What Life after Land Reform?

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> *Nations are less disposed to make revolutions in proportion as property is augmented and distributed among [the people] and as the number of those possessing it is increased.*
>
> —Alexis de Tocqueville

One of the first measures the United States took upon assuming governance of the Philippine Islands was to purchase the Spanish friar estates from the Pope in order to parcel them out to the Filipino families tilling them. After World War II the United States insisted upon land reform in Japan, Korea, and Taiwan. Once we saw that productivity need not decline when the tiller is his own master, land reform became the apple of our eye, even in such right-wing regimes as that of the Shah. Land reform was also integral to American military tactics: as early as 1956 Washington's mission in Saigon argued for it. The Vietnamese "common man," General Edward Lansdale said later on, cherished but "one real yearning...to have something of his own, a farm, and to be left free to make it grow as he wishes." Our recent pressure on the new regime in El Salvador to continue the land reform program has been founded on this Tocquevillian analysis. Thus, land reform has been one of the few constants in our policies toward the Third World. In some Third World countries, indeed, USAID has required it as a condition for aid.

By now almost all Third World countries outside of sub-Saharan Africa have ratified some type of land reform. A few of the earliest postwar land reforms were plain and straightforward. In Bolivia, for example, in 1953, the state redistributed the hacienda lands and that was that. Overnight hundreds of thousands of new "small" owners were thrown on their own to fend for themselves. Only temporarily did production drop. But in cases of greater interest to the State Department, or of greater prosperity, or in cases which could benefit from earlier experience, land reform has provided in-

This essay is dedicated to Professor Peter Bauer, who, almost alone among development economists, foresaw the tyranny inherent in the state's economic benevolence.

exhaustible opportunities for the state's paternalistic ambitions. It has been the ideal cover under which the government could install *itself* in the place of the landlord and even exceed him in controlling the peasantry whom it had "liberated." What more virtuous camouflage could a Third World ruler find—advancing behind his phalanx of planners and policy-makers, international funders and all manner of bureaucrats north and south—for penetrating the impenetrable countryside, enervating it, and bringing it at last under central command?

The conventional wisdom of development economics, of course, calls for such state intervention. It maintains that the danger inherent in land reform is that it may deliver the peasant into the hands of middlemen, whom development theorists and policy-makers consider more evil even than landlords (although landlords themselves often perform certain middleman functions). For decades Third World planners and their Western mentors have waged war against the middleman—essentially a synonym for the entire private sector serving rural areas. They accuse them of being parasites sapping the potential vitality of the countryside. In a basic text for "getting agriculture moving" in the Third World, a leading agricultural economist portrays the peasant victim in typical terms: "A small holder's normal state is to be absolutely at the mercy of middlemen...against whom he has no economic strength."[1] Quite the contrary, in fact. Empirical studies in the Latin American, African, and Asian countryside and provincial market towns confirm such factors as the great proliferation of middlemen even among the villagers themselves, their extremely high risks, and the keen competition among them for the small farmers' business.[2] But international funders and local ruling elites stand to gain from fostering a strong anticapitalist bias against these local and provincial entrepreneurs and thus paint a grim picture of their alleged extortions. Surely *the state* (with foreign aid and advisers) would be a far more benevolent and efficient moneylender, inputs supplier, technical adviser, and purchaser of

1. Gaitskell, Arthur, "Agricultural Credit," in Borton, ed., *Getting Agriculture Moving*, Vol. II (New York: Agricultural Development Council, 1966) p. 73.
2. See, for example, Barker, R., "Rice Marketing in Asia," in *Rice Research Strategies for the Future* (The Philippines, International Rice Research Institute, 1981); Spinks, G.R., "Attitudes Toward Agricultural Marketing in Asia and the Far East," in *Monthly Bulletin* (Food and Agriculture Organization, January, 1970); and further references therein.

the small farmer's harvest, in short, a *benign* middleman. And what more opportune time to launch its career than with the moral and organizational momentum of land reform? For the supposed dangers of the middleman seem to redouble when agriculture is modernized at the time of land reform, since farmers become still more dependent on middlemen, suppliers, and creditors while, at the same time, the landlord who used to provide such services in the traditional system has been removed from the scene.

The New Model Landlord

But landlords and middlemen are not the only objects of the state's attentions at this time. For the government to carry through its new design, it must also dominate the small farmers themselves. How can society rely on small farmers unaided to support urbanization and industrialization, reason the bureaucrats, if they remain slow to accept the challenges of modern agriculture? The farmers' regrettable reluctance to change and their managerial inefficiency can only be corrected by subtle forms of coercion. Their rural poverty and helplessness similarly demand state action through compulsory farm cooperatives, while the poverty and helplessness of the Third World's mushrooming cities call for state control over grain prices and state intervention in harvest procurement. Surely the state (which means, of course, the central planners) must step in, take control, and become, in effect, their new landlord.

Land reform therefore marks the state's ideal entry-point as the small farmers' all-purpose middleman. But whereas the former landlords and middlemen ruled over a "stagnant, oppressive" rural economy, the state bureaucrats promise to bring freedom and productivity to modern villages. Here, however, something curious happens. Although land reform and "elimination of the middlemen" are often advanced as complementary, once the government has actually cashed in on land reform politically, it usually slows down the program's implementation (from which the elites might suffer), while pushing bureaucratic penetration of the countryside (from which they and their funders stand to profit).

The theory further assumes that to replace the services which landlords, dozens of middlemen, and the farmers themselves used to provide for the village requires an "integrated" government program. Any farmer wanting title to his land must—for his own good—borrow the state's comprehensive loan package. This package "integrates" all the farmer's new post-land-reform needs in one transaction. All farmers receive the same amount of credit, fixed chemical inputs (often seeds, also) and are subject to a uniform time schedule. But the consequence is that, through a packaged loan, the farmer enters into as much debt to the state as the state deems necessary; accepts whatever inputs the state knows he needs (since these are given in kind and thus cannot be used for anything else); agrees to obey the technocrat's managerial decisions rather than his own (leaving him no technological choices); and, finally, renders up his harvest to the state in repayment for the loan and for the purchase installment on his land. In a single fell-swoop at harvest time, the interlocking "package" simplifies the state's task of loan collection, implements its price controls, replenishes its urban warehouses, and finances land reform. New presbyter is old priest writ large.

From the *economist's* point of view such an integrated package (based on the Taiwanese model and increasingly the goal of every land reform) seems unassailably sensible. It achieves admirable fiscal soundness (for *the state*) by reducing the collection risks of agricultural loans to small farmers—such loans suffer severe losses worldwide—and by compelling modern agricultural practices. From the *planner's* point of view, it tightens central control over the "masses" of farmers and over the untidy capitalist sector serving them. From the *bureaucrat's* point of view, such a package enables the state's machinery to replace the supposedly avaricious middlemen in all three of their major areas of former "oppression": credit, input supply (along with guidance into the new technology), and harvest procurement.

But from the *small farmer's* point of view, by exploiting his poverty, it robs him of all managerial or entrepreneurial options whatsoever. If he enjoyed little freedom under the old landlord, however, he may perhaps hardly know the difference.

Despite its economic jargon, the intention behind integrated and packaged Third World agricultural programs is clear.

In Professor Paul's words:

> Making loans against delivery contracts the proceeds of which are used for repayment of the loans before the balances are remitted to the producers...means that credit and marketing must be closely allied. A further step in the same direction would be to tie in more closely the introduction of new agricultural techniques with the administrative systems used for the extension of credit and marketing...The need

> for credit can be used as leverage to speed up the adoption of new methods...[Supplies] should be furnished in kind through the same channels as credit and thus paid for by the proceeds arising from the delivery contracts...
>
> Millions of farmers throughout Asia must have seasonal credit in order to subsist throughout the year. Various ways must be devised whereby this need is used as leverage for generating more rapid progress in the introduction of new methods.[3]

Such a plan need not be restricted to land reform beneficiaries; but land reform does make it easier to require farmers to join "their" cooperatives, which then act as the government's integrating apparatus.

But what is the role of foreign aid in all this? An interlocking system of government agricultural programs and agencies has evolved in many Third World countries on the basis of advice and financing from the World Bank and USAID. These attempts at state-managed agriculture, based on "supervised" credit through "farmers" cooperatives, have the explicit aim of "inducing" the small farmer "to produce more efficiently."[4] Over and over again in its definitive *Sector Policy Paper* on agricultural credit, the World Bank insists upon *government-controlled, packaged* loans to the small farmer, without so much as a nod toward alternatives, much less a recognition of the inherent dangers. For nearly a decade, the bank tells us, "integrated agricultural development" has comprised an "important credit activity"

> ...necessitating the packaging of credit together with extension and infrastructure...*All components* of a [World Bank] production package should be, and usually are, financed under such schemes...Clearly there is a need to think of pro-

3. Paul, A., "Credit's Role in Improving Agriculture," in Borton, *op cit.*, p. 413. While economists have begun to question this model, yet from the peasants' point of view, their second thoughts came too late. Thousands of planners, economists and administrators, trained in the sixties in how to control peasant agriculture, are now firmly in power in the top echelons of Third World ministers and international agencies. The passage quoted above, for instance, appeared with elaboration (but no contrary argument) in a widely used basic reader published by the Agricultural Development Council, a leading institution for training Western and Third World university students in agricultural economics and planning.

4. *Agricultural Credit Sector Policy Paper* (Washington, D.C.: The World Bank, 1975) pp. 26-39.

> duction packages for the farm as an entity and to finance *all* complementary components...To make the credit program a success, *the government* must provide the complementary inputs...The package approach is to be preferred since it provides the farmer with credit plus all the ancillary services he requires. [emphasis added][5]

Indeed, credit and inputs distributed in kind in such a comprehensive government package constitute two of the bank's ten unequivocal "principles" of agricultural credit for the Third World.[6]

Far from D.C.

How does such a program of government-packaged agricultural services for small farmers actually work, not in Washington's abstract vision of perfection, but in the nitty-gritty at the local level? The present case study examines the network of complementary programs for establishing state control over the small rice farmers of the Philippines' rich irrigated lowlands. The government of the Philippines, with the help of aid agencies, has evolved this scheme over the past fifteen years; and it crystallized in its most comprehensive form in 1972 at the time of land reform. Except where noted, the case we present is typical of schemes in many developing countries.[7]

The village of Santa Rina, Nueva Ecija, is in the center of Manila's fertile rice bowl. The average small-farmer holding in Santa Rina, and in the Philippines as a whole, is five acres. In Santa Rina this yields two crops of rice a year. Like most villagers in Central Luzon, Santa Rina farmers can reach the moneylenders and other private middlemen of a nearby provincial town within several hours' travel by jeep.

Centered on the "supervised credit" program called Masagana 99 (referring to an abundant harvest), the state's campaign fundamentally arrogated to itself responsibility for all financial, supervisory, and marketing services for rice (which had traditionally been offered by landlords and the middlemen). Some of the gov-

5. *Ibid.*
6. *Ibid.*, p. 62.
7. The data informing this study were collected during three and a half years of anthropological field work conducted in Santa Rina and nearby villages, as well as eighteen months of participant observation in several of the key government agencies and private rural banks and on the basis of thorough familiarity with the government's programs nationwide.

ernment's agencies attracted top Filipino expertise. One, included in this study, was managed by graduates of the Asian Institute of Management, founded by faculty members and Filipino alumni of the Harvard Business School.

At the time of land reform in 1972, scientists had just released the new varieties of high-yielding rice which promised quite extraordinary yields. While the small Filipino rice farmer (generally literate) had used almost no fertilizers and pesticides previously and hardly knew how to select or apply them, the state planners and the scientists calculated that he would need hundreds of dollars' worth of chemicals each season to realize the potential of the Green Revolution. After teaching him his need for these, the government then offered him a loan to pay for them. The vastly increased demand for expensive inputs, after all, promised higher yields for more Filipinos than just the farmers. Finally, by combining land reform with the so-called Green Revolution's drive for national self-sufficiency in rice, *and* with a concerted effort to "integrate" all agricultural services, Manila was able to secure munificent international backing and expert guidance.

We have already mentioned various middlemen serving the rural areas, but here we must draw particular attention to those who carry new agricultural information out to the small farmers. Their contribution is crucial at the time of land reform when the landlord ceases to provide managerial direction, and also in periods of sudden technological improvement. Besides the farmers' own rapid telegraph from field to field across the landscape, the *input suppliers* of the private sector more effectively diffuse innovations in farming practices than does an agency like the Philippines Bureau of Agricultural Extension...and at no cost to the state.

But rather than complementing the teaching networks of these private-sector information middlemen—progressive farmers in each village, merchants, seed growers, agricultural supplies salesmen, and even rice traders—the Filipino government's integrated agricultural program set out to *displace* them. Until then, the Bureau of Agricultural Extension had served the small farmer for more than fifty years as a ruggedly independent agency. "Integration" of bureaucratic services now meant combining two monopolies; *a monopoly over the dissemination of information* about the new rice technology and a *monopoly over input supplies*. This centralization of power is precisely what Professor Paul and the World Bank's credit "packages" add up to on the ground.

There are three cornerstones of the government's "integrated" credit and agricultural program. First, Masagana 99 offers low-interest loans—12 percent per season—which undercut the private market's 50 percent or higher. To qualify for land reform and this "supervised" credit, a farmer must join his village cooperative. His loan is then administered through a rural bank (though increasingly through a government bank, a Manila-based development firm, or through another state or parastatal agency). Only one program is authorized to serve each village. Right in line with the planners' advice cited above, the loan comprises a fixed package of inputs issued in kind, plus just enough cash to cover labor costs. This credit package for any given cropping season is approximately the same throughout the nation, nearly U.S. $200 per hectare last year.

To make sure they have the chemicals on hand when they need them, the program technician who is supervising Santa Rina farmers (and who is an agricultural college graduate) prescribes all inputs *at the time that he approves their loans*— before planting. Each farmer then takes his purchase order to the supply store specified by the technician, which gives him his fertilizers and insecticides, and sometimes new seeds, and charges them to his Masagana 99 account. Because of the shortage of trained personnel, and in order to reduce administrative costs while assuring a more integrated supervision, the crop *technician* serves also as the farmer's *loan officer*. In particularly intensified programs not far from Santa Rina, the technician lives in the village and even supervises the farmers' timing of critical field operations and the distribution of irrigation water.

Admittedly, in many parts of the Philippines the program is administered by the private rural banks; indeed, they must agree to do so when receiving their license. Since a farmer can only draw his Masagana loan from the one bank or credit program appointed to his village (which simplifies the problem of credit ratings), he has no choice as to which one to patronize and certainly no opportunity to play off agencies against each other for better services. Thus, Masagana 99 insulates its borrowers from the dangers of greedy private moneylenders, but not from the state itself. Loans may only be issued through the state-controlled "farmers' cooperatives"; official lending agencies are strictly assigned to prevent farmers from shopping around; loans are subject to fixed government rates and regulations (as well as to periodic government amnesty on all outstanding Masagana debts); and the state's technical recommendations, state-controlled inputs, and often state procurement policies attempt to determine all farming operations so far as is possible.

The Monopoly Shop

The second cornerstone of the Masagana 99 "integrated" credit scheme is the government's distributional system for the indispensable chemical inputs. Since farmers had previously used few chemicals in traditional agriculture, the government feared that in promoting the Green Revolution it would drive them into the jaws of capitalist middlemen who might sell them unnecessary, overpriced, or adulterated inputs. To guard against this and to facilitate the nationwide distribution of chemicals in response to the anticipated demand, the government financed the establishment of Planters' Products[8] as, in effect, the sole retail chain for agricultural chemicals throughout the country, and the sole fertilizer manufacturer and distributor in the nation's more prosperous agricultural regions. The first prerogative is closely connected to the second. No retail chain could sustain itself only on the sale of pesticides. Thus, all Planters' requires is a monopoly over the lucrative fertilizer distribution in order automatically to restrict competition on the sale of complementary inputs like pesticides.

Planters' Products was founded in the early 1970s by Filipino sugar barons who foresaw the enormous commercial opportunities of the new rice technology, especially if it became linked to government credit and compulsory government "supervision." Financed and generously protected by the government, Planters' Products is formally held by all farmer-patrons as "stockholders." Yet, although among the top ten firms in the nation in volume of sales, the company has never issued a dividend to these "stockholders." The president of Planters' Products also rules the nation's sugar interests; top government officials sit on its board.

Planters' Products has therefore enjoyed a number of advantages: invincible government patronage and the fear instilled by martial law; foreign funds for agricultural credit flowing abundantly through tightly-guarded channels; a presidential commitment to the new rice technology; and a highly "integrated" model for agricultural success. These have helped it move quickly along from blocking the Chinese middlemen to securing a monop-

8. This is the actual name of the Philippine company. But other proper names have been changed, for example Santa Rina, according to standard case-study reporting.

oly over virtually all fertilizer production and distribution; from that to monopolizing all retail sales of pesticides and herbicides (supplanting not just the Chinese, but then all foreign suppliers—Bayer, Ciba-Geigy, Shell, etc.); from that to acquiring exclusive franchise for "repackaging" selected imported chemicals under its own label; and finally, to becoming the supplier for all government agricultural loans. The company is the middleman for loans under Masagana 99; for all loans extended through the Agricultural Credit Administration and its multifarious programs; for all loans offered by the state's extensive Area Marketing Cooperatives and village-level farmers' cooperatives; and for all loans processed through the state Land Bank, the Ministry of Agrarian Reform, and most compact farm and corporate farm programs. Finally, in 1978, after seeing impending weakness in the Masagana 99 program, Planters' Products established *its own* government-funded ₱200 million credit line directly to the farmers, in the process tapping the state cooperatives and their personnel to advertise, distribute, and monitor the company's loans and to collect from borrowers at harvest as part of their official duties to the village cooperative!

The third cornerstone of the government's integrated agricultural program is the National Grains Authority (NGA), also established by visionary sugar baron elites, also inspired originally by antimiddlemen racism.[9] The NGA purchases rice from small farmers either directly or from them through special credit programs and their village cooperatives. Only small farmers are entitled to benefit from its higher purchase price. In many of the government's credit programs, farmers are *required* to sell their produce to NGA. When farmers do so, the "integrated" plan takes effect: their loan remittances and other expenses (irrigation fees, land amortization payments, etc.) are deducted before the farmers are paid for their harvest. The recent World Bank study refers to "the improved market opportunities" this NGA connection offers.[10]

9. The N.G.A. grew out of the Rice and Corn Board, whose former office within the Manila port is said to have updated the number of newly bankrupt Chinese traders each month, along with revised targets and strategies to speed the demise of those who remained.

10. For this and other references to a recent confidential World Bank study, "Philippines Sector Survey: Agricultural Support Services," see Bello, Kinley and Elinson *Development Debacle* (San Francisco: Institute of Food and Development Policy, 1982).

These three cornerstones precisely fulfill the planners' suggested scheme. The scheme satisfies sound economic principles for the government as creditor, and furthers many of its aims for national development. By offering a far cheaper interest rate than the private sector, it entices farmers into the Masagana 99 program and hence into government cooperatives. By tying their lump-sum loans to the new technology through the technician's purchase order, it forces farmers to modernize their farming according to the scientists' and policy-makers' "superior" knowledge. By combining the chemical inputs and seeds into a single compulsory "technology package" offered through Planters' Products, it guarantees farmers reliable inputs and protects them against fraud, while at the same time improving the likelihood of a good harvest and hence of the government's recovering its investment. By undercutting the private traders' prices at harvest, it encourages or even requires the farmers to sell to the state grains authority, through which the government repays itself (an important feature, since Masagana credit is extended without collateral). The Land Bank and other agencies receive their payments and fees at the same time. Its pricing policy raises the price of rice on the private market as well, replenishes the government's grain holdings for national distribution and emergency, and thereby is held to minimize the country's net losses through storage damage. Finally, it consistently protects the farmer from extortionary middlemen. Does this not sound absolutely ideal?

The Banker Bankrupted

It has not turned out that way. Admittedly in the first five years of Masagana 99, the Philippines enjoyed a 30 percent rise in national rice production. At first glance, this seems impressive. But this was, of course, principally due to the new high-yielding seeds themselves, which would have produced an increase in production whatever the complementary services. An important secondary factor was the Filipino farmers' long-standing eagerness to learn new techniques. An information campaign was probably necessary to introduce them to the new techniques. But there is evidence, indeed, that they might have performed even better without the government package. In provinces where participation in Masagana 99 dropped drastically as early as 1977, farmers steadily increased their purchase of new seeds and inputs and have produced a continuous rise in crop yields. With even 85 to 90 percent of the farmers out of the program, these areas boasted as much as a 15 percent yield gain in some years—at least as high a rate as during the years of full participation.

When the effective use of capital is fed into the equation, moreover, the comparison between Masagana 99 and the private sector is seen to be even more favorable to the middlemen and the farmer on his own. Even before the decade was out, Filipino farmers had accrued a one-billion peso debt to Masagana 99—equal to $143 million. Because the government fears that farmers would riot and production would drop if it took strong measures to ensure loan repayment (the country being now politically and economically hooked on the handouts), it continually "reschedules" delinquent farmers' loans. Thus it is impossible to know what the Masagana collection rate actually *is*. But some idea of the proportions is shown by figures for the wet season of 1977 when 366,000 outstanding unpaid loans contrasted with 131,000 *current* loans. By contrast, the private sector averages a 90 percent collection rate.

Nevertheless, because of its ability to draw upon foreign aid and the taxpayer's bottomless purse, the state's integrated policy is winning the battle against private middlemen. In the first four years of the program, the private sector's share in *institutional* finance for agriculture dropped from 81 percent to 50 percent, and the informal sector suffered much more severely. After only seven years of Manila's consolidated thrust into the countryside, almost all farm credit programs of private banks were bankrupt. Indeed, many of the banks themselves collapsed under the weight of parasitic dependence, waste, and corruption of the Masagana program's paternalism. By 1976, 500 banks, which had by then become dependent on the program, had been disqualified. Rural banks, in general, had become over-dependent on the program, losing their portfolio diversification and thus an ability to stand on their own. And, finally, the country's formerly very lively network of rural banks had completely lost its capability to perform that essential service to economic development—namely, to mobilize local savings. Out of thirty-two rural banks in the prosperous province of Nueva Ecija, several of which had flourished for nearly twenty-five years, only three remained in good health by 1981. In virtually every case, the decline of private banking services could be attributed to the government program.

Parallel to this massive erosion of the private *financial* sector in the provinces is the government's systematic undermining of private *retail* initiatives serving the farmers. The monolithic parastatal chemical company, Planters' Products, financed and granted monopoly operations by the state and owned by government elites, has taken over almost all agricultural supply stores in the country. The only potential competition to Planters' on its scale, Atlas, no longer has its own warehouses, distributors, or even retail outlets. All private retailing chains for farm supplies have been extinguished. No longer do independent salesmen bring to the farmers the challenges of alternative innovations, alternative theories for better farming, and alternative inputs. The Chinese middlemen have been driven underground; all private seed growers have been forced into the state's "association" for them; all rice millers and traders are circumscribed within the state's procurement and pricing policies; and the state reserves a monopoly on exporting rice. Despite nearly universal adoption of the new rice technology in the irrigated lowlands, not one of the hundreds of thousands of village entrepreneurs sells the supplies that farmers need.

While rice production continues to expand, the private sector's participation in processing, storing, marketing, and investing new capital has remained at a standstill for several years and now is actually being displaced by NGA expansion, which includes grandiose port facilities, etc. The sharp reduction in seasonal price variation, due to government intervention, has eroded the private sector's profit margins so that it is less able to finance post-harvest facilities, such as processing, storing, etc. And so the state intervenes further. Finally, the agricultural extension service, one of the oldest in the Third World and potentially a major stimulant for rural experimentation and enterprise, has been reduced to a mere puppet of the state's and the elite's commercial monopolies.[11]

Farmers are now incomparably worse off than they were under the landlords. To settle a disagreement over a loan, a peasant must penetrate the formidable Central Bank of the Philippines—a Pentagon-like maze of corridors and guards in downtown Manila. To argue over the price of Carbofuran, he must seek out the National Food and Agriculture Council, somewhere within the Ministry of

11. Here we stress the institutional devastation of these government policies, without even touching upon the *economics* of misallocation and waste which are surface symptoms of these underlying arrangements. It is much easier to eliminate subsidies or price controls than to restore enterpreneurial trust and to rebuild institutions, once destroyed. See, for instance, Amanda Te and Robert Herdt: *Fertiliser Prices, Subsidies and Rice Production,* a paper presented to the 1982 Annual Convention of the Philippine Agricultural Economics and Development Association.

Agriculture, itself somewhere within the government bureaucracy complex, somewhere in distant Quezon City! Tragically, the post-war resolve in the Philippine countryside to hustle, rebuild, and catch up for lost time has degenerated into the self-pity of beggary and reliance on faraway bureaucrats. Farmers are well aware of their pathetic dependence. But, in exchange for these critical losses, have they not at least gained land reform? Hardly. Once the state launched its bureaucratic onslaught, it ceased implementing the land reform (no longer needing it for its own purposes), with only a fraction of the eligible lands actually transferred.

In the recently completed confidential study previously cited, the World Bank has found Masagana 99's integrated agricultural program to be a national disaster: a correct judgment, but of course even in a *confidential* appraisal the bank misses the crucial issues at stake. Singularly preoccupied with gathering numbers in columns as the sole criteria of development (tons of fertilizer, etc.), its expensive analysts, who enjoy *carte-blanche* access to national statistics, still cannot see the essential destructiveness of a program that strengthens the grasp of the state and its national elites over people.

For example, it points out the grave ecological effects of the farmers' present widespread use of the wrong types of fertilizer, and the much higher cost of these over those they ought to use. The bank treats this as merely a technical matter or, worse yet, as the fault of the extension service, or of farmers' ignorance. How could it *fail* to see that the deleterious compounds which the extension service and Masagana package promote are those manufactured by the Planters' factory in Bataan, while the farmers' access to the more beneficial and economic fertilizers they prefer is governed by the state's import protection? In another passage, the bank team seems mystified that a capitalist enterprise like Atlas (owned by a political rival of President Marcos) simply spends nothing on trying to market its products in competition against Planters'! If the bank can find out so little for itself about the causes of economic stagnation, even for a confidential review, one wonders what advice it can offer to the elites themselves or to the American taxpayers whose money it is handing over.

Worm's Eye View

But let us now see the state as middleman in real life in Santa Rina. Some 150 families live in Santa Rina village; all are farmers or landless laborers. A jeep passes through Santa Rina daily going to and from the main highway, from which one can continue on to the provincial capital an hour away. But all *government* business, including Masagana 99 loans, must be transacted in the municipality to which Santa Rina "belongs," located in the *opposite* direction, difficult to reach by an infrequently traveled road, and offering far less choice than the provincial capital. Eight moneylenders and six rice buyers (all petty middlemen, small farmers themselves) live in Santa Rina and till their lands there. The village boasts seventeen small stores. Santa Rina has a school with three grades, no electricity, a half-built chapel, and a farmers' cooperative so ineffectual that it has ceased to meet. It is not a village dominated by a couple of rich families, nor was it ever controlled by a single landlord.

The large estates, to which some of Santa Rina's lands originally belonged, were broken up by land reform, though at least half of the village's fields have not yet been surveyed for reform. Still, any farmer in the community can apply for Masagana 99's "supervised" credit. The bank authorized to administer Santa Rina's loans is owned by a provincial family, Judge Luz and his wife; since the government program began, it has held a monopoly on all Masagana 99 loans throughout the municipality's thirty-odd villages. The bank used to have its own agricultural credit program, but, as that cannot compete with the government's, it has been closed.

The first problem which Santa Rina farmers encounter in the government's integrated agricultural program arises from the fact that, like most rural bankers in the Philippines, the Luz family also owns an agricultural supply store. When the Masagana 99 technician administering the government loan issues a farmer a purchase order for chemicals, he restricts it to the bank's outlet store, where Masagana borrowers are charged prices up to fifteen percent higher than customers paying cash, even for the same chemicals. Naturally, the bank technician's task of designating which chemicals a farmer must purchase encourages him or the bank to require inputs which may be unnecessary or adulterated, whose period of viability may have expired, or chemicals dumped on the Masagana market under a Planters' Products label when in fact they have been banned throughout the country. The program's Santa Rina borrowers suffer all these eventualities. (Of course, any store owner may advance a loan to a farmer specifically for purchases in his store. But in that case the farmers can make creditors compete with each other on the open market; furthermore, they retain the option of what to buy.) In a pilot study of randomly selected pesticides purchased at Planters' retail stores which Santa Rina farmers patronize, 75 percent of the bottles examined contained chemicals adulterated to more than twice the acceptable standard of deviation.[12]

Add to *this* tax on the farmer the fact that, through the government's agricultural controls and Planters' fertilizer monopoly, Filipino rice farmers pay 50 percent *above* the world market for urea, the fertilizer most valuable for their crop and soil conditions. Thus, the government's "socialized" agricultural program, with its elaborate designs to shield naive farmers from rapacious capitalists, places them instead at the mercy of a money-lending monopoly; and it puts them in the hands of a monopoly retailer as well as a monopoly wholesaler for the inputs they need, forcing them to accept higher prices than offered by those against whom they are being protected! Even those farmers *preferring* to borrow from the private sector are left defenseless against manipulation and fraud in acquiring the inputs they must have. Although all chemicals might have been subject to government inspection, were they not distributed and sold by the powerful Planters' Products?

A second problem in the state's program is that the chemicals farmers must purchase with the loan often have little or no relevance to the actual needs of their crop because they are issued at the time the loan is approved, before the crop has even been planted! This absurdity results from the planners' paternalistic obsession with "packaging" everything centrally themselves and from the monopolistic control inherent in "integrated" programs, which leave borrowers no managerial alternatives.

Examples illustrating the waste caused by this contradiction are innumerable. For instance, in 1979 the standard government recommendation for Masagana loans required all Santa Rina borrowers to purchase specific insecticides against brown plant hoppers, although 92 percent of the farmers in the entire province were planting a rice variety highly resistant to that pest. In six villages near Santa Rina, an intensified Masagana 99 program issued its members over $300,000 worth of utterly redundant pesticides in a

12. For further side-effects on a provincial scale and their nationwide implications see Grace Goodell, "Memos from the Barrio," 30 October 1979, informally distributed by the Agricultural Economics Department, International Rice Research Institute, The Philippines.

single year, while the farmers complained that they had no need whatsoever for these chemicals.[13] When the bureaucrats impose agricultural "integration" precisely the way Professor Paul and the World Bank recommend—namely, tying input supplies to the farmer's loan out of their own self-assurance and for their administrative convenience—the farmers' interests as well as those of the nation invariably give way to those of the state and the agencies to whom it has granted monopolies.

Integrating all aspects of an agricultural program under state control also jeopardizes correct *timing*, which is so decisive in modern farming. Distribution systems which enjoy monopolies—even those monopolizing credit, but especially those providing inputs—have little incentive to maintain inventories responsive to their clients' needs. Frequently Santa Rina farmers find that Judge Luz's supply store has none of the necessary chemicals when an infestation breaks out or just when the crop shows signs of needing additional fertilizers. But turning to other merchants in such emergencies doubles their expenses since they have already assumed a "packaged" debt at Judge Luz's store. All over southeast Asia, government and quasi-government distribution networks for agricultural supplies cause serious crop damage due to such inefficiencies, whereas farmers financing their crop through private moneylenders can search anywhere in the province to fulfill a need the moment it arises.

The conflict of interest between Judge Luz's bank serving as advisor and financier to the Santa Rina farmers while he is also their only source of input supplies is serious. This conflict is sharpened by the farmers' having no choice as to the source or size of their Masagana loan. The very "package" which planners find so efficient is what enables these forms of exploitation. These distortions do not appear threatening to the rural bank's short term interests as creditor, because they affect the use of *public* funds, not those of Judge Luz—public funds, moreover, which are generously guaranteed by international aid against the latent inefficiencies of monopoly. For example, though collections are notoriously poor, Judge Luz only has to achieve 60 percent repayment to qualify for 100 percent coverage by the Central Bank. As a result, he has "loaned" funds earmarked for small-farmer rice production to his cousin for an orchid business, to his brother for

13. *Ibid.*

an electrical appliance store, and to his mother-in-law for a trip to Los Angeles: all in the names of farmers in the local cemetery.

But even when Judge Luz does not collect 60 percent of the outstanding loans the government periodically revs up Masagana with a new program, available to all farmers *regardless of their previous repayment record.* Its funds run after farmers, not the other way around. Thus, rice production now being contingent upon monopolies and handouts, the very stability of the state now depends upon perpetuating corruption and exploitation.

That the "bank technician" who administers loans is also someone who dispenses farming information leads to many an amusing little drama, always detrimental to rice production. Those very farmers who most need to improve their agricultural practices usually *hide* from the technician when he does visit Santa Rina, because they are his worst defaulters. Similarly, during a pest or disease outbreak when farmers most need his advice, the "technician" is loath to enter the village because "his" supply store invariably runs out of stock.

Finally, however, it must be appreciated that Judge Luz is in the same double bind at his level as are the Santa Rina farmers. He cannot compete for the farmers' business on his own terms because of Masagana 99's much lower interest rate. So he has had to accept the government's heavy-handed persuasion and become its outlet for Masagana credit. Even if his technician is honest and professionally competent, he is limited to government-approved recommendations (predominantly for Planters' inputs) when he issues the government loan, just as his supply store is constrained by Planters' licensing powers. In short, though Judge Luz has his monopoly over loans and inputs in the municipality, the iron hand of the state's and Planters' Products' monopolies rule *him* at the national level.

Clipping the Harvest

So much for the incentives for the Santa Rina farmer to bring his crop to maturation. What benefits does the state offer him at harvest? Planners such as Professor Paul recommend that the government also procure his harvest in order to round out its "integrated" control. Surely no one could oppose such *coordination*!

When a farmer does decide to sell his rice to the NGA (which is required by many Masagana programs), he must do so in bulk. This discourages him from saving, because he sells the entire harvest all at once rather than incrementally. After enduring relatively stringent months leading up to harvest, he suddenly becomes a "millionaire for a day" and spends indiscriminately.

Santa Rina farmers trying to sell their rice to the NGA usually wait from three to seven days in line outside the warehouse with their grain, sleeping there at night to hold their places in the queue—whereas they can sell to any private dealer of their choice in a matter of fifteen minutes. The question is not simply one of inconvenience: if it rains during this time, their rice becomes wet and thus commands a much lower price.

What does a farmer find when he does reach the head of the line? The government advertises that it is prepared to pay a higher price than the private retailers; yet that says nothing about "quality control." Claiming that their scientific instruments are more accurate than the farmers' own judgment, the NGA testers, in effect, bring down the price they will offer the farmer to that of the retailers outside. Sometimes it is even lower. Since it is impossible for farmers to ascertain the state's actual average buying price, even on a week-to-week basis, they have no leverage against this false inducement. The private middlemen, on the other hand, supply Santa Rina's house-to-house "wireservice" with copious daily information about the markets gratis. Furthermore, since farmers can sell to the middlemen locally, quickly, and in small quantities, if they do not like the price offered by one, it is very easy to go down the road to another.

Who, then, would ever voluntarily sell to NGA? Many farmers *have* to sell to NGA as part of a special Masagana "package" in their region. In conversing with those in the line outside NGA, one discovers among them the many bankers and others who administer Masagana programs. They identify themselves as small farmers—thus qualifying for the NGA procurement program—by presenting their clients' co-op cards (and other necessary documents), which they require the farmers to turn over to them as a condition for the loans. Still others are prosperous rice traders in the private sector who, with their natural links to the NGA bureaucrats, persuade them to drive the farmers back into the private sector through low "quality control" prices in order to purchase the *traders'* rice instead—at the subsidized price. Thus the purpose of government rice procurement—to offer higher prices as an incentive to small farmers—benefits the provincial elites instead. A second justification for NGA, safer national rice storage, is nullified by government mismanagement and private sector efficiency: the NGA suffers "appreciably higher" loss due to storage damage than the private sector. A third justification for government rice procurement, distribution of grain to rice-short regions, is similarly fulfilled more effectively by the middlemen, who vigorously seek out areas of grain shortage, (whereas NGA is highly centralized in Manila).

Farmers selling to the NGA, moreover, are never paid on the spot, as they are when dealing with private middlemen. Instead, because of the government's design to control them (which is, again, clothed in paternalistic language), the NGA deducts from the value of each farmer's delivery not only his Masagana 99 loan and its charges, but also sundry debts and fees over which he has absolutely no choice and, indeed, which he certainly would not pay if given the choice. Calculating all these deductions delays his remuneration at least six weeks.

And what has he gained in exchange for such payments? Irrigation charges are deducted even when delivery has been very unsatisfactory or, in fact, damaging; land reform amortization is deducted even before the farmer agrees to the terms of the settlement; co-op membership fees and mutual liability against other farmers' delinquency are deducted (even when the co-op has been disbanded); rescheduled dues on past debts are deducted, at compound interest which no farmer is able to monitor; and various other arbitrary and extortionate claims by the state are also deducted. An example: compulsory life insurance for all co-op members! Yet, with their close family ties, villagers would hardly choose to invest in life insurance, especially since they have never yet seen any benefits paid out to families of the deceased.

All of these charges are "packaged" into the small farmer's loan, and so he must pay them if he is to receive any agricultural advice at all. Since farmers financing their crop on their own withhold payment from any government agency until they are satisfied with the services they receive, these automatic deductions through both "their" cooperative and the NGA deprive farmers within the scheme of the only leverage they have over the government's performance. "Integrating" and "packaging" bureaucratic services, which planners and funders often require, simply protect the state against accountability.

Finally, the very comprehensiveness, which planners so admire in the state's integrated scheme, appears to the Santa Rina farmers as a trap. It pits the obligations which land reform and modern agriculture force them to assume against their future standing as borrowers. Farmers the world over must borrow to finance their crop. In the Third World the private sector is far too disorganized to maintain a watertight credit rating system, so villagers can always play middlemen off against each other. While they cannot endlessly avoid their responsibilities, the freedom and informality of the private sector ensure a flexibility which they think agriculture demands. In contrast, the state's complex net of institutional approvals and verifications, identification cards, and restricted access to services through appointed agencies seems expressly designed to deprive them of bargaining power with respect to that scarcest of resources that they require—capital.

When the state offers land reform beneficiaries a choice between itself or the private sector as middleman, farmers vote with their feet for the latter. A decade after the Philippine land reform, voluntary subscription to Masagana 99 has fallen from 98 percent of all eligible farmers to 21 percent in Santa Rina. Certain high officials (not wishing to be quoted by name) estimate that nationwide it has fallen to 1 percent. Most farmers prefer to pay 50 percent interest rates or more to "rapacious" capitalists rather than a mere 12 percent for Masagana's "socialized" benefits in order to retain the freedom to make their own decisions. It is true that farmers eagerly sign up for a new government program if it grants them amnesty on their outstanding Masagana debts. But in a few seasons they fall into arrears once again. The astounding rate of default among farmers who are buying luxury items rather than repaying their Masagana loans—the prosperity of villages choosing to disqualify themselves from the state's integrated agricultural program—these things speak for themselves. In Santa Rina, 86 percent of all farmers disqualifying themselves from the government's cheaper credit program through persistent default admit that they could afford to resume repayment if they wanted to do so.

The farmers' preference for the private sector has undermined other pillars of the state's well-knit program as well. In land reform areas, under-the-counter sales of non-Planters' chemicals in Planters' stores are rampant. Masagana technicians thrive on bribes paid them for recommending these chemicals instead of Planters'. The black market for seeds not licensed by the state flourishes. As the government allows new Masagana programs with stricter surveillance to proliferate, as the Land Bank itself moves into the fray to recover its claims directly through "supervised" loans, and as recalcitrant beneficiaries are threatened with well-publicized "management takeovers" by the state-controlled cooperatives, membership in the state's "integrated" program dwindles. In Manila's rice bowl, no new scheme for reversing the erosion of Masagana's control lasts more than several years. Indeed, during a run of bad seasons it is not uncommon for some Santa Rina farmers to hand their recently-won land deeds back to their old landlords, seeking refuge there rather than in the state's integrated package!

The Middleman Unvanquished

What does the private middleman offer that the farmers seem to prefer even above the state's more favorable interest rates and its paternalistic protection? To begin with, the private sector known to Santa Rina farmers lacks any of the formal integration that planners and funders so cherish. These middlemen almost never attach strings to their services. Even individual firms make little effort to coordinate their own various responses to farmers' needs. Private middlemen who lend money, sell inputs, and buy rice at harvest have no expectation that a Santa Rina farmer subscribing to one of these services will return for any others in the future. Filipino farmers skillfully keep their economic options open, especially as higher rice yields increase their mobility.

Secondly, the private sector is extraordinarily flexible. In radical contrast to the government's "packaged" credit and "packaged" technology, it is willing to deal in any unit of capital, input, produce, or even any unit of time. A farmer can borrow whatever amount he needs, howsoever small, requesting a loan for twenty-four hours' time or for several years. Interest rates vary accordingly. The village moneylender will never ask how he plans to use the loan—much less will she volunteer advice!—because that is none of her business. Village and urban retailers are prepared to sell a farmer half a cup of ammonium sulfate or four tablespoons of Brodan. In any village store in the Philippines you can purchase *a single* Marlboro. "If this were Masagana 99," one farmer observed as he stopped by the village store for a smoke, "everyone within five miles would have to buy six cartons of the same brand and guarantee each other's repayment before I could pause for a light."

Most of the loans made by private middlemen have a one- or several-month duration rather a duration of an entire agricultural season. *Days* make a difference in an environment of scarce capital. For example, farmers will delay applying fertilizer until as close to harvest time as possible, in order to make sure the crop and the weather justify their investment, and in order to keep the number of days they actually hold a loan to a minimum. This rapid recycling of the village's own resources is, of course, a far more efficient use of capital than the government's cumbersome season-long packages.

Such plasticity also lends itself well to conditions of rapid economic development where land reform has created a *tabula rasa*, as it were, for a large and diversely endowed population. It assures farmers of a wide range of choice, the opportunity to make last-minute decisions, and the option to purchase not a whit more than they actually need. This flexibility enables them to adjust their economic strategies to their differing circumstances, managerial skills, and family assets. All of these vary considerably even in a peasant village, and more and more so as the years progress after land reform. Poorer farmers, farmers with greater family demands, or farmers slower to master the new technology need not assume a heavier debt than they can meet. Farmers at the more prosperous end of the scale are not held back by the rigidities of nationally packaged prescriptions. Each farmer can tailor his crop management according to his particular requirements and capacities.

Nor can the state's prescribed and packaged technology encourage farmer experimentation, since borrowers under such "supervision" are left few, if any, choices. Packaged technology offers no opportunity to purchase inputs in small enough quantities for inexpensive field tests. With virtually no government experimentation conducted locally, the combination of Masagana 99 and Planters' Products stifles leadership in serious innovation while fostering risky fads on a national scale. Like all monopolies, when it *does* err, the state's "integrated" agricultural network threatens to institutionalize mistakes on a large scale. This can pose a grave threat to the nation, as was seen in 1973–74 when Masagana 99 borrowers, using technology standardized throughout the Philippines, fell prey to the same tungro epidemic from one end of the country to the other.

But does not the private sector charge high interest rates for agricultural loans? It does so, but it rarely requires a written agreement which might intimidate the borrower. It transacts business in the farmer's own language, while government forms are in English, which he cannot understand. A farmer, moreover, can do business with village middlemen on the spur of the moment without transportation costs, without waiting for approval, without subjecting himself to the incomprehensible and humiliating demands of state bureaucrats. Village and provincial-level middlemen remain at the beck and call of clients night and day (farmers even know where their landlords reside in the municipality or in Manila), because clients call on middlemen for many personal services, for connections with powerful people, for advice and emergency assistance.

From the farmers' perspective, it is an important consideration that the private sector does not have recourse, like the state, to the use of force when it seeks to collect payment. It cannot threaten a farmer with jail, with repossession of his land title if he is a beneficiary of land reform, or with "management take-over" through the cooperative. Finally, private individuals and institutions providing agricultural services in the province have no links with national agencies, which they can use to distort the market significantly. Compared to the size of Planters' Products or the government's banking programs, they are small fry. Provincial middlemen are too numerous, too fragmented, and engaged in too much competition against one another, to match the state's "integrated" monopoly.

Admittedly, provincial-level middlemen do attempt to dominate certain spheres within the municipality. (And no doubt the strong prejudice against middlemen in general was originally rooted in empirical evidence, particularly during the economically static conditions of earlier years.) But when they dominate successfully today, it is always with the assistance of the state granting exclusive licenses and monopolies.

Because they are part of the villagers' social fabric and because they are so free to fill any gaps which appear, the private middlemen offer countless important supplementary services in the countryside, often without charge. During the lean months before harvest, farmers accumulate debts at the village stores owned by some middlemen. And because villagers are bound by personal relations impossible to develop with a bureaucrat, borrowers use these stores to *their* advantage rather than—as in Planters' case—the other way around. While the village storekeeper's prices exceed those in town by some 5–10 percent, she (and many middlemen are, in fact, women) does not charge her clients interest, and she will buy almost any item on request during her frequent shopping trips to town. If her customers or farmers holding crop loans harvest low-quality or moldy rice, which the government would never accept, the village middleman can be pressured to buy it as payment for a farmer's debts. Should she reject such a farmer's bad rice, her fellow villagers will harden their hearts against her. And by not charging compound interest on outstanding debts, the middleman provides an invaluable form of crop insurance.

In Santa Rina, the village middlemen perform other valuable services as well. When a borrower mortgages his land to her for a given period of time (she can never in fact lay claim to the title), she usually hires him to continue working it, she often invests in it (improving the drainage, for instance, or adding soil nutrients), and her more efficient management serves as a good example to him. The state's management take-over (or token sentence to a few days in jail) contributes nothing in this way to improve his land and working practices.

Furthermore, many village middlemen are the most progressive farmers in their communities. "Do as I do, not as I say," is a persuasive lesson to the very pragmatic small rice farmer of Asia. Simply by farming in Santa Rina, these middlemen provide more effective demonstrations of new agricultural practices than any of the state's extension classes. This is particularly so since farmers are well aware that the government's "supervised credit" and extension are tied to monopoly profits and, thus, affected more by a concern to further Planters' sales rather than to promote the farmers' savings.

Finally, as a citizen of the village, the upwardly mobile middleman presents a dynamic example to other villagers of initiative, thrift, hard work, and above all of confidence and imagination. In her ruggedly venturesome spirit she proves that the world beyond Santa Rina is accessible to ordinary farmers from this little village, that they can compete out there as well as anyone; and that they can enter into partnership with provincial townsmen as equals, seek bargains as far away as Manila, and continually try new enterprises. It is the middlemen who first send their children to high school beyond Santa Rina. It is they—not the bureaucrats administering Masagana programs—who advance the community's civic interests and spearhead the community's demands that the government perform more effectively. Farmers can identify with these fellow villagers. The state has attempted to fill their roles itself through the farmers' cooperative. But how can a bureaucrat from town, who himself has power over the farmers, exercise leadership in addressing their needs—especially when that means checking government corruption and empty government promises?

After the Middleman—What?

What have been the consequences when the state and its funders and planners set out to displace hundreds of thousands of village- and provincial-level middlemen and to substitute for them their own flaccid agencies? In one village near Santa Rina, the government's integrated agricultural program succeeded in eliminating two middlemen and a rice buyer who moved to town in search of better economic opportunities when they could no longer compete with the intensified Masagana program. They took with them their economic resources, their management skills, their vast network of urban contacts, and their familiarity with the ins and outs of life beyond the village. They took with them their leadership, their optimism, their innumerable experiments and new projects, their families so active in civic affairs, their celebrations open to all, their stories about travel elsewhere in the country, not to mention their stores, moneylending services, their jeeps, television sets (available to everyone each evening), and their congenial characters. One old man, no longer able to walk to the fields, must now assume leadership there.

The private sector serving the countryside is part of a complex and vibrant social *ecology* comprising numerous organisms well integrated into the environment. Over time these very flexible "middle" men and women are subject to local pressures for change; the living system of which they are a part is patchable. There are in fact *numerous* ways for a small-scale Asian farmer to borrow money, numerous ways to cultivate rice, numerous ways to profit from five acres of land—not just one way as the planners and their funders insist. The multiplicity of options in the private sector allows a family to slip over easily from one alternative way of doing something to another. Surely the problem of how to keep Santa Rina's middlemen *from leaving the village* should pose a far greater worry to the state than how to "eliminate" them.

Of course, many countries much poorer than the Philippines do not enjoy such a lively commercial sector in their villages. In these cases land reform takes away the landlords' services, but no middlemen at all exist to replace them. How can the peasantry in such countries even continue to cultivate the land, much less adopt advanced technology and produce a surplus for the cities, after the landlords withdraw?

Bolivia is a good case in point. After land reform removed the landlords in Bolivia, not even the most rudimentary transportation remained in most rural areas. Few farmers could even read.

Peasants could hardly look to the government as a middleman, since La Paz was but a din of distant disorder. After land reform, the state launched no agricultural programs at all. The impoverished Indians found themselves entirely on their own. How did the Bolivian peasantry cope in the vacuum created?

Up until the recent coup Bolivia was witnessing an extraordinary flourishing of peasant initiatives of every sort. In the state's perennial anarchy, they had to seize the initiative themselves. Rural organizations had blossomed forth to pool the meager resources of the Andean *altiplano* in spontaneous cooperatives, some of which advertised for professional staff abroad. After the campesinos learned to drive, they purchased trucks in small corporate undertakings, tackling the severe challenges of *altiplano* or jungle agriculture on their own. One group of peasants hired a team of consultants to study the feasibility of a regional farmers' bank; another founded the first viable national association of potato producers; another had replaced the military-appointed staff of the Bolivian coffee board with its own nominees and open channels of accountability. Most small Indian communities began to elect their own slate of leaders to rival one another in self-help school construction and road maintenance, etc. More than 80 percent of the country's peasantry went to the polls, supporting a lively public forum for bringing their needs to national attention. Women's associations sponsored adult education for their illiterate, non-Spanish-speaking members.[14]

These destitute areas needed several decades to pull themselves together through trial and error and the utter necessity of having no one but themselves to turn to. At first their efforts were simple, short-term, highly specific. But success bred confidence. Only in the past five years have they and the nation become aware of what has been slowly gestating in thousands of isolated villages and hamlets since land reform: It is still shaky, and far slower than the integrated and concentrated bureaucracies of Masagana 99, but a richer, more promising foundation for national life.

Today, two massive World Bank "integrated agricultural development" projects are once again at it in Bolivia, doing away with what the private sector and voluntary organizations have built up in the aftermath of land reform, and undercutting the local and regional initiatives that had made such headway. These middlemen simply cannot compete with Project Ingavi and Proj-

14. Devine, D., "An Aborted Democracy," *Worldview*, May 1981, p. 20.

ect Altiplano Norte—H Street's vanguard for La Paz to take over the countryside.

If there is to be life after land reform, therefore, we cannot look to the state and its funders to provide it. Everything about the planners' and funders' intensified and well-coordinated "packaged" agricultural program is laudable on paper. It is economical, progressive, comprehensive, humane; it does not overlook a single detail; it demands that the government replenish its own coffers, making every program pay; it finally recognizes society's responsibility to the rural sector. And it worked in Taiwan. Surely, the argument runs, "integration" is more efficient than chaos, packaging more rational than piecemeal development, higher yields more desirable than stagnation, supervision better than neglect. Surely, peasants need to be protected, chemicals to be distributed, and rural banks to be supported.

We cannot suggest that in launching one integrated and packaged agricultural program after the other, Third World governments and their Washington supporters *explicitly* conspire to control the peasantry. We could hardly fault the perfection of their geometry (as Burke called it), except that in fitting all the pieces together smoothly, benevolently, and with every calculation of promise, it *concentrates* the power of the state. Although economists, planners, and international funders assure us they are above politics, they consider that a virtue, not a liability, in American and World Bank foreign aid. But were a peasant of Santa Rina to read the policy papers from H Street, he would never entrust his world to such naive savants. In the words of Adam Smith:

> To widen the market may frequently be agreeable enough to the interest of the publick; but to narrow the competition must always be against it. . .The proposal of any new law or regulation which comes from this order ought never to be adopted till after having been long and carefully examined, not only with the most scrupulous but with the most suspicious attention. It comes from an order of men. . .who have generally an interest to deceive and even to oppress the publick, and who accordingly have, upon many occasions, both deceived and oppressed it.

Tales from the Public Sector

Central Planning and Other Traffic Accidents

In the late 1960s, in the days when Wladyslaw Gomulka was boss of the Polish Communist Party, I was an adviser to the Polish Minister of Foreign Trade, Professor Witold Trampczynski. One afternoon, the minister summoned me suddenly. He said that I had to accompany him to the meeting of the Presidium of the State Planning Commission, the highest body of central planning. "Comrade Wieslaw" (Gomulka), the minister told me, was highly concerned about the European Economic Community (EEC). Comrade Jedrychowski, the chairman of the Presidium, would have more to say on this matter. We immediately left for the meeting.

The conference room in the State Planning Commission could accommodate thirty people alongside a long, oaken table, in chairs with high backs. Coffee and bottles of soda water, as usual, were on the table. The chairman, who was also a member of the Politburo and the vice-premier, sat at the head of the table. Close to him, on the right, were the invited "guests." The members of the Presidium numbered eleven deputies. Also participating in such meetings were all the directors of the Commission's numerous departments—although they were not official members of the Presidium—and the "guests," who were usually ministers or vice-ministers heading small delegations of experts and attended depending on the agenda.

Comrade Jedrychowski was an intelligent and well-mannered man, although he was regarded as Stalinist and openly pro-Soviet. (He was one of those who in 1939 "invited" the Soviet Red Army into Lithuania.) In a relaxed but rather loud voice, he began to talk on the matter that brought us together. "The Party leadership and Comrade Wieslaw himself are highly concerned because of the growing discrimination *vis à vis* our exports of manufactured goods to the Common Market," he began.

I was somewhat astonished by this opening. When it comes to many agricultural products exported by Poland to the EEC countries, especially those products included in the Common Agricul-