherto all land enjoyed relief from the full rigours of taxation; now the concession was to apply only to owner-occupied farmland, rented land would not qualify, and would face a higher tax bill. The change also significantly tightened the tax legislation in the sense that avoidance became more difficult. It used to be said that estate duty was a 'voluntary' tax paid only by those incapable of organizing their affairs in a tax efficient way. That situation changed markedly in 1974 (Peters, 1980).

Even more powerful have been the effects of the Agriculture (Miscellaneous Provisions) Act of 1976, which was also passed by a Labour government. Though it should have been apparent that the CTT provisions would gradually reduce land offered in the rental market, the 1976 Act sought to protect *tenants* by allowing virtual *inheritance* of tenancy through two further generations. Various relatively minor conditions had to be fulfilled but in general it provided impregnable and possibly very long term security for a family and, by the same token, a long term obligation on the part of the landowner. The results are predictable. Whenever land 'falls in' to the control of a landlord (for example by the death of a tenant without heir) he is most unlikely to make a new letting which might tie land to three generations of family occupation. Results of a survey by agricultural valuers show that only 8.5 per cent of the area of land becoming available was let out afresh, while 24.7 per cent passed to a new tenant under the Act, either unopposed or after appeal to the Agricultural Land Tribunal. Of the remaining 66.8 per cent some 30.2 per cent was taken in hand by landlords who would farm themselves, 19.7 per cent was sold and 16.9 per cent was taken in hand to become the subject of a partnership with a farmer rather than a strict tenancy. This effectively means that the traditional landlord system (where the landowner was an 'individual') has come under severe attack and, apart from the rump of protected tenancies, could become increasingly difficult.

EFFECTS OF TENURE

It might have been thought that there would be clear evidence to help in comparison of the landlord-tenant and owner-occupation systems. Clearly the switch away from the former cannot be taken as representative of some sort of economic 'natural selection' since the causes lie in taxation and legislation. Empirical work available in Britain comparing operating efficiency suggests that no clear-cut differences emerge. The 1973 NEDC report could not demonstrate any convincing relationship between tenure and productivity (NEDC 1973). More detailed investigations by B. Hill and D. K. Britton (1978) suggested some tendency for smaller tenanted farms to have superior efficiency ratios to similar owner occupied properties but statistically significant differences in performance could not be established over all size groups. There is, however, some other evidence pointing to the advantages of maintaining a market in rented property. The process of agricultural change normally involves a decline in the man-land ratio and an enlargement in the size of operating units. This is usually easier to accomplish if tenancy is a possibility.

European statistics are difficult to interpret because of definitional changes. Over the years some of the countries with large tenanted sectors (for example Belgium) have experienced the greatest increase in farm sizes (see Table 1). Very little change occurred in Ireland and Italy where owner occupation predominates. While these aggregative data are not unambiguous (note Denmark, West Germany and France) there is more convincing evidence in detailed studies of the actual process of farm enlargement. Indications are that this has been achieved more often by renting rather than buying extra land. The point was strongly emphasized in a study of structural change in the Central Midlands and Devon (England) by Hine and Houston (1973). Similarly in Sweden, despite an active policy for farm enlargement through purchase, Bolin (1974) estimated that two-thirds of the land used for increasing farm area came from renting. One author of this paper (Maunder) has also observed an association between size change and the proportion of land tenanted in detailed studies of Italy, where there is considerable internal variation in the importance of tenancy. Similar results seem to hold for the regions of France.

It will be appreciated that the tentative conclusions which are emerging lead to an obvious problem. Preservation of tenancy normally implies the preservation of private land-owning. As we have seen in Britain, capital taxation is widely accepted on equity grounds, hence there can be conflict with efficiency. However, it is probably fair to record the view that the current acute problems of the landlord-tenant system stem mainly from the 1976 provisions with their blocking of the market in tenancies. In the light of the earlier theoretical discussion it is clear that tenants do require security; but in Britain the pendulum has probably swung too far.

In Britain controversy centred on a combination of efficiency and equity arguments have not been restricted to the tenanted sector. There is an influential view, associated with Sutherland (1981), that the present legislative climate is damaging the efficiency of the owner-occupied

sector, and producing its own set of inequities. His argument stems from the belief that there are no significant economies of scale in British agriculture beyond a farm size of 300 acres (121 ha). This is a rough judgement since conditions vary between farming sectors. However, whatever the detailed situation might be, it is a fact that the capital transfer tax concessions which can be obtained from the preferential treatment accorded to agriculture are raising land values generally. At the top of the farming ladder this provides a strong equity base, cushions mismanagement and confers large capital gains on a privileged set of owners. Sutherland therefore proposes abolition of concessions to farmers who own more than 300 acres. In this case, if economies of scale are absent, equity and efficiency considerations pull in the same direction. Indeed it could be contended that many forms of concession to agriculture (including generous support prices) inflate farm real estate values (Trail 1980) and act as a barrier to new entry. The way into farming has never been easy (the old tag has it that one can become a farmer only through parsimony, patrimony or matrimony), but in Britain because of influences in both the tenanted and the owner-occupied sectors it is becoming increasingly log-jammed.

Following the earlier discussion of European conditions it might be supposed that the most obvious problem is a defective operating structure associated with sub-optimal sizes, fragmentation of holdings, and problems of transfer between generations. All of these difficulties are present in various degrees, though it is important not to over-emphasize them or regard them as general. In Denmark and the Netherlands, for example, farms are comparatively small yet agriculture is widely regarded as being of noted efficiency. The countries do, however, contrast in the extent of tenancy (14 per cent in Denmark, 44 per cent in the Netherlands). Conditions in Belgium are even more puzzling. Tenancy is the rule, with occupiers having rents controlled by legislation, they enjoy virtually automatic renewal of leases which are normally for nine years, heirs have the right of succession and landowners cannot resume occupation unless they wish to farm their land themselves or have it farmed by successors. However despite these restrictions farm sizes have expanded, and though competition for land must be restricted Belgium consistently rates highly in agricultural productivity calculations. More acute problems are to be found in Western Germany, parts of France (notably Brittany) and in Italy. As a typical example, in Western Germany smallness is accompanied by awkward fragmentation; 25 per cent of farms are split into 6-10 parcels and 26 per cent have 11 or more. As in other mainland European countries an official land consolidation organization is attempting to improve the situation but progress is limited. In 1975–77 some 4,725 farmers exchanged 10,800 hectares but this slow rate, if anything, is declining. For various reasons there are attractions in traditional systems, as shown in a Belgian survey (Everret, 1974) which indicated that out of 459 farmers questioned only 43 per cent were clearly in favour of a consolidation programme and 39 per cent were opposed.

A frequent problem is that there is often a direct conflict between *equity*

within families and the efficiency of the farm. Even when family settlements manage to preserve a farm intact (or at least in its previously fragmented form) the new operator, unless the previous generations were able to build up considerable external assets or the family is small, can be faced with financial obligation to relatives and a consequent shortage of working capital. In considering the building-up of small holdings to viable size there can be some advantages, as noted earlier, in having a strong element of tenancy within the ownership structure though this can be nullified if security of tenancy becomes extreme. In this connection in Western Germany leases are customarily for 9-12 years, but heirs again have the right to succession. In Italy tenancy for working farmers is of indefinite length, they have a right to pre-emption in cases of sale and heirs again have right to succession (Scully, 1977). It is inevitable, under such conditions, that progress towards consolidation and a more efficient operating structure must be inhibited.

It is clear then that so far as state intervention in the relationship between tenants and landowners is concerned, there are two important sets of provisions which limit the adaptability of farming systems. These are the provisions relating to security of tenure and those relating to rent determination. Regarding the former, while most European countries, as already described, give full, if not excessive, security to tenants, Italy at one extreme extends this protection even to very short-term and grazing tenancies, while at the other, Denmark with a high degree of owner-occupation has little tenancy legislation as such[5]. So far as rents are concerned, Britain is unusual in attempting to base rent determination on the free market. It is more common to find that rents are set by reference to some objective assessment of agricultural productivity, often in the fairly distant past. Owners and tenants indulge in various complex and ingenious devices to try and overcome the effect of these provisions. Where this proves impossible the result at the best is structural stagnation but at the worst it can lead to the actual abandonment of land from agriculture. The basic trouble, from the equity point of view, is that these tenure provisions were designed to protect poor tenant farmers from large and rapacious landlords and have little reference to new situations where in many areas of mainland Europe both parties are drawn from the same social and economic class.

CONCLUSIONS

In the light of all its complexities the European scene is one in which any clear policy prescription becomes inadvisable if not impossible. Recalling earlier theoretical discussion, the route to efficient operation, when viewed in neo-classical terms, is to be found in the existence of markets which allow all factors of production to be transferred between use and user with minimum friction. In agriculture it is widely recognized, however, that tenancy can only operate efficiently if there are safeguards against arbitrary landowner action. Though in the light of discussion it would be foolish to

generalize, continental Europe appears to suffer from an owner occupation system which inhibits structural adaptation and in many areas preserves a system of small fragmented farms which are ill adapted to modern needs. Concurrently with this, when tenancy is present as an important alternative it tends to be hemmed in by excessive and complex rules which go beyond necessary bounds and *also* inhibit adjustment. Over the years ahead we must hope to see national and EEC action being devoted to the creation of a more flexible land-owning and tenure situation designed to aid in the build up of larger holdings offering greater income earning opportunities. In Britain, which has a different legacy and traditionally a much more open system, it is regrettable that recent policies have been choice restricting. The damage likely to be done may not be severe, given Britain's far more effective operating structure. The more difficult, and more urgent, problem is that of creating efficiency when a start has to be made from the baseline of ultra-restrictive land policies represented by conditions in many areas of continental Europe.

NOTES

[1] Generalization is dangerous when dealing with land ownership. The Irish 'conacre' system, as one example, does allow convenient short-term leasing in a predominantly owner occupation system.

[2] The brevity of the discussion reflects the rareness of share tenancy in Europe, except in Italy where it is still less than 10% of land area and is diminishing.

[3] Northern Spain provides some classic examples of fragmentation. According to Guedes (Guedes, 1981) a 2.2 hectare farm in Burgos was divided into 64 plots averaging 0.024 hectares per plot. In the case of particularly favoured seed beds division between inheritors can result in plots literally the size of a handkerchief.

[4] Britain will be treated in some detail since it is home ground. However it is also a comparatively easy spot to start what could, if space allowed, be an enormously elaborate survey. For further details and for other EEC countries see various EEC reports on *Factors influencing ownership, tenancy, mobility and use of farmland;* Bergmann (1981), Harrison (1981), Fløystrup-Jensen and Dyreborg-Carlsen (1981) have been published to date. [Further reports are now available for Belgium and Luxemburg, Italy, the Netherlands and W. Germany (ed.)]

[5] It is interesting to note that the tenanted portion of the total agricultural area of Denmark increased from 7 per cent in 1966 to over 15 per cent in 1980 (Landøkonomisk Oversight, 1981).

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DISCUSSION OPENING – ZULKIFLY HJ. MUSTAPHA

The authors have given us a brief but comprehensive account of land tenure systems, in particular in Britain, and within the space limitations provided, have also mentioned some issues pertinent to tenancy and the relationship of tenure and efficiency and equity in the scenario of structural change.

The land tenure system, despite standard criticisms of being defective, has to a certain extent provided efficiency of the farm and equity. This is normally observed only in a particular legislative and policy environment. Particularly in the case of the landlord-tenant system, efficiency of the farm may and usually does appear in the form of effective and efficient utilization of productive resources by tenants in those situations where they felt secure and that the use of land provided them with good incomes or a high share of the returns. Assured high returns from the land would in turn encourage a positive response from the landlord towards improvement in the landlord-tenant relationship and further improvement of the land; thus assisting towards greater efficiency. Equity can be seen more in terms of accessibility and availability of opportunities for tenants, who formerly were landless, to generate employment and income through the economic use of productive resources.

However, more often than not, the landlord-tenant system may be defective as regards efficiency and equity. Under this system either in the form of share tenancy or cash rent tenancy, there is often a tendency towards

insecurity of tenure and a lower share of the returns for the tenants. This often results in inefficiency. In addition, inequity in tenure systems also exists. This is seen in terms of differences in wealth, ownership, income, and economic power between the tenants and the landed groups, as well as between members of farming families.

The paper has provided some indication of the relationships between tenure and efficiency and equity, but it does not adequately and appropriately discuss all the various issues in tenancy systems that may have affected efficiency and equity and which often have very significant implications to the issues at hand and to growth in general. To have included these issues in the discussion would have been stimulating as tenancy, particularly the landlord-tenant system, affects not only the developed countries but also, and to an important degree, the developing countries. This, I presume, was no fault of the authors but was due to space limitations..

I have, however, a few points in opening this paper for discussion: First, I suggest that the land area or the size of units of production and its implications to efficiency and equity in any tenancy system needs elaborations and further discussion. I view this issue as significant owing to the fact that size has often been argued as being one of the central issues relating to efficiency on the farm, in particular, and equity in general. It has been observed that land holdings in developing countries are generally smaller, to the extent of being uneconomic, when compared to the developed countries for both landlord-tenant and owner-occupation systems.

In the owner-occupation system, as a result of inheritance and the social system, in particular in Islamic countries, land holdings have been continually sub-divided and fragmented from generation to generation into smaller and smaller units. It is claimed that such small units of production, usually less than two hectares, limit the opportunity and potential for higher productivity and income, thus resulting in low reinvestment on the land. This has led to inefficiency on the farm. At the same time, with variations in the ownership pattern based upon the size of holdings, it gives rise to inequity among members of the farming population.

In the case of the landlord-tenant system, the production units among the landlords are also generally small. Also there often exist absentee landlords who normally involve themselves with economic activities in urban centres and, with the land being inherited, neglect their land but have high expectations of the returns from their tenants. Such practices, in most cases, have also led to the inefficient use of the land. Inequity, however, is already reflected in the ownership structure.

My second point concerns the issue of exploitation under the landlord-tenant system which I think would have a direct effect on efficiency, but was not discussed in the paper. I am certain that exploitation exists in the landlord-tenant system both in developed and developing countries. Often, both in share and cash rent tenancy, it is the tenants who are on the losing end. They not only have to pay high rents but also often receive a low share of the returns. This has discouraged improvements to the land which would have increased efficiency, and the continued exploitation leads to inefficiency

on the farm and, to a certain extent, economic and social injustice and other related socio-economic problems.

Thirdly, legislation and policies pertaining to tenancy always try to achieve the ideal, that is to eliminate or at least minimize the complexities of problems in tenancy. However, one must be cautious of its successful implementation. As indicated in the paper, legislation and policies have not successfully eliminated tenancy, but instead preserved tenancy systems and the prevailing ownership structures. The preservation of tenancy may indicate a perpetuation not only of inefficiency and other evils of tenancy, but also may perpetuate inequity. Thus, defects remain in terms of both efficiency and equity.

In conclusion, I think we should be critical of any tenancy systems and the legislation and policies undertaken through State intervention. What should be done, maybe, is to work within prevailing tenancy systems to activate efficiency and equity so as to make them less defective.

GENERAL DISCUSSION* – RAPPORTEUR: STEPHEN K. POLLARD

The general discussion on Johnston and Clark's paper centred on several key aspects of rural development: employment, poverty and equity. The question was raised as to whether Johnston and Clark's use of the terms relief and welfare in describing certain programmes, for example school-lunch programmes, that are essential for improved equity in LDCs, was correct. Further, there was doubt whether strategies appropriate for middle-income countries are applicable to present-day LDCs. Better co-ordination between population policy and economic policy is indicated, given the severity of the population problem. Examples of economic development policies which would reduce fertility are raising incomes of the poor and increasing education levels, particularly of women. It was questioned whether agricultural development strategies will generate employment in agriculture as this seems to be the case only when multiple cropping is undertaken. Therefore we must rely on infrastructural development in rural areas to increase rural employment. A more radical approach was called for to rural development and change; emphasizing that the Johnston and Clark strategy could not achieve desired goals. On a similar note it was claimed that there is nothing new in the Johnston and Clark strategy and one must be aware of the power groups and self interests at work when developing rural development strategies. In response, Professor Johnston agreed that there was nothing new in what he and Professor Clark proposed, but also that many economists were too concerned with macro models and production projects. Further, the basic needs component of their strategy is an important element in alleviating rural poverty. On the question of population, he agreed that it was too important an issue to leave to the demographers and that we, as agricultural economists, need to be aware of this.

Discussion on the paper by A. T. Birowo centred on the role of

*Paper by Johnston and Clark, Birowo, Peters and Maunder.

government co-operatives and non-governmental organizations in promoting rural development. It was suggested that government sponsored co-operatives would not be effective in meeting farmer members' interests. Birowo replied that this was not the case in Indonesia. Furthermore, rural co-operatives *and* non-governmental organizations provided ways and techniques to improve rural conditions in Indonesia.

Discussion on the paper by Peters and Maunder focused on the relationships between landlord and tenant and equity under different forms of agricultural tenure. It was stated that the growth in developing countries that facilitates agricultural equity is industrial growth. Hence, recent industrial recessions in the US and Europe will impair achievement of equity in agriculture tenure. The issue was raised that tenants can be more efficient than owner-operators. Further, tenants may be in a position to exploit the landlord if the tenants can conceal output from him. Mr Peters responded by stating that tenants may not always be more efficient than owner-operators. Tenure systems needed to be examined to better understand whether a complete ownership of the land by producers is both efficient and equitable.