Introduction

On October 28, 1991, just months before the dissolution of the Soviet Union, at a time when the Communist Party was weakened by internal divisions, inflationary pressure was rising and the deficit stood at 20 percent of gross domestic product (GDP), Boris Yeltsin addressed the Congress of Peoples' Deputies of the Russian Federation, calling for major reform. It was too late for "small steps." "Resorting to deeds, not words, Russians had to begin extricating themselves from the swamp that was pulling them in deeper and deeper. Only a 'large-scale reformist breakthrough' could save Russia's economy from disintegration, its people from poverty, and its state from collapse."[1]

Crisis opens a window of opportunity for long overdue reforms, including the reorganization of agricultural production. That crisis facilitates macroeconomic reform is a well-understood concept.[2] Interests blocking inflation control in democratic countries of Latin America, for example, where there are recurring bouts of hyperinflation, yield to reform pressures when the national interest is paramount.[3] Lobbies can also block liberalizing reform in authoritarian regimes, where conflict will arise in the supply of public

[1] Boris Yeltsin, speech to the Congress of Deputies of the Russian Federation, October 28, 1991, *Sovetskaya Rossiia*, October 29, 1991, p. 2, cited in Aron (2001), p. 489.

[2] Drazen and Easterly (2001), p. 129: "The hypothesis that an economic crisis often induces policy change (or, even stronger, that crisis is not only sufficient to induce reform but also necessary; that is, that significant reform takes place only in the wake of a crisis) has become, in the eyes of many, the new orthodoxy." Drazen and Easterly provide an empirical test, and they distinguish in effects between kinds of crises. Cross-country evidence suggests the importance of political crises for reform, Campos, Hsaio, Nugent (2006). On induced reform, see Olson (1982); Nelson (1990); Rodrik (1996); Drazen (1998, 2000); Tommasi and Velasco (1996); Williamson (1994).

[3] Olson (1971, second edition), p. 13: "Patriotism is probably the strongest non-economic motive for organizational allegiance in modern times." These emotional resources are used to compel the financing of "basic and vital activities" of the state. See also McCargo (2005) with reference to Thai monarchy, 1973–2001.

goods.[4] In Russia, which has experienced authoritarian rule over much of the past two centuries, to produce a major reform or change in the laws has nearly always required a serious crisis. The following agrarian measures, including some of the most ambitious reforms in Russian history, are illustrative:

1. **The emancipation of the serfs** (1861) followed Russia's defeat in the Crimean War (1853–1856). On March 19, 1856, in a manifesto, Alexander II (1855–1881) promised "laws equally just for all."[5] Sharply elevated levels of debt and a banking scare put pressure on the budget,[6] and on March 5, 1861, the tsar ended private ownership of settled lands and landlords' power over the personal lives of the peasants. A military defeat played a powerful role in discrediting the rigid social and political system and the elite interests that upheld it.[7]
2. **The Stolypin reforms** (1906–1910) followed urban revolt and rural unrest in its aftermath, which were among the outcomes of Russia's defeat in the Russo-Japanese War (1904–1905). The tsar and his entourage, wrote statesman Pavel Miliukov, granted concessions "in a moment of fever."[8] Nicholas II issued a Manifesto of Fundamental Rights (1906),[9] created a parliament (the Russian Duma, 1906–1917), swept away most civil distinctions based on *sosloviia* (estates), and founded a new system of justice, with expanded rights of property ownership and new *zemstvo curiae* (provincial courts). Prime Minister Peter Stolypin then produced an agrarian reform. His laws granted titles to producers' allotment land and allowed their removal from communal holdings.
3. **Nationalization of the land after the October revolution** (1917) followed irreparable losses in Russia's effort in World War I.[10] Peasants, returning from the front, found local land and food supply committees set up to procure grain for the army and the cities. Their resistance to requisitions met with further government intervention and land

[4] The paper on roving vs. stationary bandits by McGuire and Olson (1996) shows that the incentives to supply public goods are present in authoritarian regimes, and when revenues decline at the margin, to cease taxation. The formal argument they make brings democratic and autocratic regimes into same reform framework.
[5] Cited in Lincoln (1990), p. 57 [S. S. Tatishchev, *Imperator Aleksandr II: ego zhizn' i tsarstvovanie* (St. Petersburg 1911), I:189].
[6] Hoch (1991).
[7] Rieber (1971), p. 47.
[8] P. Miliukov describes the circumstances of Nicholas II's manifesto of October 17, 1905, in P. E. Shchegolev, ed. *Padenie tsarskogo rezhima* (Leningrad, 1925–1927), 6:294–95, cited in Florinsky (1961), p. 96, n. 2.
[9] Ceded by Tsar Nicholas II (1893–1917).
[10] See particularly Wade (2003), Chamberlin (1987), vol. I, Rabinowitch (1976), among numerous works on the Russian Revolutions of 1917.

seizures both by the government and the peasants.[11] The Provisional Government, created after the abdication of Nicholas II, was increasingly influenced by socialists and unwilling to turn to market forces to resolve the threat of social revolution. Prince Lvov, head of the Provisional Government, wrote, that the government was"tossed about like debris on a stormy sea."[12] November 7 (New Style), 1917, the Bolsheviks came to power in a coup d'état, and they responded to the crisis by nationalizing the land (February 19, 1918).

4. **Forced requisitions of war communism** (1918–1920) followed the end of Russia's participation in World War I and accompanied the outbreak of the civil war (1918–1921), by which the Bolsheviks, fighting domestic opposition and foreign powers, secured the food supply as they nationalized industry, banned private trade, and partially substituted barter for a money economy.[13]
5. **The New Economic Policy (NEP)** (1921–1928) began a course toward economic liberalization after the civil war ended. The Bolsheviks relaxed direct control over distribution to revive production and voluntary marketing.[14] They replaced requisitions with a tax in kind and later in money.
6. **Forced collectivization** (1929–late 1930s) ended the NEP, as the government deplored the continued low level of marketed grain, which was considered insufficient for rapid industrialization. Confronting severe conditions, in 1927 and 1928, Stalin and his allies, wrote Lynne Viola, "continually warned not only of the dangers of war, but of the threat of hunger and urban instability if the grain procurement crisis was not forcefully addressed."[15] Stalin ended the NEP to drive rural dwellers into collective (*kolkhoz*) and state (*sovkhoz*) farms. The regime imposed targets for production and supplied improved equipment and capital investment, and released rural labor for urban industrialization.
7. **Khrushchev's reforms** (1953–early 1960s) followed the death of Stalin in 1953, a time of political turmoil. Nikita Khrushchev, on becoming First Secretary of the Communist Party, arguing that yields had remained practically identical to those in the NEP,[16] and cereals output was only slightly higher,[17] used the explosive September plenum of

[11] Lih (1990); Patenaude (1995); Wade (2003).
[12] *Iz Dnevnika A. N. Kuropatkina* in *Krasnoi arkhiv*, 20, 66. Entry under the date of April 25, 1917, cited in Florinsky (1961), 9. 229.
[13] Borrero (2003); Lih (1994); Patenaude (1995); Figes (1989).
[14] Viola (2005); Harrison (1990), and others.
[15] Viola (2005), p. 19.
[16] 8 and 8.6 centners per hectare.
[17] From 1928–1930 to 1952–1953, they had advanced by 101.5 percent. Nimitz (1967), p. 200, using 1928 prices; Narkhoz 1959 (1960), p. 308, using 1913 prices, places production in 1952–1953, 13.5 percent higher.

the Central Committee in 1953 to to gain political advantage over his rivals, Molotov, Malenkov, Voroshilov, Kaganovich, and Bulganin, and argue for agrarian reform.[18] He hiked processing and procurement prices to raise incentives.[19] In 1954, he expanded agricultural cultivation into marginal and virgin lands in Kazakhstan, western and eastern Siberia, the Urals, and the Volga regions.[20] In 1958, attempting to make collective farms more efficient, he gave them control over the purchase and repair of machinery and abolished Machine Tractor Stations (MTS).

8. **Gorbachev's agrarian reforms** (1985–1991) were carried out as the country plunged into hyperinflation. His perestroika included agricultural measures intended to revitalize the farm regime. Its main design for agriculture allowed collective farm workers to contract services and acquire inheritable family farms.
9. **Farm enterprise privatization** (1991–1993) was bundled with the liberalization of prices and trade under Boris Yeltsin, first president of the Russian Federation (1991–1999), under continuing severe inflation. He privatized most collective and state farms as producer cooperatives and joint stock associations with almost no aid for restructuring or management training. Agriculture like industry entered a severe downturn.[21] Individual property rights in land, upheld in the Federal Constitution of 1993, were brought closer to realization under Vladimir Putin (2000–2008), who provided practical adjustments to the new Land Code and funded government programs for rural development.

The outcomes of macroeconomic reforms imposed during a crisis show that inflation tends to survive. After the urgency of the threat passes, governments tend to loosen fiscal constraints, mitigating the effects of redistribution. For similar reasons, agrarian reforms can have an equally disappointing denouement. In Latin America, liberal agrarian reform frequently gives way to counter-reform.[22] Once the intensity of crisis dissipates, opponents of reform press for its modification or reversal.[23] In Russia, reversal occurred two times – after the Stolypin reforms during the revolution, and after the

[18] Nikonov (1995), p. 327.
[19] Increasing state procurement prices for vegetables, for example, by 25–40 percent, Nikonov (1995), p. 302.
[20] From 1954 to 1955, the figure for ploughed hectares went from 166.1 to 185. Diamond (1966), p. 373. Nikonov (1995), p. 308.
[21] On the transformational recession see Kornai (1993).
[22] Judging by persistent high and variable inflation rates, Latin American comparisons also show that such reform is readily abandoned if support erodes. Hirschman (1985); Drazen and Crilli (1998); Labán and Sturzenegger (1994).
[23] As in the example of Chile: after the coup of 1973, ceilings on land tenure were removed for the new landowning elite; see also Guatamala. Janvry (1981), p. 388.

NEP. Indeed, considerable modification de-radicalized the course toward secure disposable rights of land ownership in the 1990s, despite that they had been enshrined in the Federal Constitution of 1993.

Most often, the poor prospects for agrarian reform in a crisis stem from the weakening of the real economy. Industry stagnates, and rural by-employment declines, thereby reducing household income in village communities at a time when reform aims to create opportunities for entrepreneurship. Given budgetary stringencies in a crisis, implementation slows down, and beneficiaries are forced to pay some of the costs of restructuring. In the instances when agrarian reform is bundled with trade liberalization, as it was in the 1990s, the terms of trade will turn against the agricultural sector, and agriculture will experience a deep and lingering recession. Crises leave their marks for decades. In advanced economies GDP can be permanently reduced when plants and equipment are scrapped prematurely. In developing economies, although the effects of crises such as a banking run, rapid inflation, military defeat or social revolt are mainly urban, even indirect effects through foregone remittances can long be felt in the impoverished rural sector.

In the decades immediately following most of the agrarian reforms listed above, rural transformation was exceedingly slow. The sense that these reforms had failed, at least in the short run, is captured in contemporary commentaries and amply attested to in statistical assessments reviewed here. Following the 1861 serf emancipation, for example, more than a decade passed before output made even moderate advancement. After the introduction of the NEP in the 1921, in another example, the recovery of grain marketings from their suppression under War Communism was so uncertain by 1929 as to spell the end of the liberal reform period. In a final example, farm enterprise privatization in the 1990s was followed by a deep recession, holding back farm restructuring.

To be sure, frustration with agrarian reform grew in measure with the critique by observers who had favored more radical reform. The conservative orientation of most reforms was visible in the generous terms by which landed elites were compensated in the imperial period, and the large former collective and state farms were privileged in the post-Soviet period. The terms of reform were indeed hard on small producers in both reform eras. The allocation of land and other assets resulted in the fragmentation of small holdings, while the large farms retained their market power. It was also important, however, that even large farms were strongly affected by adverse economic conditions of the reform era, which resulted in labor hoarding and slowing of implementation of measures to improve efficiency.

One factor considered to be of primary importance in the disappointing outcomes of Russian agrarian reforms and mass interventions such as collectivization, was resistance by the rural populace. As this book shows in later chapters, historians have held the rigidity of peasants' own traditions responsible for the continuing backwardness of Russian agriculture. Some rural traditions did persist over several centuries. This book weighs the role Russia's agrarian institutions are held to have played with factors emerging in development literature about why the status quo tends to persist after reforms, or why poverty endures. In Russia, a factor rarely cited in the literature but powerfully important, was the policy of discouraging rural mobility during reforms, which slowed the critical ingredients of successful institutional change, information flows and rural emigration.

The resistance of rural dwellers to outsiders is legendary in Russian history, but was it the reason that rural Russia remained backward, at least in the imperial period? This book asks that question in different ways, emphasizing the nature of reforms, the protection that local institutions gave rural dwellers, and the conditions at the time. It also stresses the importance of an industrial upturn for agricultural growth and for the integration of the sectors in the growth process. Despite protectionism, for example, the industrial policies of Finance Minister Sergei Witte boosted the output of the agricultural sector, showing the importance of demand in providing incentives for market-oriented transformation in the critical era of the 1890s.

To some extent, collectivization does not fit well in this study. It was not market-oriented. Indeed, it created a factory style regime in agriculture, eliminating household autonomy. Although it imparted some benefits, including mass tractorization, its drawbacks were equally apparent in the use of force and monitoring required on collective and state farms, and in the loss of the generational build-up of local knowledge that usually has a priority place in farm decision-making. Critical problems related to the absence of markets set the agrarian economy back and required extensive investment to maintain production targets.

In regard to the nature of the decision-making process, however, collectivization does fit the pattern explored in this book. Decisions ending the NEP were taken during – and because of – a crisis, and crisis had something to do with the lag in output recovery for up to a decade. Adjustment costs were steep, and, on the whole, rural dwellers paid the price.

This introduction continues, below, with some definitions of the role of agrarian reform in economic development. Research on the theories and practice of reform with citations to the literature is discussed below to explain why most governments undertake this large project in the course of modernization. To a conceptual understanding provided by that literature, the introduction adds a note describing the critical place of reform in social policy, which has something to do with why agrarian reforms end up in a bundle of emancipatory measures in times of crisis. The introduction goes on to address another central concern of the book: reform as a bureaucratic enterprise. To understand why crisis was necessary for the Russian government to produce innovative policy, a problem observed across regimes, it is important to set this book in an innovation management context. Some space is given to the dynamic efficiency for the bureaucracy of managing policy this way, gains over time that help explain the repetition of an essentially failed strategy for sectoral reform over several centuries. The final section of the introduction is a brief survey of the modernization of the Russian economy over the entire period.

1 AGRARIAN REFORM

The Concepts

According to G. Feder, A. Sen, and K. Hoff, agrarian reform is a grant of "the substantive freedoms" – enabling or expanding choice.[24] Agrarian reform is a process by which individuals gain rights, or powers, to consume, obtain income from, and transfer landed assets. The main element of what is called land reform is land titling.

Yet land titling alone does not amount to agrarian reform because it can fail to resolve contradictions between customary land tenure and the demands for development. Land reform must close the distance between the law and informal practice, which is the root of social cleavage.[25] It must separate the ownership rights enjoyed by elites and the state from producers' customary rights, which govern actual norms of land tenure. It must as a priority replace tax exemptions and credit distortions favoring large farms. Otherwise, farms of large scale may remain relatively unaffected by reform and redistribution, and they may continue to enjoy exclusive access to imported technology. In a resulting bimodal distribution, small family farms will largely be limited to biological and chemical technologies that evolve in labor-intensive systems.[26]

Agrarian reform is the larger package of land reform, tax reform, and other measures in support of markets. In modern terms, it consists of a multi-instrument design for rural development.[27] Multiple instruments emphasize financial and technological assistance to promote change through new production techniques and mechanization. They aim at consistency across sectors and policies to diminish a variety of supply-side obstructions where markets are weak. They ease barriers to the exit of households and individuals from a community or region. Multi-instrument reforms make rural organization sufficiently flexible to release labor and other resources for use in more productive sectors.[28] By definition, a reform that promotes

[24] Sen (1999), p. 74; Feder (1988).
[25] Hoff (1993), Ch. 11, and others.
[26] In other words, reform in the developing world aims to break down the bimodal system, characterized by a mass of small relatively inefficient peasant farms and a small number of large-scale farms capable of using imported technology. See Ruttan (1984).
[27] Hoff (1993); Burg (1977).
[28] Prosterman and Riedinger (1987).

departures from the village, along with productivity improvement, draws on a vision of the future of the entire economy.[29] Departures from the village, permitted by improved technologies, reduce costs along the food chain, making industry more competitive and reducing poverty. The agricultural sector is expected to shrink during the modernization process, although its productivity will grow, and exports will provide revenues for the state.[30] This is the underlying objective of multi-instrument packages.

While agrarian reform is generally associated in the literature with policy strategies, it is important to orient this discussion of conceptual definitions taking into account their roots in economic understandings.

Agrarian Reform and Industrial Policy

It is a commonplace that agrarian reform is treated in the frame of industrial policy. This is because agriculture is modeled as a declining sector in GDP, by contrast with the leading industrial sector. As agriculture becomes more productive, it releases labor and fosters industrial development. The path by which agriculture releases labor begins with urban financial institutions making farm credit more widely available, which increases demand for the purchase or lease of new technologies in agriculture. Once its credit supply constraint is relaxed, agriculture improves in yields and therefore rural incomes improve. At this point, rural dwellers begin to leave the land.

To summarize, industrial policy is designed to accelerate the process of change in agriculture. This model of industrial policy goes back to notions of a dualistic economy in the writings of Frederick List (1789-1846), who reasoned that protectionist policies would promote "national economies" and the welfare of future generations After him the concept of a modern and traditional sector – the latter seen as sociologically and technologically backward – became widespread in development theory.[31] In the developing world, industrial policy shifts the terms of trade against agriculture, squeezing the agricultural sector to encourage industrialization without causing inflation. This is done by overvalued exchange rates, tariffs on manufactured commodities, and export duties on agricultural commodities to force out a

29 See reform and a multisector vision in Balcerowicz, Blaszczyk, and Dabrowski (1997), pp. 135.

30 In their analysis of applications to U.S. agricultural development of standard growth models, Olmstead and Rhode describe "Mellor's law" (2007), p. 2: "In 1966 Mellor posited that 'the faster agriculture grows, the faster its relative size declines' [Mellor (1995)]. Mellor's observation stems from the possibility that technological changes can overcome the effects of a growing population, and following Engel's Law, as per capita income increases, the percentage of income spent on food will decline leading to a relative decline in the size of the agricultural sector."

31 Kaufman and Hodson (1982) review the literature on the dualistic economy.

labor contribution from the agricultural sector and to adjust the components of the net surplus flow between sectors. Rural emigration and technological improvement are the instruments of change.[32]

Among the most enduring models of development is that of the transfer of surplus labor between sectors, a leading sector approach developed by R. Lewis and revised by J. Fei and G. Ranis.[33] Surplus labor is a concept from disequilibrium theory, which models the savings constraint on industrialization. The reasoning is that landlords' consumption is taxed by rural emigration and by other means, which mobilizes savings and enhances revenues. Policy that encourages the extraction of labor resources will encourage rural savings and economic surplus from the agricultural sector.[34] Such policy, as noted above, will contribute to industrialization by lowering food costs and adding to foreign exchange by commodity exports.

In recent years, there has been a move away from this model or any model applied to all countries. The post-"Washington consensus" policy understanding is that constraints on growth differ among countries and regions.[35] Whether more urban workers promote growth, for example, depends on sectoral differences in rates of return, giving importance to the kind of industry where jobs are being created, and on whether peasant migrants have the skills for those jobs. Industrial policy can easily be used to shift the price advantage to industry, but the market rate of return may not justify that investment.[36] To assess this and other country constraints requires highly complex models, including rates of return on investment across the economy, income and price elasticities of demand for food, and the impact of appropriately advanced technologies. Data are required about taxpayers, land boundaries, and future administrative costs. In view of data fragility for developing countries, as K. Sah and J. Stiglitz (1992) show, such complicated models can fail to reflect reality.

Even if a model could theoretically be designed to reflect completely the constraints in a given country, many policies that might be essential for effective reform are out of reach in the developing world. This is because the set of feasible taxes is extremely limited.[37] Also, the size of the agricultural

32 Rosenstein-Rodan (1943); Johnston and Mellor (1961); Lewis (1955); Fei and Ranis (1964, 1966).
33 For a recent review of the theory and an expansion of the theory to account for the diversity of experience in the developing world, see Fei and Ranis (1997). The classic works are Lewis (1955); Fei and Ranis (1964, 1966). A more extensive introduction to the theory as applied to Russian growth policy is in Gatrell (1986).
34 Oman and Wignaraja (1991), p. 44.
35 See, for the Spence Report, http://www.growthcommission.org/index.php?option=com_content&task=view&id=96&Itemid=169F, and for a review of models, see Olmstead and Rhode (2007).
36 This analysis follows Oman and Wignaraja (1991).
37 Sah and Stiglitz (1992), pp. 30–3.

economy and the extent of poverty may be such that savings across the economy will fail to finance industrial growth. Continued taxation of the agricultural sector in this circumstance will not help because it will prevent the rise in demand for industrial goods. Moreover, since the demand for industrial goods in modern times comes mostly from government investment and services in urban areas, input price support, the standard tool of industrial policy, will not address effectively the causes of economy-wide backwardness. Taxing the agricultural sector will have mixed results.[38]

Agrarian Reform and Social Policy

Among its political appeals, land reform has populist support. In Latin America in the 1960s, for example, many governments introduced agrarian reform to break up latifundia and to create small farms. They targeted large farms as a source of injustice although they also underscored the efficiency of smaller-scale farming, that is, the importance of factor proportionality in agricultural productivity.[39] Governments anticipated that an equitable distribution of land could result in an increase of between 10 and 30 percent in food production.[40] The Punta del Este Charter of the Organization of American States adopted for its platform in 1967 that all organization members should pass land reform laws.[41] Governments sought to induce development and reduce poverty while fostering trade and creating a common market.

The experience of land titling, in most instances, has a poor record of results. Farm fragmentation undermined the success of land titling and other reforms in Brazil, Chile, Mexico, Peru, Venezuela, Nicaragua, Guatemala, Zimbabwe, and South Africa. There have been examples of successful mixed-benefit land-titling reforms, but only where fragmentation was avoided.[42] One example, in Japan, where major land reform from 1945 to 1950 was widely touted to have been one of the most successful occupation reforms,

[38] Gerschenkron (1962); Sah and Stiglitz (1992); Oman (1991).
[39] Barry and Cline (1979).
[40] Dasgupta (1993), p. 525; Berry and Cline (1979).
[41] *Declaration of the Presidents of America, Punta del Este, Uruguay, April 14, 1967*, Chapter 4. “The living conditions of the rural workers and farmers of Latin America will be transformed, to guarantee their full participation in economic and social progress. For that purpose, integrated programs of modernization, land settlement, and agrarian reform will be carried out as the countries so require.”
[42] Examples of mixed success include Taiwan, South Korea, and Egypt. The Zamindari Abolition Act for Eastern India, postwar land reforms in Iran, Japan, and China (China’s transformation of collectives into family farms under the household responsibility system in 1978), the Philippines’ tenancy reform, Kenya’s Land Settlement program in the 1960s were also examples where there were beneficial outcomes, at least in the medium term. Examples of reforms that failed to improve incomes of the poorest and where small farming did not achieve the productivity levels of large farms include Algeria’s nationalization of French estates in 1964. See Binswanger (1984); Oman and Wignaraja (1991), p. 47.