Introduction

Land Reform in Post-Communist Europe

In December 1991, as the flag of the Soviet Union flew its last days over the Kremlin, a small crowd armed with crutches and wheelchair wheels stormed the regional state administration building in an eastern Ukrainian city. The city, Kharkiv, lies fifty miles from the Russian border. The protesters were a group of senior citizens and disabled people from the Saltivka housing development in Moskovsky district, an area of the city named for its location on the road to the Soviet metropolis. The group had gathered to demand land for garden plots.

The protesters had specific land in mind. The land lay at the eastern edge of the city, bordering the Saltivka housing development to the west and the fields of one of the most successful agricultural collectives in the region to the east. That farm, named Ukrainka, was among the biggest dairy producers in the area. Food supplies in city markets, however, had become unpredictable and expensive. Residents of Saltivka wanted land to grow produce for themselves and their families.

In response, the Kharkiv district executive committee ordered that Ukrainka relinquish nearly 300 hectares of land for garden plots, in addition to 75 hectares already alienated for that purpose the previous spring. Members of the Ukrainka collective objected to the proposed plan,

arguing that the proximity of the housing development already caused problems for the farm. Residents of the development walked their dogs in the fields, trampling down seedlings and ruining crops.

In the face of rising conflict between residents of the housing development and members of Ukrainka, the district leadership decided on a compromise. It would allot the land adjacent to the high rises for garden plots and give Ukrainka 500 hectares of fallow land in a neighboring state farm named “Red Army.” This solution, it was thought, would both satisfy the protesting constituencies and provide a buffer zone between the housing development and the fields of Ukrainka.

Members of the Ukrainka collective refused to accept such a compromise. Instead, they took to their tractors to defend the land of their farm. Ukrainka tractor operators planned to bulldoze the low picket fences between garden plots in the fields alienated from the collective. Saltivka residents, meanwhile, threatened to battle the collective with Molotov cocktails.

The Paradox of Ownership

This book is about conflict surrounding the privatization of a natural resource, and how that conflict shaped property rights for millions of people. The privatization in question involved the partition and distribution of millions of acres of public land in an expanse of the Eastern European steppe known as the Black Earth. The book addresses a central question in the study of institutional development and the politics of economic transformation: Why do programs of property rights development sometimes fail to deliver on their initial promise? And why, despite the efforts and intentions of reformers and participants in the process, does an ownership society at times produce poverty rather than development?

After the collapse of the Soviet Union, and amidst a global context of accelerating enclosure movements, states in Eastern Europe and Eurasia embarked upon the most far-reaching privatization projects of the twentieth century. Among the sharpest political battles surrounding commodification and privatization were those concerning land. This book focuses on Russia and Ukraine, where land transfers of previously unimaginable scale occurred twice during the twentieth century – first during the collectivization drives of the 1920s and 1930s that consolidated land holdings in collective and state farms, and then in the privatization efforts that followed the collapse of Soviet power and sought to undo collectivization.
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Ordinarily, such massive transfers of land occur only in the course of imperial conquest or in the aftermath of war. But in the decade after the fall of the Soviet Union and before the turn of the new millennium, 700 million hectares of land in the Russian Federation, an expanse as large as all of Australia, were privatized. Fifty-five percent of the total land mass of Ukraine, an area larger than Germany, was transferred from state ownership into the hands of individuals. In both Ukraine and Russia, land privatization drew upon global boilerplate policies and was accompanied by intense anxiety regarding questions of local and national sovereignty and territorial integrity. As politicians struggled to maintain stability amidst the deep uncertainties of empire’s end, rural people worried about outsiders buying vast tracts and making them “slaves on our own land.”

A central feature of institutional change in these states is the superficial character of the property rights that resulted from over a decade of privatization. Liberal economic policies and local politics combined to produce a facade of rural ownership – a modern Potemkin village. Like the wooden facades that, according to legend, were constructed along Crimean roads to impress and mislead Tsarina Catherine the Great during her travels at the end of the eighteenth century, post-Soviet Potemkin villages convinced Moscow and Kyiv of local state officials’ loyalty and international lending institutions of the Russian and Ukrainian governments’ commitment to property rights reform. In Russia and Ukraine, the documentary record shows the creation of millions of new landowners through titling. On paper, rural capitalists arose, like Minervas, fully formed from fields recently emptied of socialist forms of production. State records in both countries show the allocation of millions of hectares of land to erstwhile members of collective farms and workers on state farms.

In reality, although a few individuals benefited from reform, privatization was a process through which most agricultural laborers lost the means to extract value from the land. Few of these private owners came to have either access to or profit from their land: land privatization resulted in the individuation and transfer of property rights without, in most cases, actual partition. Today, many rural shareholders hold only a sheet of paper declaring their ownership of a few hectares on the usually vast territory

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Post-Soviet Potemkin Village

of a former collective. The range of options for making meaningful use of that ownership is narrow, and leasing land back to the former collective is often the only option available. As payment for the use of their land, owners receive, at best, a few sacks of grain, a compensation of lesser value than the entitlements they received during the last decades of collectivized agriculture.

Privatization’s evident failure to improve material life has led some observers to categorize post-Soviet land reform as cosmetic or illusory – a view widely shared by those who labor in the fields and farms of the Black Earth. The hollow character of new property rights should not be understood to mean, however, that no change has occurred. Even as current conditions mean most villagers cannot use land ownership rights to generate capital, private property rights now exist in the world of bureaucracy and law. Land may change hands legally, and future political and economic actors strong enough to prevail in local battles over land may find it easy to persuade shareholders to divest themselves of rights that have had little practical meaning.

The existence of new ownership rights on the books, combined with a landscape populated by dispossessed peasants, presents an analytical as well as a practical problem. The existence of such an unusually broad fissure between de jure and de facto property rights regimes requires explanation, and this book provides one. The explanation presented here hinges upon two sets of factors, both of which operated at the local level: bureaucratic resistance to supplying land, articulated through a set of informal political practices and explained by a combination of discretion, norms, and incentives; and economic constraints that suppressed demand for land, explained in large part by the effects of the simultaneous implementation of privatization and other elements of structural adjustment programs. Here, the complementary interaction of structural economic parameters and causally proximate political mechanisms explains the


development of the modern Potemkin village. The hidden character of bureaucratic resistance created an official record of distribution where none or little actually had occurred, while economic constraints limited rural people’s desire and capacity to convert paper rights into actual allocation of land in the fields.

Land privatization in the Black Earth is not a case of underfulfillment of a plan, or of local state institutions that lacked the ability to carry out a policy. Instead, local state officials, with the help of farm directors, deliberately constructed a facade of *de jure* rights while pursuing an entirely different and demonstrably contrary set of goals – namely, the preservation of large-scale agriculture, in which farm directors would control land resources and local state oversight would continue to play an important role.

Privatization Globally and in the Black Earth

Land reform in post-Soviet Russia and Ukraine occurred in the context of both post-communist change and a global rush to privatization. Across industrialized countries and those areas of the globe that have come to be known as the developing world, states and private interest groups are redefining common pool resources as commodities. Water tables, ports, coastal fisheries, forests, and even the genomes of plants and animals are the targets of new enclosure movements whose underlying purpose is capital accumulation.


9 By definition, common pool resources such as pasture are, in contrast to pure public goods, subtractive and excludable, even as the costs of exclusion are high. For a useful summary of definitional issues concerning property rights, see Elinor Ostrom, “Private and Common Property Rights,” in Boudewijn Bouckaert and Gerrit De Geest, eds. *Encyclopedia of Law and Economics*. Cheltenham: Edward Elgar Publishers, 2000.

positioned to profit from enclosure may mobilize to spur redefinition of commons even as local communities resist the transformation of common pool resources into privately owned commodities from which they are unlikely to benefit.

As the incident in Saltivka illustrates, battles over redefinition formed a central tension in programs to privatize land in Russia and Ukraine. Land privatization involved conflicts that cohered around social status, access to state-centered networks, and a host of material concerns that mark differentiation within subordinate groups in rural areas. As in other cases of privatization, the rules governing those distributive battles were the rules of power and political hierarchy, not of market competition. For this reason, privatization of the commons often has not resulted in efficient allocation of resources: new property rights arrangements come to reflect status quo ante power relationships rather than generating economically optimal distribution of resources.

Even where policy dictates the distribution of common pool resources among all current individual users of those resources, large numbers of those users may be excluded from the privatization process for reasons that do not reflect their desire or long-term capacity for productive resource use and ownership. This is particularly likely to be the case in the privatization of agricultural land. The natural vagaries of agriculture leave farmers narrow margins of error, and the economic risks involved in making major changes to cultivation patterns are substantial.

The creation of private, individual rights to property, and the conflicts over resources it engenders, can result in efforts to protect common pool resources from redistribution. Economic ideas underpinning

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11 The matter of how to classify, amidst changing property regimes, collectively managed agricultural land that includes cultivated fields as well as pasture, is thorny indeed. This book conceptualizes such land in the terms that seem most similar to the way most rural people in the Black Earth see it: as a common pool resource.


privatization efforts emphasize efficiency as a primary outcome of property rights creation, but the hidden costs, both human and institutional, of such processes sometimes claim only a marginal place in analysis. However, those costs can and do shape the development of property rights in practice. Where privatization of common pool resources contradicts local normative commitments regarding resource allocation, and where privatization is not accompanied by positive short-term economic incentives for participants in the process, political and economic obstacles may result in specific, predictable distortions of policy blueprints. Amidst such obstacles, attempts to create property rights may subvert the putative goals of privatization, impoverishing rather than enriching and, in cases of large-scale land redistribution, creating a basis for contesting control over territory.

Within the Black Earth, which stretches from east-central Ukraine to southwest Russia, the regions (oblast) of Voronezh and Kharkiv form part of the rural heartland of Soviet-era iconography. At harvest time, combines roll through fields of golden wheat below a deep blue sky. The Black Earth possesses some of the best soil in the world for agriculture, and topsoil in places is two meters thick, soil “so rich you could spread it on bread.”¹⁴ The land is capable of producing higher crop yields than the non-Black Earth regions of Russia and Ukraine,¹⁵ and the ground so readily coaxes life from underfoot that, in a mad hope of replicating the region’s fertility at home, Hitler is believed to have ordered invading soldiers of the Third Reich to ship trainloads of Black Earth soil from the Lebensraum to wartime Germany.

After the fall of the Soviet Union, the prospect of private land ownership held great promise in the area. Unlike many other parts of post-socialist Eastern Europe and Eurasia that had adopted similar programs of land privatization, Black Earth farms possessed natural and technological resources conducive to successful agricultural production. Agricultural collectives in the Black Earth enjoyed a longer growing season than farms to the north and in the Far East, and the natural environment freed farms from many of the usual risks of agricultural work. Collectives accessed markets through extensive rail links and road networks,

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¹⁴ The phrase is in common use in the Black Earth.

and by the 1980s, many farms in the region had begun to install modern machinery and introduce leasing brigades. In the Black Earth, reformers had every reason to believe that peasant labor, freed from the dulling harness of state socialism, would produce bountiful harvests and return the area to its pre-Revolutionary status as the breadbasket of Europe. If land privatization had a chance to improve production efficiency and labor incentives anywhere in the former Soviet Union, it would be in the Black Earth.

The modern history of the Black Earth likewise provided favorable ground for the introduction and development of new property rights. Unlike much of Eastern Europe, most Black Earth fields had no prior single owner. After the abolition of serfdom in 1861, peasant land communes governed agriculture, periodically redistributing narrow strips of land cultivated by individual households. The Stolypin-era reforms of the early twentieth century led some peasants to request the permanent allotment of their current land holdings. The vast majority of households in the Black Earth, however, did not.16 In the 1930s, collectivization drives consolidated fields but did not assign land to particular individuals. Instead, the Soviet state held land on behalf of “the people.” When post-Soviet states introduced programs of land privatization, policy makers were able to sidestep the “war between competing social memories” that characterized the restitution programs of post-socialist Eastern and Central Europe.17 Post-Soviet states returned land to the tiller through distribution, rather than restitution. Under privatization policy, the entire steppe would, for the first time in living memory, be enclosed and every field would have an owner.

The Black Earth was dizzy with success in the formal development of property rights, and the paper record of privatization shows the creation of million-strong armies of landowners. On both sides of the border, the formal reorganization of collective and state farms was complete within the first decade of reform, as regional and local officials seemed to follow reform legislation to the letter. Regardless of the political orientation of local leaders or district state administrations, farm reorganization was carried out relatively quickly. By January of 1994, 95 percent of Russian agricultural enterprises subject to reorganization had undergone the

process. When Ukraine finally completed the process, state institutions achieved nearly 100 percent compliance with the reform policy.

Agricultural collectives successfully completed their transformation on paper, but the fields of most farms were not partitioned. By the end of the 1990s, private farmers in both countries still consisted of a very small group of rural producers, and people who claimed land for such farms constituted less than 1 percent of the rural population. Private farmers emerged earlier in Russia than in Ukraine, but in both countries they occupied less than 10 percent of agricultural land during the 1990s. According to official national figures, in 1994, by which time most of the private farms that would survive into the next decade had already been established, private farmers provided only a 2 percent share of total agricultural production in Russia even as they sowed 6 percent of cultivated land. In Ukraine during the same year, private farmers produced only one-third of 1 percent of the value of gross agricultural output in the country. By the middle of the decade, there was broad consensus among observers in both countries that private farming had not fulfilled the reformers’ expectations.

On each side of the border, members of agricultural collectives who were to be the primary beneficiaries of privatization had little to show for their ownership of land and asset shares in reorganized collectives. The economic environment in which reformed enterprises operated contributed to low or negative firm profits; consequently, land rents were

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19 Informatsiinyi biulet’ zhshodo reformuvannia zemel’nykh vidnosyn v Ukraini. Kyiv: Derzhkomzem, 1999. Reorganization policy in Ukraine was formulated early in the 1990s, but there was a major push to complete the process at the end of the decade.
20 Throughout the text, I use the terms “agricultural collective” and “reorganized collectives” to refer to collective and state farms and their successor enterprises, respectively. Where the organizational form is relevant to the analysis, I have noted it in the text.
22 A round of reorganization in Ukraine in 2000 added to the ranks of private farmers, but many of those were collectives reregistered as private farms.
23 At that time, agricultural collectives contributed 60 percent of total production and household cultivation 38 percent. Sel’skoe khoziaistvo Rossi 1995, 47, 52.
24 Sil’z’e hospodarstvo Ukrainy 1997, 9.
negligible, wage arrears frequent, and benefits thin. Where privatized collectives were successful, farm directors’ local power freed them from adhering to contracts with worker-shareholders. Meanwhile, in the absence of appropriate machinery, access to credit, and cadastral services, few worker-shareholders could choose to work the land shares themselves. Without a robust private farming sector to compete with former collectives for land, former collectives could continue to pay a pittance for the use of land shares. Rather than generating a new class of peasant-owners, land privatization in Russia and Ukraine led to the proletarianization of the countryside.

An international border divides the Black Earth, and after the fall of Soviet power, different types of state institutions developed on the two sides of that border. In Ukraine, the representatives who populate regional legislatures, as well as many of the bureaucrats who walk the halls of local administrative offices, serve at the pleasure of the President. Under the increasingly authoritarian rule of Leonid Kuchma (1995–2004), officials’ loyalty to the center better predicted the stability of their positions than their ability to achieve positive economic change.\(^{26}\) Across the border, during the second half of the 1990s, some of their Russian counterparts gained their positions through local elections. Even in later years, when regional governors and officials again were selected in Moscow, Russia’s federal structure allowed local state officials relatively greater autonomy than their counterparts exercised in unitary Ukraine.

Furthermore, the newly independent Ukrainian and Russian governments chose diametrically opposed transitional pathways with respect to the speed and sequencing of political and economic reforms.\(^{27}\) The Russian Federation initiated a program of rapid economic liberalization less than one month after the formal collapse of the Soviet Union, before actively developing democratic political institutions. Ukraine delayed economic liberalization until the mid-1990s, choosing instead to devote initial attention to political reform. The language of land reform legislation in the two countries was virtually identical, but privatization was


\(^{27}\) Rather than using speed as a barometer for reform success, as was common in the 1990s, this study treats it as an independent variable. See János Kornai, “Ten Years After ‘The Road to a Free Economy’: The Author’s Self-Evaluation,” conference paper, Annual Bank Conference on Development Economics. World Bank, Washington, D.C. April 2000, 24.