

# **The Agrarian Transformation in Egypt Under Nasser**

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DECLARATION

This is to certify that this dissertation entitled "THE AGRARIAN TRANSFORMATION IN EGYPT UNDER NASSER" submitted by Ms. Ila Patnaik, in partial fulfilment of the requirements for the award of the degree of MASTER OF PHILOSOPHY (M.Phil.) of this University, has not been previously submitted for any degree of this or any other University. This is her own work.

We recommend this dissertation be placed before the examiners for evaluation.

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C O N T E N T S

	<u>Pages</u>
ACKNOWLEDGEMENTS	
PREFACE	
CHAPTER I	1 - 53
THE AGRARIAN TRANSITION AND THE AGRARIAN QUESTION	
CHAPTER II	54 - 74
A HISTORICAL BACKGROUND	
CHAPTER III	75 - 121
THE AGRARIAN REFORM IN EGYPT	
CHAPTER IV	122 - 190
THE AGRARIAN QUESTION IN EGYPT	
CHAPTER V	191 - 199
CONCLUSION	
BIBLIOGRAPHY	200 - 206

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## PREFACE

The resolution of the agrarian question is one of the most important tasks facing underdeveloped countries today. How should a transformation in agriculture be brought about and in what way should resources be extracted from agriculture to help the industrialization effort. The nature of the state and its policies are crucial in this context. Our work is confined to case of a developing country choosing the capitalist path of development. We shall study the case of Egypt under Nasser and see how the agrarian question was resolved to draw lessons for other developing countries. The agrarian transition under study, though incomplete in this period, reveals a variant of the 'peasant path' to capitalist agriculture where the state intervened to sweep away the feudal hold over the countryside. Despite the transition the agrarian question failed to be solved. We discuss the importance of institutional changes and economic incentives to increase production and surplus for a meaningful contribution of agriculture towards industrialization.

The first chapter forms the theoretical framework of our study. It contains a review of literature related to the agrarian transition and the agrarian question. In it we discuss the paths to capitalist agriculture as

well as the means of extraction of resources from agriculture.

Chapter two analyses the changes in the countryside preceding the Nasser period. It outlines the series of changes which laid the basis for capitalist production in rural Egypt starting from when land was not yet private property, it describes the changes which took place till the initial stages of capitalist production were found. A discussion of the crisis caused by World War II and leading to a halt in agrarian growth is included.

Chapter three outlines the emerging political developments which led to the revolution and necessitated the land reform. It mainly discusses the land reform and related policies and their impact on the process of peasant differentiation and the growth of capitalism in agriculture. It attempts to show that the effect of state intervention was to accelerate the process of capitalist development in agriculture.

The fourth chapter deals with the contribution of agriculture to industrialization in terms of export earnings, a supply of surplus for investment, a market for industrial products, supply of raw material and food, and the release of labour for industry. It discusses the role of the agrarian

reform in making this contribution possible. Also examined are the conditions ~~are~~ necessary for agrarian growth, the role of institutional changes and economic incentives and resolution of the agrarian question.

Finally, an attempt is made to draw lessons from the Egyptian experience regarding the role of the state and the nature of the agrarian transition and the importance of institutional changes for the resolution of the agrarian question.

JNU, New Delhi  
the 20th July, 1989.

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CHAPTER I  
THE AGRARIAN TRANSITION  
AND THE AGRARIAN QUESTION



Agrarian growth and industrialization form the two most important aspects of development. Agrarian growth, however, is important not only for the removal of rural poverty and raising the standard of living of the cultivators, but also for the process of industrialization. The supply of food to feed the workers, raw materials for agro-based industries, cash crops to earn foreign exchange required for importing machinery, technology and raw materials, release of labourers for industry, creation of a rural market for manufactured goods and a transfer of surplus to be invested in industry are some of the ways in which a growing agriculture can contribute to the process of industrialization.

Looking at the historical experience of present day developed countries and the role agriculture played in industrialization, today's developing countries which do not wish to depend on imports for food, raw materials, investible funds etc. realize the need to transform agriculture for the growth of an independent industry. A transformation of agriculture becomes necessary if agriculture is backward and stagnant. Agrarian transformation implies not only technical changes but institutional changes as well which may be necessary to create an environment conducive to investment and the adoption of new technology. Since property relations constitute the basis of the

institutional structure a change in it would necessarily imply a change in the structure of property relations. The dominant social formation determines the nature of the agrarian transition. The transition includes "those changes in the countryside necessary to the overall development of capitalism or of socialism, and to the ultimate dominance of either of these modes of production in a particular national social formation."<sup>1</sup> The resolution of the agrarian question lies in the manner in which this transition is brought about and in the transfer of surplus from agriculture to industry.

Under socialism which strives for social ownership of the means of production the classic solution to the agrarian question has been collectivization. The problems concerned with the transition to collectivized agriculture are not our concern here. We shall limit ourselves to a study of the agrarian transition to capitalism.

#### Capitalism:

The sense in which capitalism is used here is the way in which Marx defined it, as a particular mode of production. By mode of production Marx referred to the state of the

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1. Byres, T.J., "Agrarian question, forms of capitalist transition and the state: An essay with reference to Asia", paper presented in the International Workshop on Rural Transformation in Asia, New Delhi, October 2-4, 1986, pp.1-2.

productive forces, to the ownership of the means of production and to the social relations between men which resulted from their location in the process of production. Capitalism is a system of generalized commodity production where even labour power becomes a commodity. According to Marx its historical prerequisite was the concentration of ownership of the means of production in the hands of a class, consisting of only a minor section of society, and the consequent emergence of a propertyless class for whom the sale of its labour power was the only source of livelihood. The "proletariat" worked not because of legal compulsions but on the basis of wage contract. Capitalism grew out of simple commodity production slowly penetrating the countryside, developing the forces of production and raising agriculture's productiveness. It eroded feudal relations of production in which the surplus beyond subsistence of the subordinated peasant, whether in direct labour or in rent, in kind or in money, is transferred under coercive sanction to the landowner; Capitalism replaced these relations with the capitalist farmer/wage worker relation. The complex and varied means by which capitalism has become the dominant mode of production in agriculture provide a fascinating study.

The Agrarian Transition to Capitalism:

The agrarian transition did not, however, represent a full solution to the agrarian question since that involved the crystallization of a number of crucial class configurations. In the phase of primitive accumulation of capital when there is an accumulation of capital prior to the full flowering of capitalist industry, agriculture must, on the one hand, generate and release, in sufficient quantity and on reasonable terms, the surplus necessary for growth in the industrial sector. On the other hand it must contribute to the creation of a home market for manufactured goods. As long as the urban bourgeoisie does not have undisputed hegemony in the social formation and the class of capitalist farmers retains some political power, the full unleashing of productive forces in industry can be frustrated. For example, if the terms of trade are maintained in favour of agriculture and against industry then this can be a major factor preventing industrial growth. The problem is likely to be made even more complicated if the agrarian sector resists attempts to taxation thereby preventing the appropriation of investible surplus by the state. Moreover, a high price of food could limit the growth of the mass market for manufactured goods since it prevents the growth of urban demand while rural demand seldom rises as the benefits of favourable terms of trade do not accrue to the agricultural labourer who is himself a purchaser of food. Thus if the

state protects the interests of the rural bourgeoisie, the blocking of capitalist development may become apparent even before capitalism has become the dominant mode. The agrarian question is of overwhelming importance in today's developing countries. The solution of this question is a pre-requisite for the economic growth and political stability of these countries. As Byres puts it, "populist pipe-dreams notwithstanding the two routes which are open to poor countries are via capitalism or via socialism".<sup>2</sup> In most of the developing world the attempt is to move along the capitalist road. The attempt to solve the agrarian question here has been usually accompanied by popular rhetoric while calling for institutional and technical changes. Some sort of 'socialism', has often been the professed aim of those advocating institutional changes like land reforms, community development, cooperatives etc. One of the primary effects of such policies has in fact been a hastening of the process of peasant differentiation.

#### Peasant Differentiation:

Often the historical origins of the process of peasant differentiation lay in an earlier epoch when colonialism created conditions which set in the process of peasant

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2. Byres, T.J., "Agrarian Transition and the Agrarian Question", Journal of Peasant Studies (JPS), Jan. 1977.

differentiation. Peasant differentiation implies the existence of peasant classes with differing production objectives, resource constraints and technical levels of production. The "concept of class lies in the location of a household within the system of production relations".<sup>3</sup> The "classes are to be looked at in terms of the two related criteria: possession of the means of production and the exploitation of labour".<sup>4</sup> Rural classes in capitalist countries according to Lenin are:<sup>5</sup>

First, the agricultural proletariat, wage labourers (by year, season or day) who obtain their livelihood by working for hire at capitalist agricultural enterprises.

Second, the semi-proletarians or peasants who till tiny plots of land i.e. those who obtain their livelihood partly as wage-labourers at agricultural and industrial capitalist enterprises and partly by working their own or rented plots of land, which provide their families with only part of their means of subsistence. This group of the rural working population is very numerous in all capitalist countries.

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3. Patnaik, Utsa, Peasant Class Differentiation: A Study in Method with Reference to Haryana, OUP, Delhi, 1987, p. 21.
  4. Ibid.
  5. Lenin, V.I., 'Preliminary Draft Thesis on the Agrarian Question' presented to the Second Congress of the Comintern, 1920, Selected Works, vol. I, Progress Publishers, Moscow, 1963.

Third, the small peasantry, i.e. the small scale tillers who, either as owners or as tenants, hold small plots of land which enable them to satisfy the needs of their families and their farms, and do not hire outside labour.

Taken together, the three groups enumerated above constitute the majority of the rural population in all capitalist countries.

Yet another class is the middle peasantry in the economic sense, one should understand by 'middle peasants' those small farmers who (1) either as owners or tenants hold plots of land that are also small but, under capitalism, are sufficient not only to provide as a general rule a meagre subsistence for the family and the bare minimum needed to maintain the farm, but also produce a certain surplus which may, in good years at least, be converted into capital, (2) quite frequently employ hired labour.

The big peasants are capitalist entrepreneurs in agriculture, who as a rule employ several hired labourers, and are connected with the 'peasantry' only in their low cultural level, habits of life, and the manual labour they themselves perform on their farms.

And finally, the big landowners in capitalist countries - directly or through their tenant farmers - systematically exploit wage-labour and the neighbouring small (and not infrequently part of the middle) peasantry, do not themselves engage in manual labour, and are in the main descended from the feudal lords (the nobles in Russia, Germany and Hungary, the restored Seigneurs in France, the lords in Britain and the former slave-owners in America), or are rich financial magnates, or else a mixture of both these categories of exploiters and parasites.

In Mao's analysis of rural China of 1930, the major classes were:<sup>6</sup>

1. The landlord - A landlord is a person who owns land, does not engage in labour himself or does so only to a very small extent, and lives by exploiting the peasants. The collection of land rent is his main form of exploitation, in addition he may lend money, hire labour or engage in industry or commerce. But his exaction of land rent from the peasants is his principal form of exploitation.

2. The Rich peasant - A rich peasant as a rule owns land. But some rich peasants own only part of their land

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6. Mao Zedong, "How to Differentiate the Classes in the Rural Areas", Selected Works, vol. I, Foreign Languages Press, Peking, 1965.



and rent the remainder. Others have no land of their own at all and rent all their land. The rich peasant generally has rather more and better instruments of production and more liquid capital than the average and engages in labour himself, but always relies on exploitation for a part or even a major part of his income. His main form of exploitation is the hiring of labourers (long-term labourers). In addition, he may let part of his land and practise exploitation through land rent, or may lend money or engage in industry and commerce. A person who owns a fair amount of good land, farms some of it himself without hiring labour, but exploits other peasants by means of land rent, loan interest or in other ways, shall also be treated as a rich peasant. Rich peasants regularly practise exploitation, and many derive most of their income from this source.

3. The Middle Peasant - Many middle peasants own land. Some own only part of their land and rent the rest. Others own no land of their own at all and rent all their land. All of them have a fair number of farm implements. A middle peasant derives his income wholly or mainly from his own labour. As a rule he does not exploit others and in many cases he himself is exploited by others, having to pay a small amount in land rent and interest on loans. But generally he does not sell his labour power. Some middle

peasants (the well-to-do middle peasants) do practise exploitation to a very small extent, but this is not then regular or main source of income.

4. The Poor Peasant - Among the poor peasants some own part of their land and have a few odd farm implements. As a rule poor peasants have to rent the land they work on and are subjected to exploitation, having to pay land rent and interest on loans and hire themselves out to some extent.

In general a middle peasant does not need to sell his labour power while a poor peasant has to sell part of his labour power. This is the principal criterion for distinguishing between a middle and a poor peasant.

5. The Worker - The worker (including the farm labourer) as a rule owns no land or farm implements, though some do own a very small amount of land and very few farm implements. Workers earn their living wholly or mainly by selling their labour power.

As Patnaik points out, a careful look at Lenin and Mao's classification shows that taken together they have mentioned three related indices in identifying class status. These are: one, the extent of possession of land and other means of production. Two, the question of whether the household exploits others by hiring labour and taking rent, whether it is self-employed or itself exploited and the extent of exploiting or being exploited relative

to self-employment. Third, the question of whether the household is unable to meet subsistence requirements and is therefore enmeshed in usurious indebtedness, or whether it succeeds in obtaining a subsistence or produces a surplus available for investment. These indices are closely associated with each other.<sup>7</sup>

In the transition to capitalism in agriculture in which there is appropriation of surplus value from wage labour by a class monopolizing the means of production, it is necessary that the process of peasant differentiation leads to the emergence on the one hand of a class of surplus producing capitalist farmers who own land and other instruments of production and hire wage labour though they may participate in the production process themselves as well, and on the other of an agricultural proletariat and semi-proletariat who have little or no land and have to resort to the sale of their labour power to earn their livelihood. It is the primarily self-employed peasantry which under a regime of commodity production gives rise on the one hand to a rich peasant class that increasingly employs the labour of others and thereby appropriates surplus, and on the other a poor peasant class that is increasingly subjected to exploitation. In other words,

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7. Patnaik, Utsa, op. cit., Ch. 2.

capitalist development constantly strives to do away with the existing pre-capitalist relations. The developed capitalist countries are the ones that have almost completely eliminated pre-capitalist production relations.

Institutional Barriers to Growth:

It has been seen that existing pre-capitalist relations often pose a barrier to growth. As Patnaik argues in a scenario of the monopoly over land of landlords who rent out land to small tenants where the high man-land ratio has bid up rents to hunger-rent levels, the barrier of pre-capitalist ground rent to capitalist investment has emerged. 'The built-in depressor' works in the following way. The non-cultivating proprietor obtains a large proportion of the gross product as rent by leasing out to land-hungry tenants who bear all the costs of cultivation. This rental income represented a 'return to land monopoly per se', and has nothing to do with either any outlay of capital by the landlord in the production process, or their participation in labour. The landlord class is the only class living off land which possesses any liquid funds. These they usually invest in trade or usury rather than into agro-based industry.<sup>8</sup> If the landlord was to shift from leasing out

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8. Patnaik, Utsa, The Agrarian Question and the Development of Capitalism in India, OUP, Delhi, 1986, pp.8-9.

to direct capitalist cultivation he would have to invest money in the fixed and working capital requirements of agricultural production. This money he would have to withdraw from trade or/and usury which yield high returns. At the same time he would also have to withdraw land from tenants which, even without any outlay on it, was already giving him an income by way of absolute ground rent. Patnaik therefore argues that "by investing a given sum of money Rs. M in direct cultivation of a unit of land it would not be enough if only the return Rs. P at  $r_u$  per cent, which that sum would have otherwise earned (in usury etc.) is obtained: a surplus-profit over and above Rs. P, equal at least to Rs. R, the rent foregone on the withdrawn unit of land, is required. The rate of profit  $P_c$  in direct capitalist cultivation must therefore at least equal  $P_c \geq \frac{R+P}{M} \cdot 100$ ".<sup>9</sup> Since the pre-capitalist ground rent usually represents the entire surplus that can be extracted from a unit of land by the unremitting labour of the small tenant, R is very large relative to M and  $P_c$  represents a very high rate of profit. If we look at it in terms of the rates of return to capital we must have

$$P_c \geq r_t + r_u$$

where  $P_c$  is the profit rate in direct capitalist cultivation;

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9. Ibid., p.9.

$r_t$  the rent payable by the tenant expressed as a percentage of expenditures in cultivation by the tenants; and

$r_u$  the return to money capital in the economy.

If the landowner undertakes investment at the same technical level at which the petty tenant operates, the landlord usually does not even get the highest possible return  $R/M=r_t$  on his capital because the costs of supervising hired labour and paying the market wage rate lower the surplus. But the landlord has already been getting Rs.  $R$  as rent plus  $r_u$  return on his money capital  $M$ . The landlord would therefore undertake direct investment on hitherto leased out land not if he gets only  $r_u$  return on his capital outlay but if he gets  $(r_t+r_u)$  on it. This would mean a discrete jump in the magnitude of surplus per unit of area. Since the given technical level can at most yield  $r_t$  if investment is to be undertaken it must embody productivity raising new techniques, or better ways of organizing production, so that the surplus per unit of area rises by the required quantum which is  $r_u/r_t$ . In other words, "A quantum jump in yields is required for the rent barrier to be overcome".<sup>10</sup> Thus a disincentive to investment is built into the agrarian structure and is capable of being overcome only under very stringent conditions.

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10. Ibid., p.10.

Patnaik notes that as far as the peasantry is concerned there is no rent-barrier but the lack of investing capacity which constrains the overwhelming majority.

Even if it is not hunger rents which pose the barrier to growth as in the Patnaik schema, backward agriculture may still have other barriers to growth and technical change. The Bhaduri model, for example, examines a situation of forced commercialization in backward agriculture. The peasant is here forced to sell a high proportion of his output immediately after the harvest when prices are usually lower in order to meet his cash requirements. After the "distress sale" he is left with very little to survive till the next harvest. As a consequence he has to borrow cash at a very high rate of interest to purchase foodgrains from the market sometime before the next harvest. This constitutes distress buying by the peasant. A regular cycle of distress buying and selling of foodgrains is thus set up for the small peasantry as a whole. Merchant's and usurer's capital exploits the peasantry through a high interest charge which constitutes the main method of extraction of surplus product in the market. Bhaduri notes, "the distinguishing feature of this commercial exploitation is that 'unequal exchange' of paddy sold and bought under distress takes place directly in the 'product market' i.e. in the market for foodgrains rather than in the labour market. In this sense commercial

exploitation stands in contrast to capitalist exploitation".<sup>11</sup>

Since the main aim of commercial exploitation is controlling the organization of marketing, and not production, such a purely commercial class is unlikely to be very responsive to any new technological opportunities for expanding production, unless it also happens to coincide with their interest in increasing control over the marketing process. It follows that a professional trading and moneylending class is unlikely to play a leading role in the technological transformation of backward agriculture. The indebted peasant, on the other hand, who is barely at the subsistence level does not have "the economic ability to bear either the additional risk or the cost of introducing new technology in agriculture."<sup>12</sup>

Bhaduri further discusses the situation in which the class of large landowners also serve as money lenders to the small peasants. He considers the case where the landowner extracts a direct surplus from the peasants in the form of product rent as a share of output, for example, through a sharecropping arrangement. Simultaneously the landlord also provides consumption loans to his tenants. He notes, "since the income of a landlord depends both

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11. Bhaduri, A., The Economic Structure of Backward Agriculture, Macmillan, Delhi, 1984, p.19.

12. Ibid., p.55.



on commercial exploitation through usury and on rent as a fixed share of the product, it is quite conceivable that under a range of conditions, the landlord class will not respond favourably to opportunities for improved agricultural technology, although they have the financial capability of doing so."<sup>13</sup> Under fixed share arrangements improved agricultural practices are likely to raise the incomes of the tenants and this may reduce their requirement of consumption loans. The landlords income from usury may decrease even though higher land productivity raises his income from rent. Therefore, "Unless the landlord feels confident that he is going to be a net economic gainer in this process, improvement of agricultural technology cannot become an unambiguously attractive proposition to him."<sup>14</sup> Moreover, reduced debt may reduce the tenant's dependence on the landlord and reduce the latter's economic power. This the landlord would not like. The above illustrates how mutually reinforcing tendencies may develop into maintaining a stalemate: forced commercialization based upon consumption loans taken by the poor peasants and the consequent income of a landlord from usury makes him inclined to perpetuate the low income level of his tenants by restricting technological improvements in agriculture; this tends to reinforce

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13. Ibid.

14. Ibid.

in turn the grip of forced commercialization. Technological stagnation merely becomes the other side of the involuntary exchange nexus that goes with forced commercialization.<sup>15</sup>

Thus, though land reform is usually thought of in terms of distributive justice alone it is equally essential for a faster rate of transition to higher productivity through rapid capital formation within the agrarian sector. This, Patnaik argues, in turn affects the rate of industrialization through raising the rate of expansion of the domestic market for mass consumption goods and through the supply of wage goods and raw materials to industry.<sup>16</sup>

We may, thus, conclude that where existing property relations pose a barrier to investment and growth, land reform is required and where the state is capitalist the direction of change would be along capitalistic lines.

#### Paths to Capitalism:

The form of transition to capitalist agriculture is linked to the manner in which the transition takes place in the whole national social formation. The two ways to capitalism found in the works of Marx have been discussed

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15. Ibid.

16. Patnaik shows how major breakthroughs in agricultural production came in both China and Japan as a result of land reforms. Patnaik, op. cit., pp. 26-7.

by Dobb as follows. Marx pointed out that in its early stage merchant capital had a purely external relationship to the mode of production as it remained only in the sphere of circulation and did not enter the sphere of production. Later it began to enter the sphere of production to "deteriorate the condition of the direct producers... and absorb their surplus labour on the basis of the old mode of production - and partly in order to transform it in the interests of greater profit and the service of wider markets."

There are two main roads to capitalist development. The first "really revolutionary way" is where a section of the producers accumulate capital and begin to organize production. According to the second path a section of the existing merchant class "take possession directly of production" and serves "historically as a mode of transition"<sup>17</sup>.

According to Barrington Moore Jr. the two routes to capitalism are the route of bourgeois revolution treaded upon by England, France and the United States, and the reactionary path which in the absence of a strong revolutionary surge culminates in fascism as in Germany or Japan. We can see that there exists a deep link in the way in

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17. Dobb, M., Studies in the Development of Capitalism, Routledge and Kegan Paul Ltd., London, 1963, p.123.

which changes take place in the mode of production and the manner in which the state becomes a capitalist one. Where the transition to capitalism has been by the revolutionary path 'from below' political revolutions have occurred which included throwing out completely of the old ruling class from political power and establishing bourgeois democracy. On the other hand capitalism 'from above' has been accompanied by a coalition between 'influential sectors of the landed upper classes and the emerging commercial and manufacturing interests', who having established themselves have set up conservative and even authoritarian governments.<sup>18</sup> The failure of these governments, which sometimes established unstable democracies also, to cope with everyday problems and their 'reluctance or inability to bring about fundamental structural changes' led to fascism.<sup>19</sup>

The changes in the agrarian structure are deeply linked to the route to capitalism followed. Violent revolutions which occurred in the case of 'bourgeois revolutions' swept away feudal obstacles to growth. \*The English Civil War checked royal absolutism and gave the commercially minded big landlords a free hand to play their part during the eighteenth and early nineteenth centuries in

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18. Moore, Barrington Jr., Social Origins of Dictatorship and Democracy, Penguin Books, Harmondsworth, 1966, p.436.

19. Ibid., p.438.

destroying peasant society. The French revolution broke the power of a landed elite that was still mainly pre-commercial... Finally, the American Civil War likewise broke the power of a landed elite that was an obstacle in the way of democratic advance...<sup>20</sup> On the other hand the governments in Japan and Germany tried to modernize without radically changing the social structure, especially in agriculture.

The route to capitalism chosen is closely tied up with previous social structures. As Takahashi argues the way in which capitalism takes form in every country is closely tied up with the internal intensity and organization of the feudal economy there.<sup>21</sup> By creating the independence and ascent of the petty commodity producers and their differentiation, bourgeois revolutions in Western Europe set free from among them the forces making - as it were economically - for the development of capitalist production. In England and France, feudal land property and serfdom either disintegrated in the process of economic development, or were wiped out structurally and categorically in the bourgeois revolution. In Russia and Japan this

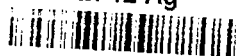
20. Ibid., p.426.

21. Takahashi, "A Contribution to the Discussion" in Hilton, R. et. al. (eds.), The Transition from Feudalism to Capitalism, Verso, London, 1978.

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'emancipation' was carried out in the opposite sense. The organization of feudal landed property remained intact and the classes of free and independent peasants and middle class burghers were undeveloped. Since Capitalism had to be erected here on a basis of fusion rather than conflict with absolutism, its formation took place in the opposite way to Western Europe, predominantly as a process of transformation of putting out merchant capital into industrial capital. Capitalism had to make its way within an oligarchic system - the 'organic' social structure - designed to suppress bourgeois liberalism. There exists a deep inner relationship between the agrarian question and industrial capital, which determines the characteristic structure of capitalism in various countries.<sup>21a</sup>

Transitory Forms:

Any study of the agrarian transition must also examine transitory modes which are characterized by the emergence and development of capitalist forms within the framework of a surviving precapitalist mode of production. It is also essential to study some categories present in the period when capitalism has not developed fully and which though appear to be feudal, are in essence, capitalist.

The metayage system or sharecropping, for example, is considered by Marx as a transitory form from the original

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21a. Ibid.

form of rent to capitalist rent. Even though under sharecropping there is no clear demarcation between necessary and surplus labour as is characteristic of capitalism we cannot define the system as capitalist because such a phenomenon takes place even under feudalism when rent is paid in kind or cash. What is important is, as Gupta argues, "The feudal serfs' subsistence is not dependent upon the overlord granting him a plot and thereby providing him with an opportunity to labour and meet his own requirements. In sharecropping, pure and simple, on the other hand, the sharecropper is dependent for his very existence on the landlord granting him a piece of land and setting him to work on it... In other words, in sharecropping the direct producer is alienated from the means of production and the situation therefore corresponds to one where labour is formally subsumed under capital."<sup>22</sup>

Under capitalism the real subsumption of labour under capital takes place. But before this, argues Gupta, comes a transitory stage when in the transition from a pre-capitalist to a capitalist system labour is formally subsumed under capital. In this transitory stage though capital still operates at the given level of technology,

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22. Gupta, D., "Formal and Real subsumption of Labour under Capital The instance of sharecropping", Economic and Political Weekly, (EPW), Review of Agriculture, Sept. 1980.

and though the source of profit is absolute surplus extraction "it surpasses all other systems of production which were based on directly compulsory labour".<sup>23</sup> Marx argues, "At any rate, if we consider the two forms of surplus value there corresponds two separate forms of the subsumption of labour under capital, or two distinct forms of capitalist production. And here too, one form always precedes the other, although the second form, the more highly developed one, can provide the foundations for the introduction of the first in new branches of industry."<sup>24</sup>

When the formal subsumption of labour under capital takes place, then according to Marx, first a purely economic contract replaces extra-economic coercion and there now exists a "pure money relationship between the man who appropriates the surplus and the man who yields it up."<sup>25</sup> Secondly, "The objective condition of labour... and the subjective conditions of labour confront him [the labourer] as capital. The more completely these conditions of labour are mobilized against him as alien property, the more effectively the formal relationship between capital and wage labourer is established - i.e. the more effectively

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23. Marx, K., Capital Vol.I, Penguin Books, Harmondsworth, 1973, p.425.

24. Ibid., p.1025.

25. Ibid.



the formal subsumption of labour under capital is accomplished and this, in turn, is the premise and pre-condition of its real subsumption."<sup>26</sup> Gupta further argues that with the formal subsumption of labour under capital, capital is already the dominating force. This stage plays the important function of primitive accumulation and provides the foundation for the real subsumption of labour under capital. The basic transformation i.e. of surplus extraction through pure economic coercion has already been established by the monopolization of the means of production by a class.<sup>27</sup>

Pearce points out that cost-share leases can be regarded as an intermediate stage in the proletarianization process, in which the tenant takes an increasingly passive role in production. "This form of lease enables the tenant to acquire the inputs necessary for the new production methods (and landlords to obtain a share of the greater profits resulting) when otherwise such acquisition may be inhibited either through an unwillingness of those existing close to the margin of subsistence to accept any extra burden of uncertainty, or through limited and distorted access to input markets."<sup>28</sup>

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26. Ibid., p.1026.

27. Gupta, D., op. cit.

28. Pearce, R., "Share-cropping: Towards a Marxist View", JPS, vol.10, No.2 & 3, Jan./April 1983.

It is seen that sharecropping coexisted with direct cultivation using hired labour. Institutions like sharecropping or labour service were considered transitional by Lenin as well who contended that the "economic organization of contemporary landlord farming amount to two main systems in the most varied combinations - the labour service system and the capitalist system... combinations of which are characteristic of every transitional period."<sup>29</sup>

As Pearce argues, sharecropping can be consistent with capitalist relations but only in a transitional sense in so far as it is associated with labour processes typical of non-capitalist modes of production but subsumed under capitalist relations.<sup>30</sup> Its demise is inevitable once the means of production are in the hands of the capitalists who produce for profit, the inner logic of capitalism pushes through a transformation of the labour process. The formal subsumption of labour is followed by the real subsumption of labour under capital as this gives the capitalist a greater control over nature and over the labour process.

"Sharecropping has been conjuncturally a consistent form of appropriation to the extent that it acts as either

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29. Lenin, V.I., The Development of Capitalism in Russia, Progress Publishers, Moscow, 1977, p.200.

30. Pearce, op. cit.

a labour incentive, that is, increases the intensity of labour, where supervision costs are high or as an incentive to tenants i.e. increases the supply of tenants, where the labour process is characterized by uncertainty. With a substantial intervention of capital into the labour process, however, neither of these conditions obtain. The time and effort necessary to ensure a 'successful' or 'desired' outcome of production become less as the range and 'subjectivity' of skills necessary are reduced. Thus the greater is the integration of labour and the means of production in performing any particular task, the more the performance of labour (intensity and quality of work) is determined by those forces with which labour is combined.<sup>31</sup> Greater control implies reduced uncertainty. Evidence indicates that technical progress, such as that associated with the Green revolution, does lead to a substitution of wage labour for sharecropping.<sup>32</sup> In other words, the availability of new technology in agriculture such as high yielding seeds, chemical fertilizers, insecticides, herbicides, accompanied by mechanical innovations such as pumpsets, tractors, harvestors etc., the combined impact of which implies a

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31. Pearce, R., op. cit.

32. Bhalla, Sheila, "Changes in Acreage and Tenure Structure of Land Holdings in Haryana, 1962-72", EPW, March 1977.

transformation of the labour process, and which reduce the uncertainty attached to agricultural production, can induce landowners to shift to direct cultivation.<sup>33</sup>

In certain situations there is a persistence of what Chayanov defines as 'the family farm' which said to constitute a 'peasant economy'. Land<sup>and</sup>/the means of production are possessed by the family which does not hire any outside labour and works the land with family labour alone for the purpose of satisfying consumption needs. 'The family farm' so defined is nothing but the petty agricultural producer of Marxist theory. Patnaik argues that Chayanov's concept of 'peasant economy' cannot be placed alongside the Marxist concept of mode of production. The latter is an analytical concept (abstracted from a study of historical reality). The mode of production comprises a totality of a particular set of production relations and the corresponding set of productive forces.<sup>34</sup> Chayanov's 'peasant economy' on the other hand is a purely descriptive category. Moreover the 'peasant economy' is not a set of production relations; it is simply an aggregation of individual

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33. The logic of the green revolution technology and empirical observation suggest that mechanical innovations will accompany the biochemical changes.

34. Patnaik, Utsa, "Neo-Populism and Marxism: The Chayanovian view of the Agrarian Question and its Fundamental Fallacy", JPS, April 1979, vol.6, No.4.

atomistic production units - the family farms. Further as Harrison argues "family labour on the family farm does not in itself constitute a social relation".<sup>35</sup> The 'peasant economy' so defined has never existed outside the conception of its author. What has actually existed, is petty commodity production as the basis of feudalism, and petty commodity production in transitional forms to capitalism as the feudal economy disintegrates - both of which constitute social relations of production.<sup>35a</sup>

When the small-scale tiller is faced with unfavourable prices and a drop in the value of his output, he throws himself on the labour market and seeks work for wages while <sup>the</sup> in/meanwhile he borrows to finance consumption. Unfavourable price fluctuations thus compel the petty producer to become a semi-proletariat and fall into the usurer's clutches. This is how Marxist theory predicts class differentiation. Patnaik admits that the relative persistence of small holdings may be observed when there are no economic alternatives.<sup>36</sup> However, another instance in which 'the family farm' may tend to persist is when the state actively intervenes

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35. Harrison, M., "Chayanov and the study of the ~~London~~ Russian Peasantry" (Mimeo; Cambridge, 1972), cited in Patnaik, U., Ibid.

35a. Patnaik, U., Ibid.

36. Ibid.

to see to it that farmers are ensured a rate of return and it takes measures to inhibit the process of differentiation. This is seen for example, in the US and Japan where 'family farms' have tended to persist due to the active intervention of the state in the market for both agricultural inputs and output. The state by effective intervention has put barriers to the process of peasant differentiation. As Byres notes we may see "in the activities of the American state, powerful intervention which has served to reinforce significantly the survival of the family farm/petty commodity production. It is most doubtful that such survival would have been secured to the degree in question without such state intervention."<sup>37</sup> The persistence of such farms, however, should not blind us to the fact that petty commodity production is essentially a transitional form and if the state were to allow the free play of economic forces, the internal dynamics of the system would eventually lead to a differentiated peasantry. Even though not penetrated by capitalist relations of production, the agrarian sector is completely integrated into the capitalist economy. As Byres notes "Japanese agriculture has been thoroughly penetrated by capitalism but not by capitalist relations of production."<sup>38</sup>

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37. Byres, T.J., "The Agrarian Question, Forms of Capitalist Agrarian Transition, And the State", op. cit., p.61.

38. Ibid., p. 94.

While discussing the transitional nature of petty commodity production it must be noted that petty commodity production is a transitional form not only in the transition to capitalism but in the transition to socialism as well. In this case as Lenin saw the problem of development in the Soviet Union, the problem was one of 'organizational reconstruction of the whole social economy' by a transition from individual disunited, petty commodity production' to large-scale social production. This transformation is a protracted process and the peasant acts as the carrier of the new technology. Lenin noted that to hasten growth the state should render such assistance to the peasant as to enable him "to effect an immense improvement in his whole farming technique, to reform it radically."<sup>39</sup>

When the transition towards capitalism proceeds there emerge certain categories which are capitalist in essence but appear to be feudal. For example, as Lenin points out, "...our literature frequently contains too stereotyped an understanding of the theoretical proposition that capitalism requires the free, landless worker. This proposition is quite correct as indicating the main trend, but capitalism penetrates into agriculture particularly slowly

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39. Lenin, V.I., "Economics and Politics in the Era of the Dictatorship of the Proletariat" in Collected Works, vol.30, Lawrence and Wishart and Progress Publishers, 1965, p.113.

and in extremely varied forms. The allotment of land to the rural worker is very often /the interests of the rural employers themselves, and that is why the allotment holding rural worker is a type to be found in all capitalist countries. The type assumes different forms in different countries: the English cottager is not the same as the small-holding peasant of France or the Rhine province and the latter again is not the same as the knecht in Prussia. Each of these bears traces of a specific agrarian system, of a specific history of agrarian relations - but this does not prevent the economist from classing them all as one type of agricultural proletarian. The juridical basis of his right to his plot of land is absolutely immaterial to such a classification. Whether the land is his full property (as a small-holding peasant) or whether he is only allowed the use of it by the landlord or the Rittergutsbesitzer (Lord of the manor), or finally whether he possesses it as a member of a Great Russian peasant community makes no difference at all."<sup>40</sup>

One must distinguish the attached worker from the serf performing labour on his lord's demesne. Though there exists a clear distinction between necessary and surplus labour time which is uncharacteristic of capitalism and is found in feudalism, one must not confuse this with

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40. Lenin, V.I., The Development of Capitalism in Russia, op. cit., pp.181-2.



labour rent where according to Marx, "...the direct producer, using instruments of labour (plough, cattle, etc.) which actually or legally belong to him, cultivates soil actually owned by him during part of the week and works during the remaining days upon the estate of the feudal lord without any compensation from the feudal lord..."<sup>41</sup> The situation of the attached farm labourer is different in that not only does he not possess his own instruments of labour, not only does he not have a right to cultivate the plot of land allotted to him, the way the serf has a legal right, but also in the fact that the means of exploitation are here not non-economic coercive methods as in the case of the serf. The farm labourer enters into an economic contract with the landowner for whom he works and he is legally free to move from the land and not work on it if he so wishes.

#### Routes to Capitalism in Agriculture:

Among the paths of agrarian transitions the ones we shall outline are the English, the Prussian and the American.

Engels had suggested that the two successful transitions that had taken place had been in England and Prussian East of the Elbe.<sup>42</sup> Lenin contrasted the Prussian path of

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41. Marx, K., Capital, vol. III, Progress Publishers, Moscow, 1966, p. 790.

42. Engels, F., The Peasant Question in France and Germany, Selected Works of Marx, K. and Engels, F., vol. 3, Moscow, 1970.

'capitalism from above' and the American path of 'capitalism from below'.

In the agrarian transition, he wrote, "Either the old landlord economy, bound as it is by thousands of threads to serfdom is retained and thus turns into a purely capitalist "Junker" economy. The basis of the final transition from otrabotki to capitalist is the internal metamorphosis of the feudalist landlord economy. The entire agrarian system of the state becomes capitalist and for long retains feudalist features. Or the landlord economy is broken up by revolution which destroys all the relics of serfdom, primarily large land ownership."<sup>43</sup> In the latter case the basis of agrarian transition is the "free development of small peasant farming which has received a tremendous impetus as a result of the expropriation of the landlords' estates in the interests of the peasantry. The entire agrarian system becomes capitalist, for the more completely the vestiges of serfdom are destroyed, the more rapidly does the disintegration of the peasantry proceed."<sup>44</sup>

The English, the Russian and the American paths have had considerable influence among scholars studying agrarian transitions even though historical experience reveals greater

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43. Lenin, V.I., The Development of Capitalism in Russia, op. cit., p.8.

44. Ibid.

diversity.

The analysis of these models is essential not only to recognize the importance of diversity in agrarian transition, as each one is different from the others, but also to explore the possibility of yet different paths of capitalist agrarian transition. Observing the diversity that is displayed one can realize the need for the study and analysis of the experience of other countries. The path followed may either be one of these or, what is more likely, it may be a variant of these paths. As Lenin points out, "of course, infinitely diverse combinations of elements of this or that type of capitalist evolution are possible."<sup>45</sup>

Further, the historical experience of another country is useful because in the attempt to analyse particular experiences a comparative perspective can lead to new questions. Moreover, comparisons can serve as checks on accepted historical explanations as well as lead to new generalizations.

Before we go further it is pertinent to discuss the classic models mentioned above to be able to judge which of the paths or their combinations was followed or is in process in a present day developing country.

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45. Lenin, V.I., The Development of Capitalism in Russia, op. cit., p. 9.

The English Path:

The English Path represents the first successful path in the history of the agrarian transition to capitalism. At the top of the agricultural population stood the landlord class. Crucial to the transition was the differentiation of the peasantry. In the medieval times the internal stratification of the peasant society was essentially limited but eventually over a long period of time it transformed into the fundamental class divisions of capitalist agriculture. According to Marx, who essentially studied the historical experience of England, the shift from labour rent to rent in kind contained the seeds of differentiation "compared with labour rent, the producer rather has more room for action to gain time for surplus-labour whose product shall belong to himself, as well as the product of his labour which satisfies his indispensable needs. Similarly this form will give rise to greater differences in the economic position of the individual direct producer to have in turn acquired the means to exploit other labourers directly."<sup>46</sup>

The shift from rent in kind to money rent constituted a major step in the transition to agrarian capitalism in England. Marx writes, "Although the direct producer still

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46. Marx, K., Capital, vol. 3, op. cit., pp. 795-96.

continues to produce at least the greater part of his means of subsistence himself, a certain portion of this product must now be converted into commodities. The character of the entire mode of production is thus more or less changed."<sup>47</sup>

Marx further held that, "In its further development money rent must lead - aside from all intermediate forms e.g. the small peasant tenant farmer - either to the transformation of land into peasants' free hold, or to the form corresponding to the capitalist mode of production."<sup>48</sup>

Thus, "the transformation of rent in kind into money rent... is not only inevitably accompanied, but even anticipated, by the formation of a class of propertyless day-labourers, who hire themselves out for money. During their genesis when this new class appears but sporadically, the custom necessarily develops among the more prosperous peasants subject to rent payments of exploiting agricultural labourers for their own account, much as in feudal times, when the more well-to-do peasant serfs themselves also held serfs. In this way they gradually acquire the possibility of accumulating a certain amount of wealth and themselves becoming transformed into future capitalists. The old self-employed possessers of land themselves thus

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47. Ibid., p.798.

48. Ibid., p.797.

gave rise to a nursery school for capitalist tenants, whose development is conditioned by the general development of Capitalist production beyond the bounds of the countryside. This class shoots up very rapidly when particularly favourable circumstances come to its aid, as in England in the 16th century, where the then progressive depreciation of money enriched them under the customary long leases at the expense of the landlords.<sup>49</sup>

The differentiation of the peasantry and its eventual break up into a class of capitalist farmers and a rural proletariat was a complex process mediated by a variety of interventions by the state. Intervention was necessary to secure that crucial change in property relations - the way in which land is owned, held and worked - necessary to the full unleashing of capitalism.<sup>50</sup>

An important aspect of the English model was the nature of the landlord class. Though this class did not make productive investment in land, it did not actively oppose the developments taking place in agriculture. Most landlords preferred rent as a form of income and very few took to direct cultivation. They preferred to charge

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49. Ibid., pp.798-99.

50. Byres, T.J., "The Agrarian Question, Forms of Capitalist Agrarian Transition and the State", op. cit., pp.37-38.

customary rents rather than to maximize rents. This class retained its political power long after the dominance of Capitalist production in the English countryside.

The American Path:

The American path is an example of 'capitalism from below'. Capitalism emerges predominantly from the peasantry. Either, "there is no landlord economy, or else it is broken up by revolution, which confiscates and breaks up the feudal estates."<sup>51</sup> Such a revolution will involve significant struggle by the peasantry, probably spearheaded by the rich peasantry. It is also likely to require substantial action by the state, against the landlord class, and on behalf of the peasantry (and especially the rich peasantry).<sup>52</sup>

The path of capitalism from below is essentially predominated by the peasant who "becomes the sole agent of agriculture, and evolves into a capitalist farmer... the main background is the transformation of the patriarchal peasant into a bourgeois farmer,"<sup>53</sup> and "the basis of the

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51. Lenin, V.I., "The Agrarian Programme of Social Democracy in the First Russian Revolution, 1905-1907" in Collected Works, vol.13, Foreign Languages Publishing House, Moscow, 1962, p.239.
52. Byres, T.J., "The Agrarian Question, Forms of Capitalist Agrarian Transition and the State", op. cit., p.53.
53. Lenin, V.I., "The Agrarian Programme of Social Democracy in the First Russian Revolution 1905-1907", op. cit., p.239.

final transition... to capitalism is the free development of small peasant farming."<sup>54</sup>

The United States was settled by independent family farmers steeped in a commercial economy tied to the world market who had access to vast reaches of land without feudal ties. 'The family farm' system grew dramatically during the nineteenth century as millions of settlers spilled over the continent. There was no significant landlord class and Lenin envisaged that the agrarian transition would depend on the differentiation of the peasantry and the subsequent emergence of a class of capitalist farmers exploiting a rural proletariat. However, as noted earlier, farms retained their central characteristic of operating mainly by family labour while becoming integrated into the capitalist economy. This persistence was made possible by the state through a variety of measures which included acreage allotment, market quotas, support prices, parity payments, conservation programmes, national crop insurance programmes, etc.

#### The Prussian Path:

The Prussian path of agrarian transition, a path of capitalism from above, involved the transformation of large

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54. Lenin, V.I., Development of Capitalism in Russia, op. cit.



feudal estates into capitalist farms. The Prussian 'Junkers' owned large agricultural estates and succeeded, with the aid of state power, in enserfing to themselves, by the end of the sixteenth century, the formerly free peasants of the German East, using the labour of these serfs, the 'Junkers' engaged in large scale cultivation. The profitability of their estates was enhanced by the price revolution. They expanded their estates at the expense of these serfs,

They expanded

their estates at the expense of all peasants, and limited the scope for the process of peasant differentiation. In 1807 there was a substantial increase in the size of their estates when the serfs were freed and the land allotted to them incorporated into the Junker farms. This also created a class of wage labourers. These free wage labourers were allotted plots of land in exchange of labour. This system later changed into one in which they lived in tied cottages, were virtually landless and paid largely in kind. By the 1870s wages in kind had been largely transformed into money wages. Landlords worked their estates directly and exploited free wage labour to earn profits as capitalist farmers. Crucial to this path of agrarian transition was the role played by the state which first enserfed and later freed the peasant.

We thus see that in each of the paths to capitalist agriculture discussed above, the role of the state was crucial. However these paths of agrarian transition are not blueprints to be copied. Each society has its own special characteristics and the circumstances in which the transition takes place would vary. The path a developing country might follow may be one or another variant of this or that path or a combination of two or more in which one is dominant. Since the state is itself a part of the social formation, the path that it may attempt would be determined by the alignment of different class forces, the nature of the state and the classes which support or oppose it.

We shall first discuss a more general case, in which the state wants to resolve the agrarian question and desires an agrarian transition to capitalism without describing the specific context in which the transition is carried out. Later we shall study the case of Egypt which followed the 'peasant path' to capitalist agriculture.

#### The Agrarian Question and the State:

To solve the agrarian question the main tasks faced by a state which wishes to promote growth along capitalist lines are the following. One, to remove the obstacles to capitalist production through agrarian reform. Two, to promote capitalist production by making modern inputs readily

available and encouraging their use through subsidies, credit etc. and three, to extract from agriculture resources necessary for industry - exportables, food, raw materials, labour and a surplus, and to create an expanding rural market for manufactured goods.

An agrarian reform can only create the conditions for an eventual emergence of a particular system. It is the spread of land and labour productivity-raising new technology which pushes the process of transition forward. Institutional changes by themselves have been only partly successful in stimulating growth. As a result the need for introducing productivity improving technical change was felt. This is what has often been called the "green revolution" strategy and is basically the policy of the state to undertake the supply of modern inputs and credit to the farmers to secure increases in agricultural output. Though this technology may be scale neutral it is often directed towards those who could yield results, or in other words, it was the rich peasantry which obtained the bulk of credit and inputs since it had the capacity to increase marketed surplus by adopting the new technology. In most cases the new technology gives further impetus to the process of differentiation and increases the socio-political and economic strength of the class of rich peasants.

Attempts to increase agricultural output have also been often accompanied by direct investment by the state

for example in irrigation. State marketing and purchasing agencies may be set up to supply credit to the farmer, most often the well-to-do peasant, perform another important task. Price and tax policy of the state is often an instrument employed by the state to increase production and procure surplus.

To increase the supply of raw materials and exports, the state may use price incentives or legal restrictions to increase production. Keeping the cost of inputs used in their production low is also an instrument to increase profitability and induce the peasant to produce more. The government may also provide tax concessions as well as loans in the effort to increase supply. However in the case of food crops the entire output is not sold in the market. A mere increase in production is not sufficient to assist the industrialization effort. What must be raised is the level of marketable surplus. The effort to increase output should be accompanied by a policy of inducing the peasant to sell a larger share of his output in the market.

The rural market for manufactured goods consists of both the market for consumer goods and that for manufactured inputs into agricultural production. The market for the latter can be expanded by the supply of inputs and credit by the state to peasants at reasonable prices. The market

for consumer goods depends on the rise in incomes and changes in the class composition of rural society. The movement of intersectoral terms of trade is an important instrument in the hands of the state in this respect.

A release of labour in sufficient quantities from agriculture is essential for industrialization. Technical changes often induce a lowering of the rate of growth of labour required for agricultural production thus providing industry the required labour force.

#### Surplus Extraction:

For any backward country wishing to industrialize agriculture constitutes a major source of investible funds. Apart from loans from abroad the only two sources of investible funds are the profit in industry and what it can extract from the non-industrial sphere. Since the country is backward its need for capital accumulation is greater for industry to strengthen its position but at the same time surplus production in industry is lower so it has to rely more on agriculture for investment in industry.

The role of the state in the extraction of resources from agriculture was an issue widely discussed in the Soviet industrialization debate. Though set in the context of socialist industrialization, the debate has relevance to any country wishing to industrialize. Since industry was state owned or belonged to the socialist sector, while

agriculture was in private hands, Preobrazhensky, a principal participant in the debate, named the extraction of resources from agriculture for industry as 'primitive socialist accumulation'. This he defined as "the accumulation in the hands of the state of material means obtained chiefly from sources lying outside the state economic system."<sup>55</sup>

Preobrazhensky termed the non-industrial sphere of the economy "colonies" and propounded that the necessary economic basis of the transition was a relation of "exploitation" between the "metropolis" of state industry and its surrounding "colonies". Industry, he said, expanded its basis and productivity by drawing in "surplus value" from agriculture, until finally petty private economy was crushed out and "engulfed" in socialist economy.<sup>56</sup>

There were two methods of accumulation. First, direct taxes could be imposed on the agrarian sector. This method had its limitations. Not only could direct taxes be evaded, but their impact was more easily felt and was likely to

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55. Preobrazhensky, E., "The Fundamental Law of Socialist Accumulation" in *Viestnik Komm. Akademia*, vol. VIII, 59 seq, 69-70, 78 seq cited in Dobb, M., Soviet Economic Development Since 1917, Routledge and Kegan Paul Ltd., London, 1948, p.184.

56. Ibid.

cause political complications. The second method which Prebrazhensky favoured and thus felt was more important was the method of non-equivalent exchange between <sup>the</sup> state industry and the non-socialist sector. Through monopoly position of state industry on the market and by measures of "socialist protectionism", adopted by the state for the express purpose of encouraging socialist industry, the rate of interchange between state economy and its "colonies" could be turned to the advantage of the former. Since this would operate by "causing the product of a unit of labour or effort in state economy to exchange for the product of several units of labour in the colonies, it involved an "exploitation" of the latter by the former, and the creation of "surplus value" for the benefit of socialist accumulation."<sup>57</sup>

Prebrazhensky argued, "Accumulation by way of an appropriate price policy had advantages over other forms of direct and indirect taxation of petty economy. The most important of these is the extreme facility of collection, not a single kopeck being needed for any special taxation apparatus."<sup>58</sup>

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57. Ibid., p.185.

58. Prebrazhensky, E., The New Economics, Clarendon Press, Oxford, 1965, p.111.

However, Preobrazhensky's theory was open to a number of objections. The first of these was on the basis of the political impact of such resource extraction. It was calculated to rupture the syntchka (alliance), between the working class and the peasantry which formed the cornerstone of the period of transition, by antagonizing the peasantry.

The most important objection on the economic front was that turning the terms of trade against agriculture may have the effect of reducing rather than increasing the total volume of real resources which agriculture supplied to industry as the experience of the War Communism period had shown. Not only had the peasants responded by reducing the amounts brought to the market, they had even cut down the amounts sown. In such a case the price policy would have defeated its purpose of increasing the real amount of accumulated resources at the disposal of the state. Bukharin and Rykov, who were at that time spokesmen of the official policy, both reiterated that the unfavourable terms of exchange between industry and agriculture could lead to a "grain strike" on the part of the village. Moreover Bukharin argued, that this would diminish the power of absorption of the home market. Instead this power should be increased so that "it leads to an extension of the field of production, to the reduction of cost prices, and consequently to ever cheaper prices in each successive cycle of



production."<sup>59</sup> Rykov also argued that reliance should be placed on an expanded trade turnover between industry and agriculture to provide the means for the expansion of industry. He said, "There are many capital outlays which must be postponed until such time as industry has won the possibility of increasing its revenues on the basis of an extended peasant market and increased mass production... , Every Kopeck which can be supplied for the reconstruction of industry must be expended for this purpose without the slightest delay. But this must be done by forming an alliance with the peasantry, and not by fixing prices which the peasant could not possibly pay. The conquest and satisfying of the peasant market will bring about socialist accumulation."<sup>60</sup>

When Preobrazhensky suggested the turning of the terms of trade against agriculture he maintained that there was no harm done if this adversely affected the interests of the kulaks, since for centuries they had been the exploiting

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59. Printed in International Press Correspondence, vol.V, No.5, 40, 45. Cited in Dobb, M., Soviet Economic Development since 1917, op. cit., p.187.

60. Speech at meeting of Moscow Party Groups, Dec. 29, 1923, reported in Economicheskaja Zhizn, Jan. 2, 1924 cited in Dobb, M., Soviet Economic Development since 1917, op. cit., p.187.

class. Now they could be exploited by the socialist state for building socialist industry. On the other hand it was the interests of the rural proletariat which the state had to protect and which would be adversely affected by the rise in the price of industrial products. To maintain their real wages, the state, he suggested, should give them subsidies etc.<sup>61</sup>

In the context of capitalist industrialization where the ruling class does not consist of a worker-peasant alliance, the capitalist state has the danger of losing the political support of the rural bourgeoisie if it follows the policy of turning terms of trade against agriculture and thereby lowering their profits and investment. In the early stages of the development of capitalism this support is often very necessary for political stability. Thus the direction in which terms of trade move may often be guided by political needs rather than economic requirements. Suitable price policy combined with direct state intervention, quotas, subsidy on fertilizer and other inputs, compulsory delivery schemes etc. may often be employed by the state to increase and extract surplus from agriculture while keeping in mind its political interests.

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61. Mitra, A., Terms of Trade and Class Relations: An Essay in Political Economy, Frank Cass and Co. Ltd., London, 1977, p.50.

A third way in which resources may flow from agriculture to industry in a capitalist economy is through the market by a voluntary transfer of savings. Profits made in the agrarian sector may be invested in industry if the rate of return in industry is higher and induces the peasant to invest.

The Agrarian Transition and the Agrarian Question in Egypt:

In the present day developing world most of the effective land reforms were implemented under foreign domination, for example, in Japan, South Korea and Taiwan. The Agrarian transition in such cases was not entirely the product of the internal dynamics of the system. For our study of the nature of an agrarian transition which is domestically induced for a present day developing country, Egypt is an obvious example. It is one of the few examples where the government attempted a path of independent capitalist development. To maintain its independence the Nasser government wished to minimize its dependence on foreign capital. This meant more reliance on its internal resources. As agriculture was the largest sector, it was agriculture which would have to provide the required resources for which it would have to grow. Barriers to growth, largely institutional had to be removed and this effectively implied an agrarian transition. We shall study the internal dynamics of the system looking at the alignment of class forces in

the countryside before the land reform which prompted the agrarian transition.

Next we shall examine the role of the state and the various policies followed by it which brought about the transformation. Mere legislation invariably fails to bring about radical change but ~~legislation~~ in a situation like Egypt's where social changes led to a change in the law, legislation was quite effective. Thus, despite the fact that the state did not have the kind of power which imperialist powers possess, land reform was possible. For example, the process of peasant differentiation was already underway, the state accelerated it. This study shall also examine the conditions for growth. In Egypt institutional barriers to growth were removed but was this sufficient to bring about rapid growth? We shall try to show that while removal of such barriers is a necessary condition for growth, it is not a sufficient condition. There must exist a set of incentives which induce investment and increase in productivity.

Important lessons can also be drawn from the Egyptian experience regarding the contribution of agriculture to industrialization. As in Egypt a developing country can systematically adopt policies to extract resources out of agriculture and minimize dependence on external finance. We may state our hypothesis as the following. An agrarian transition is the result of material and social changes

within a system and the role of the state which is a part  
of the social formation/ <sup>is crucial.</sup> While an agrarian transition is  
a necessary condition for growth, it is not a sufficient  
condition. If the state does not evolve a set of incentives  
further growth may be impeded and the agrarian question may  
remain unsolved. We shall try to test this in the context  
of Egypt, a country following the capitalist path of develop-  
ment under state direction.

CHAPTER II

A HISTORICAL BACKGROUND

Nineteenth century rural Egypt was characterized by a more or less homogenous peasantry. The first significant change in property relations was the shift from occupancy rights to ownership rights. The seeds of a new system were sown by the change in the form of tax from kind to cash. The process of differentiation of the peasantry which this started resulted in the dispossession of large masses of the peasantry, their alienation from the means of production and the subsequent polarization of the rural economy into a rural proletariat on the one hand and a peasant bourgeoisie on the other. By the time of the revolution in 1952 the Egyptian countryside already contained seeds of capitalist production.

In Egypt, tax, rather than rent as in England, was the main form of surplus extraction. Increasing trade and commerce as well as the growing ambitions of the Egyptian rulers led to an increase in revenue demand. It was the effort to increase this revenue which planted the seeds of change in the Egyptian countryside.

As a first step in <sup>the</sup> transition to capitalism was a change in property relations to private ownership of land. This change came about with the direct and active intervention

of the state which had the legal apparatus in its hands and was thus the sole authority capable of changing property relations. The transition from communal property to private property in land was not a one step process but was stretched over some period of time.

#### Origin of Private Property in Land:

Till the beginning of the nineteenth century most of the land in Egypt belonged to the state. The right to collect taxes was 'leased' by auction to a tax-farmer or multazim in exchange for a sum of money. The multazim was required to pay a land tax or miri on his iltizam. He could retain the difference between the tax to be paid and the amount he could manage to exact from the fellahs or cultivators. Along with the right of tax collection, the multazim had the right to arm his retainers, to demand corvee (unpaid) labour and to adjudicate. In short, he ruled his land.

Till the seventeenth century iltizam were granted for a year or may be a few years, but with the growing power of the multazims, by the end of the eighteenth century they came to be granted for the life time of the multazim and even became 'heritable and alienable property'.<sup>1</sup>

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1. Baer, G., History of Landownership in Modern Egypt 1800-1950, OUP, London, 1962, p.2.



Though tax continued to be paid, the state's ownership was much weakened and the multazim became the virtual owner of the iltizam. A number of ways developed by which land could be bought, sold and mortgaged.

The iltizam land was divided between the multazim and the peasants who paid a variety of taxes to the multazim. The multazim's land was either directly cultivated by him using paid or corvee labour or rented out to the village shaykh or headman. Labour was supplied by peasants holding usufructory rights or by temporarily landless peasants whose lands had not been watered by the annual Nile flood.

Peasants were an almost homogenous group with no significant differentiation among them. The village headman distributed the 'ard-al-fellah, i.e. the iltizam<sup>z</sup> land to be used by the peasants, to them in accordance with the ability of the family to cultivate the land. Such land was often handed down from father to son who had to pay an investiture tax in order to acquire the right to use it. If a peasant failed to pay taxes, the multazim could give the land to another peasant. Thus while an individual peasant could become landless, the 'ard-al-fellah remained with the peasants as a group.

The change in the above system came in the reign of Muhamed Ali. Muhamed Ali wanted to build a large army for

which he needed a steady and large source of revenue. To facilitate revenue collection and to protect his centralized power, he abolished the iltizam system and replaced it with ihlikar or monopoly system. Under this system taxes were collected directly by government employees receiving a salary, peasants were forced to deliver crops to the state at prices below the market price and the state had monopoly over both internal and external trade.<sup>2</sup>

Commercial crops such as long staple cotton were introduced by Muhamed Ali for increasing exports to Europe. The government directed which crops were to be planted. The shaykhs were the directors and supervisors of agricultural labour. The power of this "middle group" increased considerably during this period. They functioned as the government's administrators and used their power to acquire land, for example, that abandoned by peasants fleeing conscription.<sup>3</sup>

The foundations for the emergence of private property in land were laid in Mohamed Ali's period. Large estates were created. These were of three kinds: (i) 'uhdah were often obtained by the grantee paying off accumulated

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2. Richards, Alan, Egypt's Agricultural Development 1800-1980, Westview Replica Edition (Colorado), 1982, pp.19-20.

3. Ibid., pp.25-27.

tax arrears of a village. Under this system the peasants paid their taxes to the 'uhdah holder rather than the government. (ii) ib 'a diyyah were grants of uncultivated land. The recipient of the land had the right of ownership, sale, transfer and inheritance and he did not have to pay any taxes if he brought the land under cultivation. (iii) chifliks were grants to Muhamed Ali himself and members of his family. They largely consisted of villages abandoned because of the heavy tax burden.<sup>4</sup>

Thus, through full ownership rights were not granted in land, the change in distribution and the replacement of the traditional subsistence economy by the growing of cash crops laid the foundation for a fundamental change in the social structure of rural Egypt.<sup>5</sup>

The next most important step towards private property in land was the granting of ownership rights to grantees and later to peasants who till now possessed usufruct rights. This was done by the Said Land Law of 1858. However ownership was not complete as the payment of taxes was still the liability of the village. The final step came under Ismail whose need for revenue was greatly enhanced

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4. Ibid., p.25.

5. Baer, G., "Social change in Egypt: 1800-1914" in Hold, R.M. (ed.), Political and Social Change in Modern Egypt, OUP, London and New York, 1964, p.140.

by Egypt's growing indebtedness. Full ownership rights were granted and tax liability reduced in return for payment of six years' taxes in advance.<sup>6</sup> Finally with the coming of the British all land became full private property.

#### Dispossession of the Peasantry

The transition to private property in land laid the seeds of the process of differentiation of the peasantry. The increasing demand for cash was an important step in this direction. It resulted in the dispossession of the small peasant - the fellah, and his separation from the means of production as it became the main cause of his indebtedness.

Cash payment of taxes coupled with cash crop cultivation often forced the peasants to borrow. By 1880 all taxes had to be paid in cash. Moreover with the state's growing budget and national debt the tax burden had increased. The British consul at Alexandria reported that in 1868 the peasants were paying seventy per cent more taxes than in 1865.<sup>7</sup> Often peasants had to borrow because of the need to buy foodstuffs which had been replaced by cash crops. Often they had to borrow because

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6. Baer, G., History of Landownership in Modern Egypt 1800-1950, op. cit., pp.1-12.

7. Ibid., p.36.

of the inconvenient timing of the tax collection. Mr. Vivian, the British Consul to Lord Salisbury reported in 1878, "...the result of the arbitrary and uncertain demands of the government, made at seasons which do not coincide with the harvest, is that the cultivator is often driven to borrow money at usurious rates of interest ranging upto 7 per cent per month, or even to sell his cattle and land, and not the least economical evils resulting from this deplorable absence of system is that the class of small proprietors tends to disappear."<sup>7a</sup>

The Law of Mortgages of 1875 facilitated peasant indebtedness by making money lenders more willing to lend as it allowed for creditors to foreclose on land for non-payment of debt. As peasants were often unable to pay back the debt, their land and often their bullocks, plough and implements became the property of the moneylender. Expropriations in 1883 amounted to 22,047 feddans (1 feddan = 1.038 acres), in 1884 to 18,148 feddans in 1885 to 17,828 and in 1886 to 12,969.<sup>8</sup> (The improvement was because of the change in the timing of tax collection.)

In other cases, the burden of taxation forced cultivators to abandon their land and to forfeit ownership

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7a. Ibid., p. 36.

8. Ibid., pp. 37-38.

rights. Sometimes the non-payment of taxes led to confiscation of land. Baer estimates that by the end of the century almost one to two million persons must have become landless.<sup>9</sup> Such persons were forced to enter the labour market as they had no other source of livelihood.

### Relations of Production

The rural proletariat consisted not only of the landless peasants but even others who were forced to sell their labour power. Of course, the tarahil, the landless temporary labourer employed on a daily wage basis who was very mobile was the classic case of a proletarian but the rural proletariat also consisted of marginal peasants who hired themselves out on contract. Since the granting of ownership rights to peasants, inheritance laws had led to large scale subdivision of peasant holdings since a large number of holdings now fell below 3 feddans, they were unable to provide peasant households their subsistence requirements and such peasants had to enter the labour market to supplement their incomes. The rural proletariat thus consisted of not only the free landless worker but also the class of landholding wage workers who, like the Russian rural proletariat Lenin describes, undertake insignificant farming on a patch of land. With the farm

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9. Ibid.

in a state of utter ruin, are unable to exist without the sale of labour-power and have an extremely low standard of living.<sup>10</sup> The third element which constituted the rural proletariat was the attached worker, the tamaliyya.

Cultivation on large estates was carried out using hired labour under the 'ezbah' system. Apart from the existence of large estates, of a large landless class, and of private property in land and labour, the two bases of this system were the crop rotation of cotton, wheat, maize, beans and clover and the time pattern of labour inputs in cotton. The landowner was interested in the cotton and wheat harvests for which a market existed. Cotton required a large labour force throughout the growing season and a still larger one at the time of harvest. Clover, beans and maize had to be grown in rotation with cotton to ensure high cotton yields and to preserve fertility of the soil. Cultivation thus required both a permanent and a temporary work force, the latter to supplement the former when the demand for labour was high. The labour force was thus two-tiered - "that attached to the domain" or tamaliyya and daily wage labourers, often migrants, tarahil. Tamaliyya workers were usually hired for the year while tarahil were hired on a daily wage basis for cash when demand

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10. Lenin, V.I., The Development of Capitalism in Russia, op. cit., pp.181-2.

for labour was high like during harvest time. The tarahil were straightforward wage labourers with a high mobility and no pre-capitalist ties with the landowner.

The case of the tamaliyya was more complex. These workers received payment in both money and in kind. The latter consisted of subsistence crops like maize or millet or granting of a small plot of land. The plot of land was given either for reduced rent or the fellah only had to pay land tax on it. Since the owner was not likely to market fodder and subsistence crops, he granted small rotating parcels of land growing these crops to the tamaliyya. This reduced the task of supervision and left the overseer free to look after irrigation work, supervise the cultivation of cotton and wheat which were more profitable. While the tarahil workers were undoubtedly members of the rural proletariat, so were the tamaliyya who freely entered into a contract with the land owner who preferred to allot him a plot of land rather than wages in cash or kind.

Land which was not directly cultivated was rented out more often under the system of sharecropping than cash rent. There is evidence that the metayage was a common system of leasing out where the landowners supervised the cultivation by tenants, specified crop rotation and shared the costs of cultivation and the produce. The terms of



sharecropping agreements were highly variable and special arrangements existed, for example, sharing of one crop only, on the granting of a parcel of land to be planted in birseem to feed the animals. Often the metayage system could grade off into the 'ezbah system. For example, the care of animals on 'ezbah was usually arranged on a share basis in which the landlord purchased the animal, entrusted its care to an 'ezbah worker who fed the animal with the maize stalks and birseem from his subsistence plots, and consumed the animal's milk himself. The landlord had the use of the animal whenever necessary, and when the animal was sold for butchering, the proceeds were divided between the 'ezbah worker and the landlord. Under this transtory system the return to the landowner was not pre-capitalist ground rent but contained an element of interest on capital advanced by him.

Large estates in Egypt often cultivated using the 'ezbah system if the owner was a resident and the cash renting system if the owner was an absentee landlord. In the latter case land was leased out to intermediaries, often village notables who further leased it out on a sharecropping basis. For medium sized properties there is evidence that land would be exploited by the rich peasant using the 'ezbah system if his estate and means were large enough. If the estates were smaller they

generally used sharecropping.

The transition:

The availability of new technology speeded up the process of transition. In the period 1917 to 1927 there was a shift from sharecropping to a system of direct exploitation. The number of "paid workers" increased by eighty per cent between 1907 and 1927, while population occupied in agriculture increased by only 46 per cent. By 1939, seventy-nine per cent of cultivated area was cultivated by the owners. Seventy-three per cent of land held by medium-sized property holders [land area between 5 to 50 feddans] was exploited directly. The number of cultivators leasing in land declined from 506,181 in 1917 to 210,384 in 1937 although population in agriculture increased from 2.8 to 4.28 million.<sup>11</sup>

The following table shows the rapid growth of agricultural machinery used. As can be seen, apart from the large estates which were undertaking direct cultivation, medium-sized holders started using more machinery as is characteristic of capitalist farming.

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11. Richards, A., Egypt's Agricultural Development 1800-1980, op. cit., p.157.

Table 2.1A. Agricultural Machinery, 1929 and 1939

Machine or Tool	Number		% change 1929-39
	1929	1939	
Steam Ploughs	1,008	1,795	78
Native Ploughs	564,144	603,903	7
Threshing Machines	569	2,123	273
Segregating Machines	746	2,083	179
Winnowing Machines	2,373	2,494	5
Native Threshers (Nurag)	302,023	301,705	0

B. Ownership of Agricultural Machinery and implements,  
1939

Machine or Tool	% owned by owner of 50+ feddan	% owned by owner of 5-50 feddan	% owned by owner of 0-5 feddan
Steam Ploughs	84	13	3
Native Ploughs	15	32	53
Threshing Machines	87	10	3
Segregating Machines	72	19	9
Winnowing Machines	69	24	7
Native Threshers	15	42	43

Source: Agricultural Census, 1939, Table XXIV, pp.110-11.  
Cited in Alan Richards, Egypt's Agricultural  
Development, 1800-1980, Colorado, Westview Replica  
Edition, 1982, p.134.

Technical progress in the form of new production techniques further enhanced the process of differentiation. In the first half of the twentieth century the two year crop rotation system was adopted. This system led to a deterioration of the soil and a subsequent decline in yields, while the medium sized property holders could offset some of the decline in yields by use of improved drainage and chemical fertilizers, as they had access to capital and cheap institutional credit, the small peasants could not do so as they lacked capital and their only source of credit was the moneylender who charged usurious rates of interest. Thus their economic position worsened relative to that of the medium sized property holders. By the middle of the twentieth century a large number of peasants were entering the labour market not only due to fragmentation and land losses due to debt but also due to government tax policy. Until 1926, if a peasant accumulated more than £.E.2 in tax arrears, he lost his land. From then onwards the amount was reduced to £.E.1. As a consequence from 1927 to 1937, 44,000 peasants lost their lands and many were forced to sell their cattle, implements and land. Richards holds that by this time there were at least one-and-a-half million landless peasants. He argues that to this number one must add the 1.75 million who held less than one feddan. Further, one must add all those who held less

than three feddans which was the minimum necessary for self-sufficiency. Overall, more than 75% of the rural population did not have sufficient land to live on and many of them must have increased the supply in the market for labour.

Table 2.2: Landless families in Rural Egypt before the Agrarian Reform ('000s)

<u>Agricultural Census</u>	<u>Population</u>	<u>Number of Rural families</u>	<u>Number of land holding families</u>	<u>Number of landless families</u>	<u>Percentage of landless to rural families</u>
1929	10579	1904	1207	697	37
1939	11664	2100	993	1107	53
1950	13700	2466	997	1469	60

Source: Radwan, Samir, Agrarian Reform and Rural Poverty in Egypt 1952-1975, ILO, Geneva, 1977, p.7.

We can thus conclude that there had emerged significant differentiation within the peasantry. While on the one hand had emerged a rural proletariat consisting of the landless and those holding land below 3 feddans who had necessarily to resort to a sale of labour-power to make ends meet, on the other was a rural bourgeoisie owning above 5 feddans of land which relied to a great extent on hiring wage labour to cultivate their land and used capitalistic farming methods on a significant

scale. It often cultivated high valued crops like fruits, flowers and vegetables since the purpose of production was profit and not consumption. Lenin, in the context of Russia, describes the characteristics of the 'peasant bourgeoisie' as follows, "The size of the farm in the majority of cases, requires a labour force larger than that available in the family, for which reason the formation of a body of farm labourers, and still more of day labourers, is a necessary condition for the existence of the well-to-do peasantry. The spare cash obtained by these peasants in the shape of net income is directed towards commercial operations and usury, which are so excessively developed in our rural districts, or, under favourable conditions, is invested in the purchase of land, farm implements etc."<sup>12</sup> Thus in the early stages of development of capitalism the reinvestment of surplus by the emerging agrarian capitalists is both in the sphere of production and the sphere of circulation, as was done by the peasant bourgeoisie in Egypt. It is only in the more developed stage that investment in the sphere of production takes predominance.

#### The Years of Crisis:

During the period of the Second World War there was widespread inflation which the war had caused, increasing

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12. Lenin, V.I., The Development of Capitalism in Russia, op. cit., pp.179-80.

landlessness and increased exploitation of the peasantry. This led to a number of revolts and spontaneous mass uprising. In a number of violent incidents peasants attacked officials, moneylenders and landlords. As fertilizer imports fell during the war, cereal production fell and prices rose. Per capita cereal consumption fell. Real wages in rural Egypt fell after 1939 as can be seen in the following table.

Table 2.3: Movement in Real Wages in Rural Egypt  
(Average Daily) 1938 = 100

Year	Real Wage Index
1938	100
1939	116
1941	90
1942	83
1943	87

Source: Samir Radwan, op. cit., p.31.

At the end of the war "rural crime" rose sharply. To cite a few incidents, in 1946 over one thousand tenants and labourers attacked and destroyed the office of Kom Ombo estate in Aswan. In 1947, in Shoha in Daqahliyya there were revolts against absentee landlords. At Kafr Negm peasants burned crops and destroyed agricultural machinery.<sup>13</sup>

13. Richards, A., Egypt's Agricultural Development 1800-1980, op. cit., p.174.

Such incidents were reported from a number of other places as well. The growing social unrest led to a lack of control over the labour process and this seems to have prompted landowners to withdraw from direct cultivation to cash renting. While in 1939 only 17 per cent of the cultivated area was leased, either for cash or on a share rent basis, it is found that by 1949, some 60.7 per cent of the total was rented out of which nearly two-thirds of all rentals were for cash (36.5 per cent of the total cultivated area).<sup>14</sup> This represented a major departure from previous decades.

Rents were very high and rose very rapidly. Cultivable land was limited to the areas which could be irrigated by the Nile and with the rising population the man-cultivable land ratio was rising very rapidly. Land hunger and lack of alternate employment contributed to the rise in rents.

The system of cash rents gave a secure and steady money income to landowners who now did not have to bear any risks. The larger the land owned, the larger was the absolute income and as most of the very big landowners were absentee landlords settled in the urban areas, it seemed that they did not suffer much by the withdrawal

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14. Ibid., p.173.



from direct cultivation on their estates through agents and managers to cash rentals. This was particularly since cotton prices had fallen in this period. And, despite the fall in cotton prices rents were kept high. This is illustrated by the incident at Mit Fadalla where peasants went on strike refusing to harvest cotton, since the rents were above the level of cotton prices. Moreover the landed aristocracy found a profitable outlet for investment of their income from agriculture in the rapidly expanding industry. Since they were not interested in investing in agriculture where returns were not so high they were content with the cash rental system. And, when peasants revolted the army was again and again called upon to suppress these revolts.

However it seems that the withdrawal to cash renting must have acted as a brake to the rising strength of the rich peasantry who had started making capitalistic profits. Some continued to undertake direct cultivation but only with added risks and lower profits. Others rented out for cash but since their estates were not so large their absolute incomes were not large either. As rents took away the entire surplus and the peasant had no means to invest in land, it soon happened that output growth slowed down. Now, increasing cash rents would have meant

cutting into necessary subsistence requirement of the peasant - and further revolts which would have worked against their interests. Since his income was not large enough the opportunities for the rich peasant to invest in industry were limited. This meant that as long as productivity in agriculture did not rise, his income was stagnant. He himself did not invest in land improvement because under the cash rental system he would not automatically receive the returns to his investment. He would have to raise rents which might sharpen class conflict so there was a halt to further investment and growth of productivity. The picture that emerges is that while the landed aristocracy, which held the political power, was content to return to leasing out land, the rich peasant was not so. Moreover, apart from there being a halt to growth and investment under the new system, the latter's political power started declining relative to the former.

The situation might be summed up in the following words of Marx, "At a certain stage of development, the material productive forces of society came into conflict with the existing relations of production or - this merely expresses the same thing in legal terms - with the property relations within the framework of which they have operated hitherto. From forms of development of the productive forces these relations turn into their fetters.

Then begins an era of social revolution.<sup>15</sup>

In Egypt there prevailed a situation in which the dominant production relations led to a decline in growth. With the stagnation came large scale discontent among most of the sections of the rural populace - the rich peasants, small and marginal farmers, the tenants, the landless workers and the growing numbers of unemployed. As we shall see in the next chapter the Egyptian countryside was plagued with social tensions and popular mass movements in the following years.

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15. Marx, K., A Contribution to the critique of Political Economy, Progress Publishers, Moscow, 1970, p.21.

CHAPTER III  
THE AGRARIAN REFORM  
IN EGYPT

This chapter deals with the development that led to the agrarian reform in Egypt, the agrarian reform and its effects on rural Egypt. We shall first deal with the political crises emerging from the old order and threatening to break it. A discussion of the land reform legislation, tenancy acts, minimum wage legislation and the cooperative system would at every step be accompanied by an analysis of its effects on social stratification and class differentiation in Egyptian agriculture.

#### Political Context and Land Reform:

The end of the second World War was marked by the development of important contradictions between the interests of the rural bourgeoisie and the ruling elite. Not only did the rural bourgeoisie resent the inferior position which was allowed to it by the local and foreign industrial bourgeoisie, not only was it affected by fluctuations in the international market, pressures exerted by big banks and export firms without sharing state power which enabled the ruling class to protect its own interests, but it was also the victim of rising land prices and high rents in a country where vast domains of the limited arable land were owned by the landed aristocracy. Since the last quarter of the nineteenth century the appearance of large scale production for the market and a growing

use of wage labour had put the Egyptian economy on a path of transition to Capitalism but the wielding of political power by the landed aristocracy and a bourgeoisie whose interests were subservient to the interests of foreign capital had become a fetter to the full development of capitalism. Not only were precapitalist features, both in economic and social relations, sought to be strengthened by this class, but they also proved to be an impediment to the growth of the rural bourgeoisie. At the same time mass discontent and 'rural crimes' were on the rise.

Between 1949 and 1957 peasant uprisings rose to an unprecedented scale especially on the large estates. Peasants attacked private guards and police barracks and set fire to offices demanding the land on which they worked. In 1951 a number of rebellions broke out, for example, in June one of the fiercest incidents occurred in Buhut, a village on the estates of Badrawi 'Ashur family in Gharbiya province.<sup>1</sup> Some time later fellahs on the Kufur Nigm estates revolted against their landlord, Crown Prince Muhammad Ali Taufiq. In October the tenants of the state Domain at as-Siru squatted on lands formerly rented by them, demanding that the Government

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1. Baer, G., History of Land ownership in Modern Egypt, op. cit., p. 221.

should sell these lands to them, as promised, and not implement its later decision to put them up for sale by auction. It is reported that one after another - Prince Yussef Kamal, Faud Serag Eddine Pasha, Abdel Latif Talaat Pasha and so on faced armed peasant revolts on their estates.<sup>2</sup> The arms used were often modern weapons. This indicates that the organization among peasants was growing. This was the period when communists had decided to work among the peasants and rally them around the movement which was arising in the cities. The left had already found support among the industrial trade unions, the students, school teachers and minor office workers. The government could no longer maintain law and order. Large sections of the rural landless had migrated to urban areas in search of jobs but as industry failed to absorb them they often turned to crime. There was a collapse of the parliamentary system. The regime could not control the Cairo mob in January 1952. The corruption of King Faruq and his men and their policies towards the British gave rise to a wave of nationalist sentiment.

As social unrest spread, there arose the issue of agrarian reform. But though the agrarian reform was discussed by politicians and Cabinet Ministers and

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2. Richards, A., op. cit., pp.174-5.

debated in parliament, Baer notes that all the parties represented in the various Egyptian parliaments were at one in their opposition to it. This was because, firstly, great landowners were among the leaders of these parties and secondly the new urban upper middle class was against it. This class had emerged with the industrial, commercial and financial expansion accompanying the second World War and was emerging as a political force. Its interests were bound up with those of the landowning class which was now participating in urban enterprises. Baer argues that this middle class had grown at a time of social tension in the cities, with famine riots in 1942, and waves of labour disputes, strikes and demonstrations in the later 1940s. This class thus "felt the need for cooperation with the ruling classes, it was apprehensive of any demand for social reform, and refrained from any action that might awaken this, for fear that, once started, no bounds could be set to it."<sup>3</sup>

But with social tensions intensifying, many realized that land reform had become a necessity. "The national struggle was on the point of turning into a genuine popular revolution with the massive support of the peasants."<sup>4</sup>

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3. Baer, G., History of Landownership in Modern Egypt 1800-1950, op. cit., p.205.

4. Abdel-Malek, Anonar, Egypt: Military Society, Random House, New York, 1968, p.36.



The possibility of the expansion of property owners was frustrated and their future prospects were endangered by the growing and increasingly irrepressible mass movement.<sup>5</sup> A group of moderate reformers advocating reform wrote, "Limitation of existing property... is a cruel measure which governments as a rule do not agree to carry out except under the threat of social revolution. We hope that the implementation of the reform proposed by us... will relieve us of the necessity of confiscating landed property.

Every year of delay makes the problem of the large estates more critical and strengthens the arguments of those who demand more extreme measures."<sup>6</sup>

The proposed reform was to put a limit to the further expansion of large estates and did not affect existing landed property. This proposal, called the Khattab's draft law, tabled in the Senate in 1944, would have made it illegal for any person possessing 50 feddans of land or more to acquire additional acreage except

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5. Hussein, Mahmoud, Class Conflict in Egypt 1945-1970, Monthly Review Press, New York and London, 1973, p. 96.
  6. Ghali, al-islam az-zira '6', p.65 in 'Egypt Contemporaine' XXXVIII (1947), 15 cited in Baer, G., History of Landownership in Modern Egypt, 1800-1950, op. cit., p. 211.

through inheritance. Although the Social Affairs Committee of the Senate approved the bill; it raised the limit to 100 feddans. In 1945 when the bill was to be debated by the Senate, the government opposed it and in 1947 it was finally rejected. A similar proposal was presented to the Senate in 1950-51 by Dr. Ibrahim Bayumi Madkur and was rejected.<sup>7</sup>

Another land reform programme proposed in 1945 by Ghali fixed, at the outset, the limit beyond which a landowner would be prohibited from acquiring more land at 100 feddans. He objected to the 50 feddan limit on the basis that it would "restrict the initiative of the rural middle class, those rural notables who, in our opinion, have the vital task of infusing life into rural society."<sup>8</sup> He argued that medium landowners must be protected as they had to play an important role in the district councils and other local institutions.

It is not surprising that any bill regarding the limitation of large holdings was overwhelmingly defeated as large landowners dominated the parliament and politics and any land ceiling, they thought, would be against their

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7. Baer, G., History of Landownership in Modern Egypt 1800-1950, op. cit., p.212.

8. Ghali, op. cit. cited in Baer, G., History of Landownership in Modern Egypt, 1800-1950, op. cit., p.212.

interests. It thus became clear that as long as political power lay in their hands there could be no agrarian reform.

On the other hand the Muslim Brotherhood and the Communists were advocating radical reforms. The Muslim Brotherhood was for the free distribution of surplus land to the landless peasants, a position from which they withdrew later to advocate sale of this land to landless peasants at a reasonable price and on easy terms. (This group also later withdrew from its position that in accordance with the teachings of the prophet land should not be leased out.)<sup>9</sup> The communists advocated more revolutionary measures. Land in excess of 50 feddans per owner was to be confiscated without compensation and distributed equally among the landless and agricultural workers.<sup>10</sup>

Till the mid-1930s the Egyptian army was dominated by sons of the ruling aristocracy. After 1936 the British were compelled to open up the ranks of the army to the others as well who could afford the highly expensive education at the Military Academy. By the end of the 1940s it was found that the lower and middle rank officers

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9. Baer, G., History of Landownership in Modern Egypt, op. cit., pp. 213-14.

10. Sa'd, Sadiq mushkilat al-fallah, (The Problem of the Fellah), Cairo, 1945, pp. 61-69. Cited in Baer, G., History of Landownership in Modern Egypt, op. cit., p. 214.

came largely from the middle classes "connected by origin and ideology to the rural bourgeoisie."<sup>11</sup> They attributed Egypt's social and political ills largely to its agrarian structure. They increasingly felt that political change had become necessary to forestall a deeper upheaval or a Communist revolution. Moreover, the agrarian structure - the distribution of landed property, the high rents and the social status connected with the ownership of land - was seen by them as an obstacle to Egypt's industrial development, lack of which had become a source of its backwardness and military weakness. As capital was diverted from investment in industry to the acquisition of more landed property, a change in the agrarian structure became essential to transfer resources from agriculture to industry for the latter's development.

Seizing the opportunity created by the chaos and deep political crises in 1952, the 'Free officers', a secret organization of the lower and middle ranks of army officers,<sup>12</sup> led by Gamal Abdel Nasser captured power in

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11. Hussein, M., op. cit., p.77.

12. An interesting study of the influence of the rural bourgeoisie on the new regime is found in Binder, Leonard, In a Moment of Enthusiasm: Political Power and the Second stratum in Egypt, University of Chicago, Chicago, 1978.

July and their first task was to enact a Land Reform Law within two months of coming to power. This indicates that land reform was an integral part of the 'military revolution'.

The Agrarian Reforms Act had twin political objectives. While on the one hand it wanted to break the power of the old ruling elite so that the rural bourgeoisie could regain its position, on the other it sought to avert the danger of a radical restructuring of production relations which might be the outcome of a mass movement led by the communists and supported by the peasantry. Since the popularity of communists, who were advocating the confiscation of landed property above 50 feddans without compensation, was growing, the need to protect the institution of private property was urgently felt. It was argued, "Social sickness is gradually spreading through the countryside... If this movement is neglected at all, it is full of dangers... Reform will be accomplished with them (the large proprietors) or against them; it would be preferable for everyone if it were carried out with their consent and better still with their cooperation... In a time of revolution agrarian reform is concentrated on the compulsory elimination of large estates and sometimes their owners; in Egypt in the present circumstances it should be carried out by a wise and provident government that wishes to profit from

a period of relative calm to accomplish a comprehensive reform. Political opinion is resolutely turning toward the left: a general desire for social progress is becoming more and more manifest... but its dominant direction has not yet clearly appeared."<sup>13</sup>

It was thus recognized that "...the structure of land-ownership has to be modified in order to prevent the storms that are gathering on the horizon."<sup>14</sup> In addition to the need for land reforms felt by political leaders within Egypt, on the international scene, ever since the Chinese revolution and the threat of such a revolution in other underdeveloped countries it was felt that "in certain countries it would be impossible to combat hunger and socialism except through land reform..." In February 1952 in a US State Department publication entitled "Land Reform, A World Challenge", a call was given to bring about changes in the system of landownership and leasing, emphasizing the importance of these measures in the fight against communism.

The National Bank of Egypt greeted the reforms thus, "Egypt may consider herself happy that after so many disappointing promises and empty talk, the matter has not slipped out of the hands of an orderly government dealing

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<sup>Kotb,</sup>  
13. / Sayed, Al Islam W'l-ra'-smaliyya (Islam and Capitalism),  
Cairo, 1951, Cited in Abdel Malik, op. cit., p.66.

14. Ibid.

with it within the framework of the law, and has not fallen into the sphere of "mass initiative", violence and disorder.

Looked at from this angle, almost any reform, no matter how radical, is preferable to the anarchy of a mass movement."<sup>15</sup>

Making the objectives of the revolution and the reform very clear Sayyid Mar'i remarked, "We all remember the days preceding the revolution of July 1952; we remember how the Egyptian village became restless as the result of dangerous agitation; we remember the events which led to bloodshed and destruction of property - for the first time in the history of the Egyptian village, could the large landowners have preferred to be left exposed to the wind blowing through this unrest, exploiting want and poverty, until it became a tempest uprooting everything... and endangering perhaps, the peace of our entire fatherland?"<sup>16</sup>

#### The Land Reform Act

Land Ceiling: The Law of 1952 set two hundred feddans as the maximum limit of ownership per individual plus hundred

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15. "Agrarian Reform in Egypt" NBE, Economic Bulletin, V, No.3 (1952), p.167. Cited in Abdel-Fadil, Income Redistribution and Social Change in Rural Egypt, 1952-1970, CUP, Cambridge, 1975, p.23.
16. al Ahram, 4 Sept. 1952, cited in Baer, G., History of Landownership in Modern Egypt 1800-1950, op. cit., p.222.

. feddans extra for the proprietor's dependent children. It empowered the government to requisition any land holding in excess of the maximum limit within a period of five years. There was provision for the landowner to transfer the ownership of his land in excess of the maximum limit, within five years of the enactment of the law, to farmers owning fewer than five feddans, provided their ownership did not exceed ten feddans; or to graduates of agricultural institutes who owned fewer than twenty feddans, provided that the land so disposed must be of orchards and in holdings of not fewer than ten and not more than twenty feddans.<sup>17</sup>

In 1952 on the eve of the reforms the very big landowners who owned over 200 feddans represented less than 0.1 per cent of the landowners and they possessed 20 per cent of the cultivated area. Together with the medium-sized landowners who possessed over 5 feddans and who represented slightly less than 6 per cent of all landowners, they possessed 65 per cent of the cultivated area. 94.3 per cent of the landowners thus possessed only 35 per cent of the cultivated area.<sup>18</sup>

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17. Gadalla, Sadd M., Land Reform in Relation to Social Development in Egypt, University of Missouri Press, Columbia, 1962, pp. 38-39.

18. Statistical Yearbook of ARE, 1952-73, Oct. 1974, Cairo, cited in Radwan, S., op. cit., p.19.



Under the 1952 land reform 434,000 feddans were requisitioned from private landowners and 145,000 feddans in excess of the limit were sold. Moreover, what occurred as a result of the land ceiling legislation was not merely a sale of land in excess of the maximum but even "distress" or "crash" sales, often to the rich peasants, by large landowners who feared a lowering of the maximum limit in future. Such a fear was justified considering the fact that political power no longer lay in their hands, and, in fact, in later legislations, the ceiling limit was reduced since it was realized that many landowners were holding large estates by registering land in the names of their minor children and wives. In 1958 the law was amended and the maximum holding by each family was fixed at 300 feddans. The second Land Reform Law of 1961 reduced individual ownership to 100 feddans, which was lowered still further, by a third law in 1969, to 50 feddans per individual and 100 feddans per family. By 1970 944,457 feddans of land were requisitioned. This included land requisitioned from the Royal family, foreigners and waqf land.<sup>19</sup>

As a result of the "crash sales" land values fell by 50 per cent or more as large tracts of land were sold

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19. Radwan, Samir, op. cit., p.16.

because of the threat of further requisition. In sparsely populated areas, such as the Buhaira province where 25 per cent of the cultivated land was subject to expropriation, panic stricken landowners were compelled to extend long term credit to prospective buyers for purchase of land. As a result of "crash sales" there was excessive fragmentation of some of the most fertile estates in Egypt. By the time the government put a ban on further sales in October 1953, 145,000 feddans of highly fertile land had already been split up and sold to small farmers.<sup>20</sup>

Compensation: Compensation was paid to landowners for land expropriated at a price equivalent to ten times the rental value of the land, with rental value taken to be seven times the basic land tax as assessed in 1949. Compensation was paid in the form of non-negotiable bonds bearing interest of 3 per cent per annum and redeemable in 30 years.<sup>21</sup>

Even though the compensation paid was generous, the expropriation of land dealt a heavy blow to the power of the landed aristocracy. After the land reform they could no longer rule the Egyptian countryside. The power

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20. Saad, Gabriel, The Egyptian Agrarian Reform 1952-1962, OUP, 1967, p.20.

21. Marei, Sayed, UAR Agriculture Enters a New Age, Cairo, 1960, p.45.

of 1,789 families who had owned massive estates was taken away at one stroke. The holdings of the rich peasantry now became among the largest in the village. They gained in strength not only because of the reduction in the power of the large landowners but also because of increase in the land held by them as many bought land when there were "crash sales" by the large landowners and many bought plots for orchards near urban areas.

Land Redistribution: The requisitioned land was to be distributed by the government in lots of not fewer than 2 feddans and not more than 5 feddans each to Egyptians involved in agricultural activity and owning fewer than 5 feddans. Priority was given first to those who actually cultivated the land, then to peasants having the largest families in the village, then to those possessing less wealth among fellow villagers, and finally to non-residents of the village. The price charged of the land distributed to farmers was based on the rate of compensation paid by the government to the original owners, plus 15 per cent for expropriation and distribution, plus 3 per cent annual interest rate. The price of each portion of distributed land was to be paid by the recipient in thirty equal instalments.<sup>22</sup>

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22. Saab, Gabriel, op. cit., pp.41-46.

Table 3.1: Changes in the Structure of Landownership in Egypt  
1952-77

Size of Ownership (feddans)	Distribution before 1952 Law						Situation in 1965				Situation in 1977					
	Owners		Area		Average holding per owner	Owners		Area		Average holding per owner	Owners		Area		Average holding per owner	
	000s	%	fed- dans	%		000s	%	fed- dans	%		000s	%	fed- dans	%		
Small <5	2642	94.3	2122	35.4	0.8	3033	95.0	3693	59.1	1.2	3313	95.0	2876	52.0	0.9	
Medium																
5 - <10	79	2.8	526	8.8	6.6	78	2.5	614	9.5	7.9	94	2.7	616	11.1	6.6	
10 - <20	47	1.7	636	4.7	12.6	40	1.3	527	8.2	13.3	44	1.3	572	10.3	13.0	
20 - <50	22	0.8	654	10.8	29.7	29	0.9	815	12.6	28.1	23	0.7	668	12.1	29.0	
Large																
50 - <100	6	0.2	430	7.2	71.7	6	0.2	392	6.1	65.3	6	0.2	473	8.5	78.8	
>100	5	0.2	1614	27.0	322.8	4	0.1	421	6.5	105.3	2	0.1	330	6.0	165.0	
Total	2801	100	5984	100	2.1	3190	100	6462	100	2.0	3482	100	5535	100	106	

Source: Statistical Yearbook of ARE 1952-73 for 1952 & 1965.  
For 1977 figures CAPMAS cited in Hanson, B. and  
Randwan, S., Employment Opportunities and Equity in  
Egypt, ILO, Geneva, 1982, Table 47, p.107.

Table 3.2: Land Distributed Among Farmers with Limited Income

Year	Agrarian Reform Lands*, Area (feddans)	No. of beneficiaries**	Average size of beneficiary's holding
1953	16,426	4,784	3.4
1954	65,285	24,295	2.6
1955	66,687	31,588	2.1
1956	35,558	15,678	2.2
1957	42,067	19,701	2.1
1958	42,920	17,045	2.5
1959	5,982	2,447	2.4
1960	23,426	10,345	2.2
1961	28,381	9,291	3.0
1962	106,150	31,605	3.3
1963	90,172 )		
1964	121,645 )	107,286	2.2
1965	26,013 )		
1966	25,668	12,013	2.1
1967	58,107	31,298	1.8
1968	20,531	8,295	2.5
1969	22,743	9,056	2.5
<b>Total</b>	<b>797,761</b>		

Source: \* Statistical Abstract of United Arab Republic 1951/52-1969/70, CAPMS, Cairo, June 1971.

\*\* Statistical Handbook of ARE (1952-1970), op. cit. Cultivated Areas in ARE in 1969, Ref.No.30/413, Nov. 1972, p.88. Statistical Atlas (1962) cited in A. Fadil, op. cit., p.9.

By 1970 an area of 817,538 feddans or slightly less than 13 per cent of the total cultivated land of Egypt during that year, had been distributed to 341,982 families comprising some 1.7 million persons or 9 per cent of the rural population.<sup>23</sup>

The size of the holdings allotted by the land reform authorities was calculated in such a way as to give each beneficiary and his family an annual income just sufficient to meet subsistence requirements. This income was equal to the cost of bare necessities plus 10 per cent. Plots of two to five feddans distributed thus varied according to the fertility of the soil and the size of the beneficiary's family.<sup>24</sup>

Gadalla, in a survey of land reform estates, notes that land reform beneficiaries acquired the title to the land, but they did not obtain the right to exercise their wills on the land. They were not allowed to sell, sublet or even to farm independently. Although in terms of tenure status, they had more privileges and opportunities than tenants and labourers, they did lack essential privileges usually accorded to landowners. In official registries they were not called "mullak" (owners) but "muntafieen"

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23. Statistical Yearbook of ARE (1952-1970), op. cit.

24. Saab, Gabriel, op. cit., pp.37-38.

which means beneficiaries and they called themselves "mumallakeen El-Islah" which means the recipients of landownership under the reform. Land Reform beneficiaries were thus a new kind of tenure class who were neither owners, tenants, nor agricultural labourers.<sup>25</sup>

The land reforms were no solution to the problem of landlessness as most of the land redistribution was limited to previous tenants and small farmers. Since the landless agricultural labourers featured low on the priority list of potential land reform beneficiaries, given the limited land to be redistributed not many became landowners. There was only a temporary reduction in the number of landless and their percentage in the population. And, this reduction too, though partly due to land reforms, was mainly due to increased migration as labourers in public works and other urban activities. Given the small total area affected by the land reform and the continued growth in population the effect of the land reform was very short lived. In 1952, 1.2 million families (44% of agricultural families) were landless, in 1961 the number had declined to 1 million families (40% of agricultural families) but by 1972 some 1.5 million families (45% of agricultural

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25. Gadalla, S., op. cit., p.52.

families) were landless.<sup>26</sup> It is also possible that land reform could have had a stronger impact had it not been for piece meal introduction of legislations and the illegal practices of old landowners. Also, the area subject to sequestration under the First Agrarian Reform of 1952 was estimated to be 656,739 feddans belonging to the 1789 large landlords. But only about 450,305 feddans were actually sequestrated.<sup>27</sup>

As a result of the land ceiling and land redistribution one finds that while large landowners particularly those owning above 100 feddans were the worst affected, there was an improvement in the position of the small farmers, while the medium sized farmers' holdings were left largely untouched. Despite the fact that the regime did not represent the small farmer, an improvement in his position was politically desirable since "The regime also attempted to broaden the propertied classes' base by offering the rural petty bourgeoisie the hope of consolidating small scale property within a cooperative framework. In other words, it attempted to build lasting ties between the petty and the middle rural bourgeoisies in order to neutralize the former politically and block its tendency,

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26. Richards, Alan, Egypt's Agricultural Development 1800-1980, op. cit., p.180.

27. Radwan, S., op. cit., p.16.



increasingly encouraged by the deteriorating work conditions and standard of living to join the landless masses."<sup>28</sup>

Land redistribution measures, it must be noted, did not improve the position of the landless, rather "they broadened the small property basis" benefitting mainly the sharecropper or tenant. After the reform the small farmers were integrated into the market system through cooperative organizations which, as we shall see later, were dominated by the rural bourgeoisie. Though the small landowners were guaranteed against loss of their land, they became indebted to the state, the wealthy peasants, to the cooperatives and to local traders as monetized exchange developed and the crop could be used as collateral for the loan. It is argued that "while the process of extinction of small rural property was stopped, the living conditions of the small landowners, now assured of keeping their plots did not really improve."<sup>29</sup>

Tenancy Regulation: The 1952 Law provided that no land could be rented except to a tenant who farmed the land himself. The rent on agricultural land could not

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28. Hussein, M., op. cit., p.131.

29. Ibid., p.178.

exceed seven times the basic tax assessed upon the land. In case of land leased under sharecropping, the owner's share could not exceed one-half the crop after deduction of all expenses. Though sharecropping agreements before the reform differed from region to region and from crop to crop, usually for cotton cultivation, the landlords claimed five-sixths of the crop when they supplied inputs, met half the expenses of harvesting and paid the land tax.<sup>30</sup> It is estimated that this led to a reduction in average rent by 33 per cent<sup>31</sup> and the income of tenants is estimated to have increased appreciably by almost a total of £ E 40 million.<sup>32</sup>

According to the Act agricultural land could not be leased for fewer than three years and the contract had to be in writing regardless of the amount involved.

The reform in tenancy relations aimed at providing security to tenants and giving them the means and incentive to invest in land and to increase its productivity. By

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30. Marei, Sayed, "UAR overturning the Pyramid", CERES-FAO Review, vol.2, No.6, Nov-Dec 1969, p.50, Cited in Radwan, S., op. cit., p.29.
31. Saab in ME Econ. Papers, 1960. Pissot puts the reduction in rents at 25-35 per cent cited in Issawi, C., Egypt in Revolution, OUP, London, 1963, p.162.
32. al-Islah al-zirai, p.36 Cited in Issawi, C., ibid., p.162.

attempting to put a limit on the excessive exploitation of the peasant it tried to weaken the position of the large absentee landlord and strengthen that of peasants. The redistribution of land and the generation of employment by public works and industry may have reduced the pressure on land and made tenancy regulation effective. However, since the alternatives were limited the landless still constituted almost 40 per cent of the rural population. There is controversy regarding how effective the reform was. Some argue that a black market developed, and rents, in fact, remained high irrespective of what official sources stated. After an inquiry the "Committee for the Liquidation of Feudalism" revealed that rent controls were seldom put in practice. It said that a common practice was for the landlord to sign a lease calling for legal statutory rent, while compelling the tenants to sign separate bills of exchange for the extra amount. While some landlords overstated the size of the area leased to the tenant, others forced the tenant and his family to work on their estates without any wages.

However, the improvement in the legal status of tenants helped to discourage leasing out and encourage direct cultivation. Though the drop in total area of rented land was moderate i.e. from 60% in 1952 to 51% in 1962, it can be accounted for partly by the rental terms

Table 3.3: The Impact of Agrarian Reforms on the Area Under Tenancy

Year	Area of land leased (fed-dans)	% of total cultivated land
1950	3,492,640	59
1951	3,601,878	60
1952	3,668,978	60
1953	3,337,027	56
1954	3,560,497	56
1958	3,081,728	54
1959	3,028,780	51
1960	3,020,790	51
1961	3,142,819	53
1962	3,064,767	51

Source: Ezz-el Din Hammam, The Real Impact of the Agrarian Reform on the Distribution of Income between Landowners and tenants in U.A.R., INP, Mimeo, 492, Cairo, Sept. 1964, Table 1, p.6. Cited in Abdel-Fadil, op. cit., p.22.

for land in the lease market becoming less favourable to landowners.

Part of the fall in tenancy may also have been due to distribution of land requisitioned from big landlords and distributed to tenants.

Minimum Wage Legislation: The state stipulated a minimum wage to be paid, fixed in each district according to the Agrarian Reform Law. However, it was observed that this legislation was not enforced.<sup>33</sup> Consequently there was no rise in real wages. Even money wages did not reach the stipulated level of 18 piasters, until the mid sixties.<sup>34</sup> The average daily money wage in 1960 was the same as in 1950.<sup>35</sup> As can be seen in the graph below the real wage index based on Radwan's estimate showed no trend over the period 1952-74 and the reform had no real impact on agricultural wages.

In the 1970s the Ministry of Planning estimated that real incomes were falling. While the inflation rates officially estimated, based on administered prices, were around 5% to 10% per annum, a World Bank study estimates that prices actually paid have been rising faster. Although GDP in real terms has been rising at some 2% to 8% annually, the money supply has continued to increase at 20% to 30% per year. The true inflation rate seems nearer to 20%

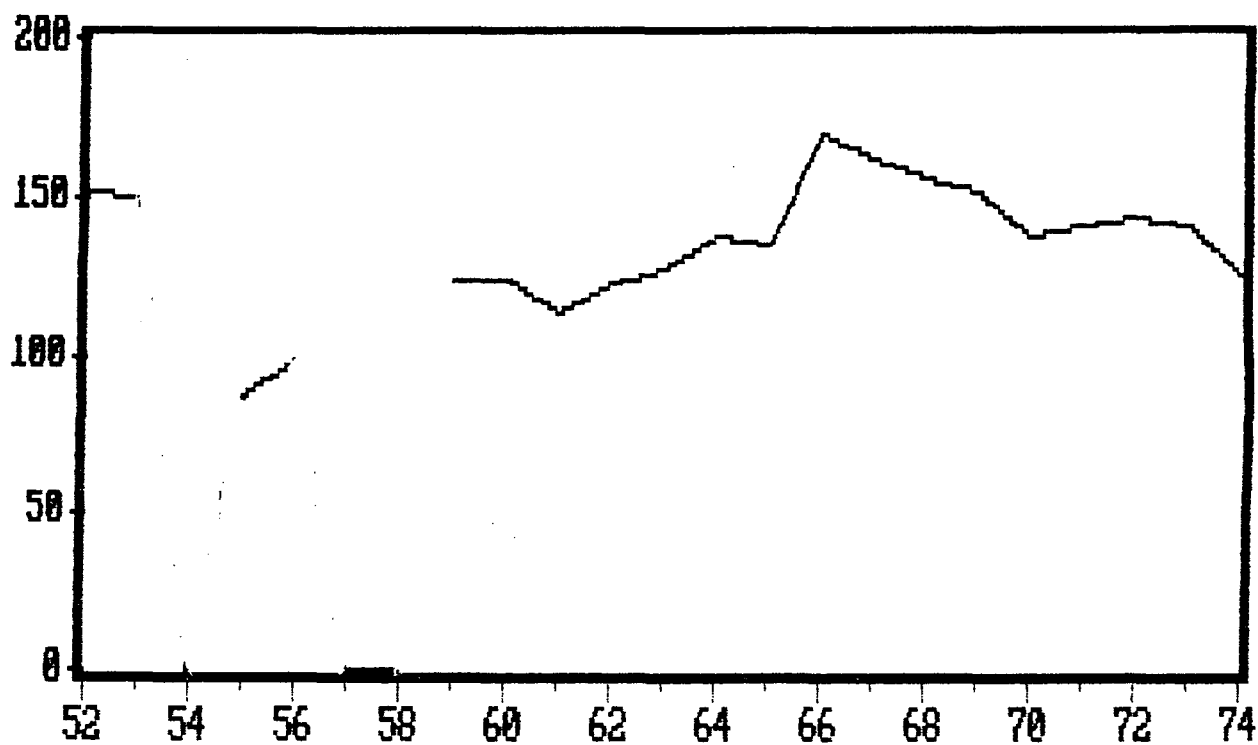
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33. Mabro, Robert, The Egyptian Economy 1952-1972, Clarendon Press, Oxford, 1974, p.67.

34. Hansen, B. and Mazrouk, G.A., Development and Economic Policy in the UAR, North-Holland Publishing Company, Amsterdam, 1965, p. 95.

35. Radwan, S., op. cit., p.30.

# Movement of Real Wages in Rural Egypt



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per year which is in excess of farm-gate prices and wage increases, thereby supporting the Ministry of Planning's view of falling real incomes.<sup>36</sup>

Another estimate shows a decline of real wages over the period 1966/67 to 1972/73. This is shown in the following table, which also confirms Radwan's conclusion that the reforms did not affect wages.

Table 3.4: Movement of Real Wages in Rural Egypt  
1952-74 (1938=100)

Year	Real Wage Index of Average daily wages
1952	151
1953	150
1955	87
1956	97
1959	124
1960	123
1961	113
1962	122
1963	127
1964	138
1965	135
1966	170
1967	162
1968	156
1969	151

contd...

36. Cuddihy, W., Agricultural Price Management in Egypt, World Bank Staff Working Paper No.388, April 1980, pp.6-7.

Table 3.4...contd...

1970	138
1971	140
1972	143
1973	140
1974	125

Source: Radwan, S., op. cit., p. 31.

Table 3.4b: Movement in Real Wages in Rural Egypt  
(1966/67=100)

Year	Average Daily Money Wage Rate		Average Daily Real Wage Rate		Index of Consumer Goods Prices in rural areas
	Men	non-men*	Men	non-men*	
1966/67	25	12	29	12	100
1967/68	24.5	12	24	12	102
1968/69	24.5	12	23	11	106
1969/70	25.5	13	22	11	114
1970/71	25	12.5	21	10.6	118
1971/72	25.5	12.5	21	10.5	119
1972/73	27.5	13.5	21	10.7	126

\*non-men - women and children.

Source: Mohie-Eldin, A., "Underemployment in Egyptian Agriculture", Report of the ILO/ECWA Seminar on Manpower Planning in Arab Countries, Beirut, May 1975, ILO Geneva, Cited in Cuddihy, W., Agricultural Price Management in Egypt, op. cit., p. 24.



Shift to Direct Cultivation:

As a result of the land ceiling and tenancy legislation there was a decline in total rental incomes of absentee landownerships from £ E 58 million in 1950 to £ E 52 million in 1961. This estimate includes rent in both cash and kind.<sup>37</sup> There was an incentive for direct cultivation since leasing out had become less profitable for the large and medium sized owners and with no rise in wages the costs of direct cultivation did not rise. It is seen that the total wages paid to agricultural workers increased from £ E 20 million in 1950 to £ E 39 million in 1961.<sup>38</sup> Since there was no significant increase in money wages over this period (they rose from 11.6 piasters to 12.3 piasters),<sup>39</sup> one can conclude that the increase is largely accounted for by an increased number of wage workers employed in

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37. Abdel-Fadil, op. cit., Table 3.3, p.58. Average rental for 1950 is estimated at £ E 30 per feddan while for 1960 it is £ E 21 per feddan. Fadil notes that the share of rent payments in total income in 1961 did not fall dramatically despite the enforcement of rent control. This was mainly because of the degree of absentee landownership among the very small landowners. Fadil, op.cit., p.59. Fadil derived the wage share from census data on the number and age-sex composition of paid labourers, combined with a rough estimate of the average number of days worked per year for each group, and a knowledge of wage differentials by sex and age.

38. Ibid., p.58.

39. Radwan, S., op. cit., p.31.

agriculture. Hence it seems that with a fall in the opportunity cost of direct cultivation, the area under direct cultivation must have increased as more wage labourers were employed. This in fact did happen as Table 3.3 indicates - there was an increase in owner-operated land from 41% of the total cultivated land area to 49% in the period 1950 to 1962.

The shift to direct cultivation is witnessed most in the case of the rich peasantry. By 1964-65 53 per cent of the holdings between 5 to 10 feddans and 85% of the holdings above 10 feddans employed outside labour.<sup>40</sup>

The shift to direct cultivation led to rapid increases in the incomes of this group. In the period from 1950 to 1961, the income accruing to landowners owning 5 to 50 feddans increased by 41.3% i.e. from £ E 92 million to £ E 130 million, their share in total income increasing from 25.0% to 32.3%. Even though the number of families in this group increased from 201,000 to 251,000 over this period, so that as a percentage of total farm population they remained at 9 per cent. For small peasants while the share of income <sup>increased</sup>  $\nearrow$  their population as a percentage of the total <sup>rose significantly</sup>  $\nearrow$  and average income per head declined.

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40. Mabro, R., "Employment and Wages in Dual Agriculture", Oxford Economic Papers (OEP), Nov. 1971, Table 2.

In contrast the average real income per head in the rich peasant class grew. Average real income per head of family increased by 12 per cent/£ E 458 in 1950 to £ E 518 (or £ E 513 in real terms) in 1961.<sup>41</sup> Thus in contrast to all other rich peasant families prospered as a result of the reform.

Agricultural Cooperatives: Agricultural cooperatives were an extremely significant element of the agrarian reform. The expansion of cooperatives changed the face of the Egyptian countryside. The Agrarian Reform of 1952 made it compulsory for all land reform beneficiaries in any one village to form a cooperative society among themselves. Later in the sixties the system was extended to non-land reform areas as well and covered almost all of rural Egypt. Over the period 1952-72 agricultural cooperatives tripled in number, their membership increased by over six times and capital about 12 times.

Table 3.5: Expansion of Agricultural Cooperatives

	Year				
	1952	1962	1965	1970	1972
No. of Cooperatives	1727	4624	4839	5049	5008
Membership (000s)	499	1777	2369	2830	3118
Capital £ E (000s)	661	2178	2653	7415	7915

Source: Statistical Yearbook, various issues, Cited in Radwan, S., op. cit., Table 5.1, p.57.

41. Abdel-Fadil, op. cit., Table 3.3, p.58.

The local cooperative which was the basic unit of the cooperative structure was created in each village with a membership of at least 20. It was run by an elected council of five to seven members and a supervisor, usually an agricultural engineer, appointed by the Ministry of Agriculture. The cooperative supplied credit, fertilizers, seeds and technical advice. They were to be made the means through which the state replaced the functions of the old landlord as the moneylender and cotton marketer. Soon cooperatives became the only source of agricultural credit, farm inputs, and the primary channel for marketing. However production on the cooperatives was not communal. The farmer retained both the ownership and responsibility of cultivating his own plot of land; though he was required to follow a number of practices such as triennial crop rotation, crop consolidation and cooperation in activities such as pest control.<sup>42</sup>

The problem of fragmentation manifested by the structure of ownership being dominated by tiny and separated holdings, had been an inherent feature of Egyptian agriculture since the establishment of private land ownership. The problem was tackled by cooperatives with the introduction of a system of land and crop consolidation. Crop consolidation saved land, improved yields and made possible the introduction

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42. Mabro, R., The Egyptian Economy, op. cit., p.12.

of a uniform and more efficient crop rotation system. Under this system economies of scale and quality were ensured and soil fertility was maintained.

Land consolidation was carried out by pooling together the entire land of the village into several large blocks under the cooperative. Each block incorporated a number of small holdings. The owners of the plots in each block were required to follow a uniform system of crop rotation.

Under the consolidation system small ownership holdings inevitably fell in a single block. This obliged small landholders to grow a single crop. If they grew a cash crop their needs of wheat, corn and clover for their animals could be satisfied only by purchases in the open market. Large landholders had the advantage that their holdings were large enough to enable them to diversify their production and have a surplus to sell. A study of ten villages has shown that this situation resulted in the creation of an active black market, especially in cereals, rice and fodder, where large landowners sold their surplus to small farmers at exorbitant prices. Moreover the practice of hiring land for specific seasons to grow a specific crop at rents much higher than the official rate became widespread.<sup>43</sup>

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43. Hassan, Ahmed, A Field Study on Crop Rotation in Ten Villages, INP, Cairo, 1974. Cited in Radwan, S., op. cit., p.63.

Apart from the above situation which resulted from the consolidation of holdings under the cooperative system, certain privileges were granted to the better-off peasants by virtue of law. For example, in the system of insurance of livestock, only the owner of at least 3 heads of cattle was formally eligible to insure his livestock, and subsequently obtain a ration of 150 m of fodder at the low subsidized price fixed by the state. The peasant who owned less than 3 cattle-heads could not insure his livestock and was deprived not only of the right to compensation in case his cattle perished, but he was also forced, in most cases, to buy fodder at much higher prices in the black market. As expected it was the small land holders who owned less cattle heads and suffered as a result of this policy which was to the advantage of medium and large holders.

In the following table it can be seen that those owning land less than 5 feddans owned less than 3 cattle-heads and thus derived no insurance or fodder benefits. Moreover as a result of the rich peasant bias of government policy the rich peasants could significantly increase the number of cattle they possessed while small landholders were at a disadvantage. As can be seen in the following table the largest percentage increase in the number of cattle-heads per holding was in the size class of 50 to

100 feddans and the smallest in the size classes of size of holding above 100 feddans.

Table 3.6: Number of Cattle-heads per holding according to size class

Size of holding (feddans)	No. of Cattle-heads per holding		Percentage change
	1950	1961	
< 2	1.4	1.7	21.4
2 - < 5	1.9	2.4	26.3
5 - < 20	2.9	3.7	27.5
20 - < 50	5.8	7.5	29.3
50 - < 100	10.4	15.0	44.2
≥ 100	30.0	34.0	13.3

Source: Computed from Third and Fourth Agricultural Census, cited in Abdel-Fadil, op. cit., Table 2.4, p.30.

In addition, only owners of more than 15 feddans were eligible to buy selected seeds (hybrid maize, mexican wheat varieties etc.) at subsidized prices.<sup>44</sup>

Cooperative Credit: The cooperative credit system which was set up to break the power of the moneylender and help the small landholders also seemed to have favoured the larger and medium sized landowners. As the table below shows, owners holdings above 5 feddans of land, comprising

44. Survey conducted by al-Tahliah, published in Sept. 1966 issue, cited in Abdel-Fadil, op. cit., p.149.

cooperative loans(LE at constant prices)



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15 to 17 per cent of the population took away 50 per cent of the credit.

Table 3.7: Cooperative Credit by Size of Land Ownership

Year	Size of holding (feddans)	Loans Advanced £ E m	%	No. of debtors (000s)	%	Average debt/person £ E
1963-64	< 5	25.4	50	1177	85	22
	5 - 25	15.6	31	187	13	83
	>25	9.7	19	26	2	373
	Total	50.7	100	1390	100	36
1972-73	< 5	35.4	50	2158	83	164
	5 - 25	30.5	43	409	16	75
	>25	5.0	7	22	1	227
	Total	70.9	100	2589	100	27

Source: 1963-64: Sami Abu el-Ezz and Ahmed Abu el-Ghar, Cooperative Financing, Cairo, 1971, p.485;

1972-73: Nabl Hussein Mostafa, A Study of Accumulated Debts to the Organization of Agricultural Cooperative Credit, Unpublished diploma dissertation, INP Cairo, 1974, pp.65, 70 cited in Radwan, S., op. cit., Table 6.3, p.68.

Even when loans were advanced to small landowners, they were often not utilized for productive purposes. As discussed earlier, the subsistence farmer had often to purchase his requirements in the open market and his need for cash for consumption purposes was great. Thus credit

provided for seeds, fertilizers, etc. was often used for other purposes and as a result he frequently used bad quality seeds, inadequate fertilizers etc. This resulted in low crop yields on the one hand and the inevitable accumulation of big unsettled debts owed to their co-operatives. To reduce these debts his loans were often cut down so that he had to fall back on the private money-lenders in the village and become further indebted.

Under the cooperative credit scheme loans were advanced at rates of interest much below the market rate. Short term loans were advanced, for example, to finance the hiring of wage labour and the purchase of other services. These constituted 30 to 40 per cent of short term loans.<sup>45</sup> Though this helped the small farmers to hire in labour at the time of harvesting, it mainly benefitted the rural bourgeoisie because it was farms between 5 and 50 feddans that (in 1961) employed 71 per cent of the permanent wage labour force.<sup>46</sup>

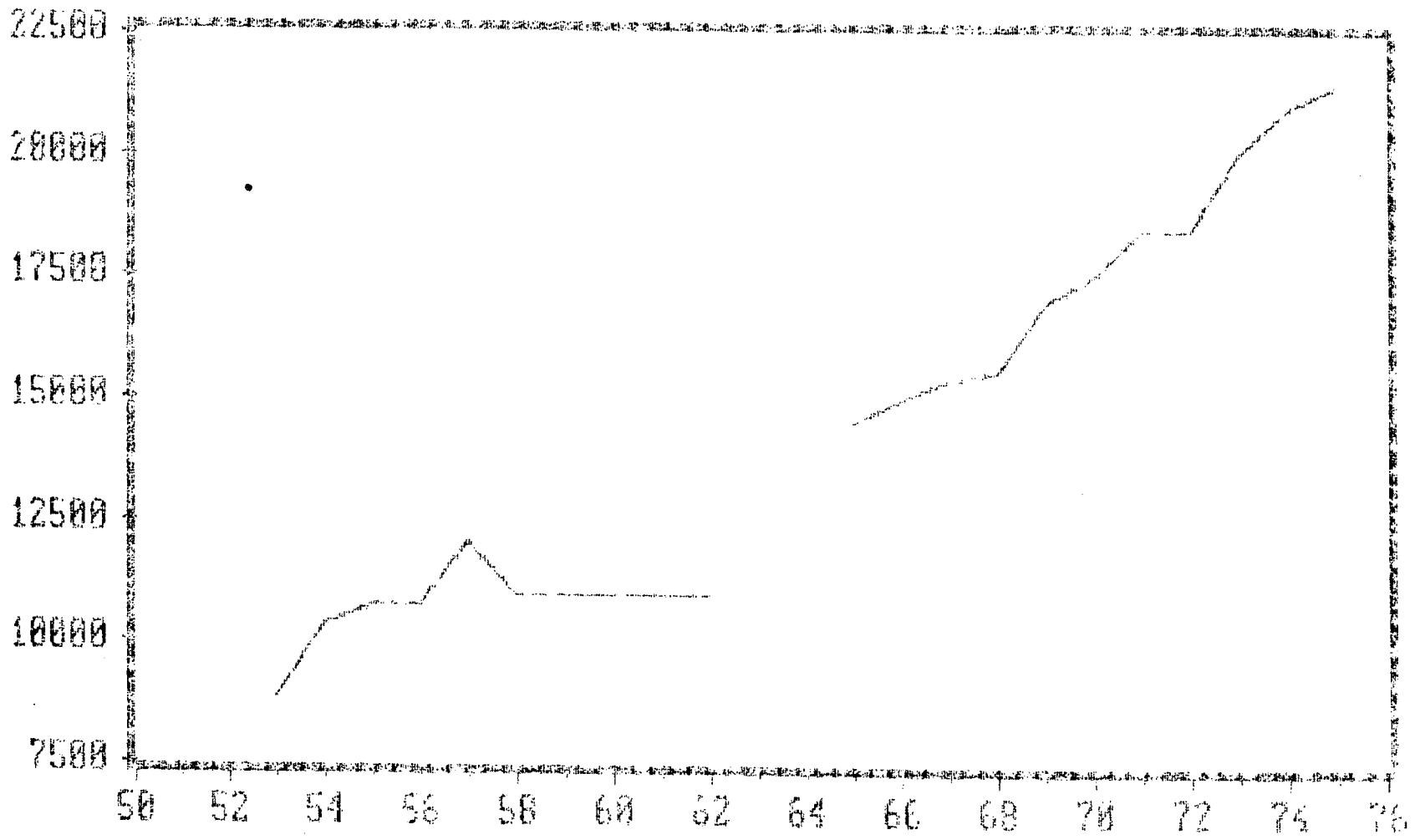
Medium term loans repayable in 5 to 10 years were advanced to farmers for the purchase of agricultural machinery and cattle, and for land improvement operations such as the construction of irrigation and drainage canals,

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45. Mabro, R., The Egyptian Economy, op. cit., p.77.

46. Fourth Agricultural Census, cited in Abdel Fadil, op. cit., p.28.

stock of tractors



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and orchard planting. As a result there was a significant increase in the use of improved farm equipment. Owners of holdings below 5 feddans increased the use of agricultural machinery mostly on the basis of sharing of the machines by a number of landholders.

**Table 3.8: Use of tractors and irrigation machinery by size of holdings**

Size Class	Total No. of Holdings		No. of Tractorized farms		No. of farms using irrigation machinery	
	1950	1961	1950	1961	1950	1961
<5	786,780	1,381,241	175	736	957	4,795
5 - <50	201,370	250,535	1,780	5,981	7,089	16,570
≥50	14,892	10,384	6,662	4,661	5,353	5,692

Source: Figs. computed from Abdel-Fadil, op. cit., Table 2.5, 2.6 and 2.7 on p.33.

**Table 3.9: Tractorized farms and farms using irrigation machinery as a percentage of total number of holdings according to size-class**

Size Class	No. of tractorized farms as a percentage of total no. of holdings		No. of farms using irrigation machinery as a % of total no. of holdings	
	1950	1961	1950	1961
<5	0.02	0.05	0.12	0.34
5 - <50	0.88	2.38	3.52	6.61
≥50	44.73	44.88	35.94	54.81

Source: Computed from Table 3.8 above.

Since it was the large and medium sized farms which used farm machinery the greater benefits of the fuel subsidy accrued to them. A study indicates that "in relation specifically to the agricultural sector, the allocative effects of fuel subsidies are seen in a reduction in the cost of machine operation relative to labour costs, leading to a substitution of capital for labour with given plant size and acting as a stimulus to farm machinery investment. The distributional effects have been in favour of highly mechanized producers vis-a-vis labour intensive units."<sup>47</sup>

Loans for planting orchards also went to the rich peasantry since it was this class which was capable of undertaking such projects. This is because of a number of reasons. First of all fruit cultivation is land intensive. Its technical features thus make it a feasible commercial venture only for the bigger landowner. Secondly, the prospective cultivator needed to be wealthy. He has to possess enough resources not only to make the necessary investment but also to maintain his family for a number of years to come till significant returns start coming in. This is because the production of fruit is normally associated with long gestation periods like five to seven years.

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47. Cuddihy, W., Agricultural Price Management in Egypt, op. cit., p.67.

Apart from the above reasons the subsistence farmer often has a preference for growing food because he can then rely on the harvest to satisfy his family's consumption requirements. In case he grows a cash crop he may not be able to satisfy consumption needs if, for example, the price of food rises. In Egypt, moreover, even when the fellahin grew cash crops, it was more often traditional crops like cotton, whose techniques of production he was well acquainted with and which required low investment compared to fruits or flowers.

While the small landholder was restricted to growing food or traditional cash crops, cultivation of fruits and flowers became the monopoly of the rich peasantry. It has been estimated that in the 1960s income from orchards provided an average return on invested capital amounting to 9 per cent per annum, compared with no more than 5 per cent in the case of traditional field crops. The larger incomes from crops grown by the rich peasantry can be seen in the following table.

Table 3.10: Income from different crops

Crop	Gross Income per annum per feddan (£ E)
Cereals	40
Cotton	80
Rice	80
Sugarcane	100
Fruit	150
Flowers	1000

Source: M. Hassanein Heikal, "Le probleme agraire: horizons nouveaux" in la voie Egyptienne vers Le Localisme, Cairo, Dar-Maaref, pp.192-3. Cited in Adel Fadil, op. cit., p.35.

A World Bank Study claims that the net return per feddan (including rent as cost) in 1973-74 amounted to £ E 54.5, £ E 29.3 and £ E 25.4 for cotton, wheat and rice respectively. By contrast, comparable figures were £ E 100-200 for grapes, £ E 150-200 for tomatoes and 100

for water melons.<sup>48</sup> The large differences in the rates of return from different crops was however not incidental. It seemed to be the result of a deliberate price policy followed by the government.

Price Policy: A system of compulsory deliveries was introduced by the government. Under this system all farmers growing certain crops were obliged to deliver to the co-operative a certain proportion of their produce at prices fixed by the state procuring agency. These prices were inevitably lower than prices on the free market. The price differentials were 125% for wheat, 200% for rice and 145% for onions. Fruits, grown by larger landowners were left out of this list. The prices of fruits, vegetables and livestock were also rising much faster than the prices of food and cash crops. In addition, from the late 1950s on taxes on incomes from citrus, guava, mangoes, bananas and other orchard crops as well as flowers were abolished.<sup>49</sup>

A study indicates that since tax incidence varies by crop, cotton-based farmers bear a greater tax burden than specialist meat producers or fruit growers. It claims

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48. IBRD, Egyptian Agricultural Development: Problems, Constraints and Alternatives, 1976, pp.32-3 cited in Radwan, S., op. cit., p.75.

49. Waterbury, John, The Egypt of Nasser and Sadat, Princeton University Press, Princeton, 1983, p.293.



that since to move into the latter requires investment and long term farm credit has not been available since the early sixties, the policy ensures that only those with access to savings from outside the sector can exploit profitable opportunities made possible by the distorted price system itself. This effectively locks small farmers into a high tax cropping pattern. It is claimed that this conclusion is supported by field observations where orchards were usually found to be owned by urban based professionals and where cattle-fattening feedlots were found to be operated by the dominant farmer in the village.<sup>50</sup>

Moreover the consumption baskets of various rural classes differed significantly. Food weighed heavier in the consumption bundle of the poor while manufactured goods, which were often heavily subsidized, weighed heavier in the consumption basket of the rural rich.

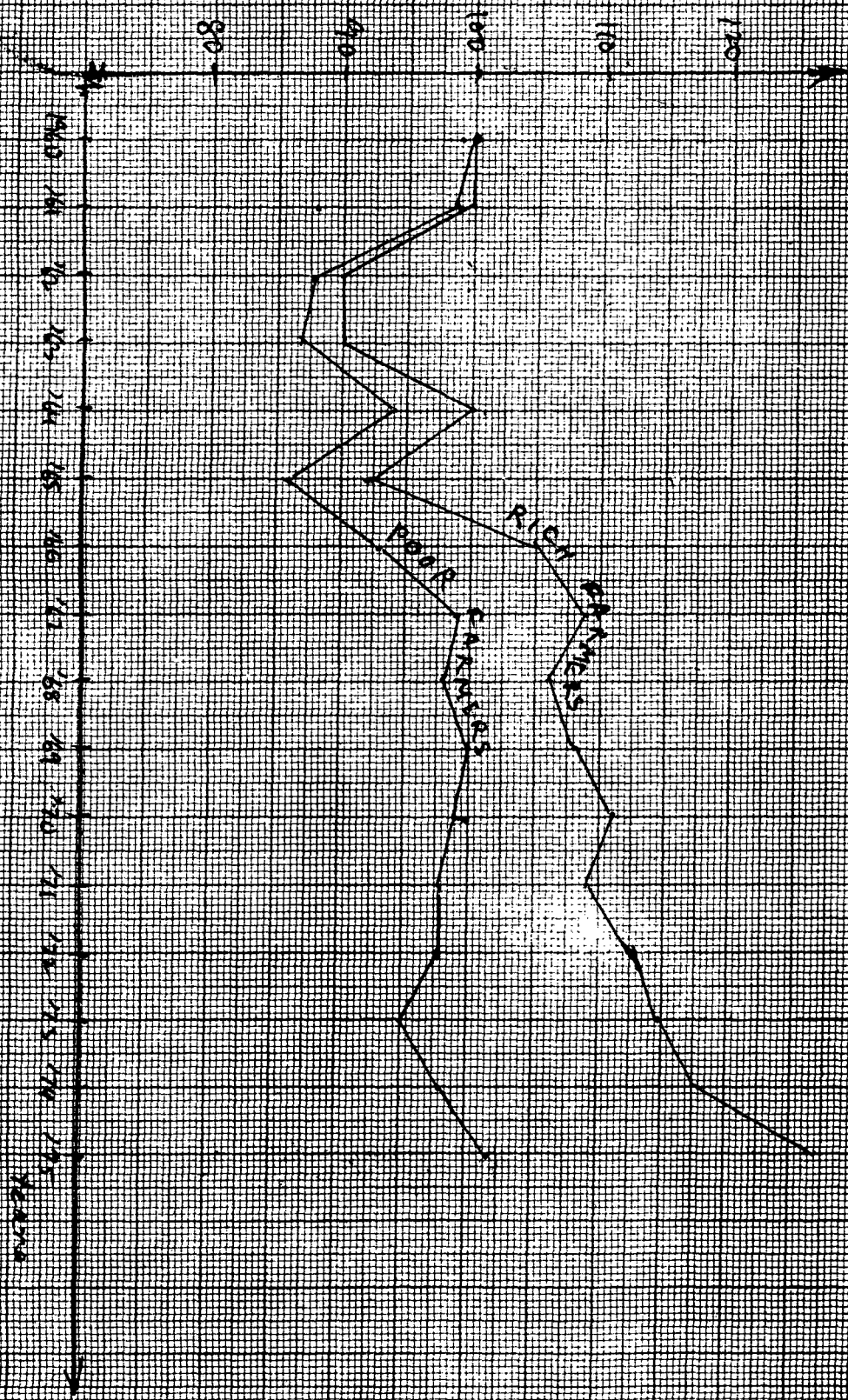
Taking the above differences in crop-mix and consumption baskets into account, Radwan has constructed two sets of terms of trade indices - one for the "poor farmers" and the other for the "rich farmers" each reflecting the movement of change in the relative prices of the commodities produced and consumed by each group. He defined "poor farmers" as those owning five feddans and less, while the

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50. Ibid.



INDICES OF TERMS OF TRADE FOR THE AGRICULTURAL SECTOR



rich were defined as those owning 20 feddans and over.<sup>51</sup>

A comparison of the two sets of terms of trade indices shows that while the terms of trade for "poor farmers" have remained unchanged, those for "rich farmers" have definitely improved. This can be seen in the following graph. Radwan's results further indicate that the spectrum of government policies in post-land reform Egypt favoured the rural rich.

Table 3.11: Distribution of Income in Rural Egypt  
In 1958

	Total Population		Total Income (£ E m)	Per capita Income (£ E)
	('000)	(%)		
Landless <sup>1</sup>	14,000	73	50	3.5
Poor Peasants (below 1 feddan)	1,075	6	7	6.1
Intermediary strata (1-5 feddans)	2,850	15	76	26.8
Rich Peasants (5-20 feddans)	875	5	76	87.4
Rural Capitalists (above 20 feddans)	150	1	116	773.3

1 - Those who do not run a farm either as landlords or as tenants.

Source: Tiers-Monde, July-Sept. 1960 and April-June 1961.  
Cited in Charles Issawi, Egypt in Revolution An  
Economic Analysis, OUP, London, 1963, Table 12,  
p.120.

51. Radwan, S., op. cit., Appendix II, pp.87-8.

Another important development which took place in the sphere of agriculture at this time was the phenomenon of leasing out of land by the smaller farmers to the larger ones. The structure of land holding shows that in 1965 though 57.1 per cent of the land was owned by peasants possessing less than 5 feddans, 51.7 per cent of total cultivated land was held by them.<sup>52</sup> The larger farmer who cultivates not for subsistence but for profit would usually lease in more land only when it is profitable to cultivate. Hence the above indicates an important change in tenurial relations. From a situation where most of leased out land was rented to the small and marginal farmers for the purpose of subsistence production conditions changed to such an extent that land was rented in by those cultivating capitalistically.

Leasing out of land by the small farmers often results from lack of availability of draught animals, implements and credit with the small peasant. This, in Egypt, could easily have been the result of the cattle insurance, fodder and credit policy. Such leasing out often reduces the small landowner to an agricultural labourer.

Not only did the rich peasantry benefit from government policy in terms of higher incomes but they,

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52. Hansen, B. and Radwan, S., Employment Opportunities and Equity in Egypt, op. cit., Table 47, p.107 and Table 48, p.109.

who constituted barely 5 per cent of the landowners soon acquired almost 50 per cent of the land.<sup>53</sup> Those small owners whose falling real incomes and lack of farm assets had forced them to sell or lease their lands, now joined the ranks of the proletariat. According to Radwan the number of landless families increased from 1.09 million in 1961 to 1.53 million in 1972. Though there was a significant fall in the absolute number of landless families between 1950 and 1961 which must have been partly due to the redistribution of land but mainly due to the increased migration by peasants to join the ranks of labourers in public works and other urban activities, the 1960s and 1970s saw a reversal of this trend as the number of landless families continued to increase both in absolute terms and as a proportion of the rural population. The freeze on land redistribution and the growing population pressure appear to be the causes of this reversal.<sup>54</sup>

Moreover if the landless peasants are included in the distribution of landholdings as zero landholders then land distribution among rural population is much more unequal. In 1961 while the bottom 40 per cent of the rural population had no land and half the population controlled only 1 per cent, the top 10 per cent controlled about 65 per

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53. Ibid.

54. Radwan, S., op. cit., p.22.

Table 3.12: An estimate of Landless families in rural Egypt, 1950-72

	(000s)				
	1950	1961	1965	1970	1972
1. Rural Population	13,700	16,120	17,604	19,280	19,928
2. Number of people engaged in non-agricultural activities	1,370	2,418	2,641	2,892	2,989
3. Agricultural population	12,330	13,702	14,963	16,388	16,939
4. Number of families engaged in agriculture	2,466	2,740	2,993	3,278	3,388
5. Number of landed families	1,003	1,642	1,785	1,853	1,857
6. Number of landless families as	1,463	1,098	1,208	1,425	1,531
7. Landless families/percentage of agricultural families	59%	40%	40%	43%	45%

Notes:

- Rows - 1. Figures for 1950, 1961 and 1965 are obtained by interpolating between population census years; 1970 and 1972 are estimates of the Central Agency for Public Mobilization and Statistics and published in the 1974 World Bank Report on Egypt.
2. These figures were estimated as 10 per cent of total rural population for 1950 and 15 per cent for subsequent years.
4. Calculated by applying a uniform average size of rural family of five persons which is the size observed in successive population censuses.
5. Figures for 1950 and 1961 represent the total number of landholdings as reported by the agricultural census in those years. For subsequent years data were obtained by adding to the number of landed families reported in 1965 the families receiving new land from agrarian reform authorities.
6. Figures obtained as a residual: the difference between the total number of families engaged in agriculture and the number of landed families.

Source: Radwan, S., op. cit., Table 2.3, p. 23.

cent of the land.<sup>55</sup> Radwan suggests that the situation must have worsened during the late 1960s and 1970s in view of the fact that landlessness had increased, the supply of arable land remained more or less constant, and the land distribution programme during that period involved only a marginal proportion of the available land.<sup>56</sup>

The period after the land reform is thus characterised by increased peasant differentiation as a result of government policies as well as the emergence of a class of capitalist farmers who employed wage labour and produced for profit.

Conclusion:

The Agrarian reform was essentially a package of policies including the land reform and expansion of agricultural cooperatives and the policies of procurement, marketing and taxation. The most striking feature of the reform <sup>was</sup> the rise of the rich peasant and his metamorphosis into a capitalist farmer. The agrarian reform, by nurturing this capitalist farmer and by organizing production under cooperatives created an atypical system of agricultural production which was neither truly capitalist nor socialist. Since the farmer

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55. Radwan, S., op. cit., p.25.

56. Ibid.



Table 3.13: Distribution of Landholdings (operational units) by size 1950 and 1961.

Size of holdings (feddans)	1950				1961			
	Number of holders <sup>2</sup> (000 families)	%	Area (000 feddans)	%	No. of holders <sup>2</sup> (000 families)	%	Area (000 feddans)	%
0 (landless)	1545.0	60.6	000.0	0.0	1357.0	45.2	000.0	0.0
0 - 1	214.3	8.4	111.8	1.8	434.2	14.2	211.2	3.4
1 - 2	248.3	9.7	335.7	5.5	385.9	12.9	505.3	8.1
2 - 3	161.7	6.3	373.9	6.1	286.8	9.6	647.9	10.4
3 - 4	99.1	4.0	328.7	5.4	174.6	5.8	566.4	9.1
4 - 5	63.3	2.5	272.7	4.4	99.7	3.3	423.6	6.8
5 - 10	122.4	4.8	818.4	13.3	170.0	5.7	1100.7	17.7
10 - 20	52.5	2.1	705.3	11.5	56.7	1.9	742.6	12.0
20 - 50	26.5	1.0	792.1	12.9	23.8	0.8	689.3	11.0
50 - 100	8.4	0.3	579.1	1.4	6.4	0.2	429.9	7.0
100	6.5	0.3	1826.3	29.7	4.0	0.1	905.9	14.5
<b>Total</b>	<b>2548.0</b>	<b>100.0</b>	<b>6144.0</b>	<b>100.0</b>	<b>2999.1</b>	<b>100.0</b>	<b>6222.8</b>	<b>100.0</b>

- Notes: 1. We have used the distribution of landholdings rather than that of landownership as the former is consistent with our definition of the landless as those who have no access to land either through ownership or rent.
2. Number of zero landholders is the number of landless families estimated in the previous table. Number of other landholders and the areas they hold are those reported by the two agricultural censuses of 1950 and 1961. Agricultural Census, 1950, vol. I, table III, and Fourth Agricultural Census 1961, Part I, Section 1.

Cited in Radwasn, S., op. cit., Table 2.4, p.24.

was not free to decide what to produce and how much of input to use he was distinct from the typical capitalist farmer. But, since he owned his means of production and could make profits by employing labour to work on his land he was fundamentally different from a peasant under a socialist system.

What remains to be seen is whether this system was able to secure the increases in production and contribute to the process of industrialization and economic development as desired. This issue shall be dealt with in the next chapter.



CHAPTER IV  
THE AGRARIAN QUESTION IN EGYPT

In the previous chapter we have seen that Egyptian agriculture underwent a thoroughgoing agrarian transformation under Nasser. Let us now see the way <sup>the</sup> agrarian question was resolved. The basic question addressed would be whether the agrarian reform fulfilled its role in achieving a meaningful contribution of agriculture to the process of economic development and industrialization in Egypt.

We shall first look at the structural changes that took place in the Egyptian economy in the period after the revolution. This section would deal with the growth and change in the pattern of investment and developments in the agrarian, industrial and external sectors. We shall then go on to examine the contribution of agriculture to industrialization and see whether the agrarian reform was necessary to allow for this contribution.

#### Growth and Structural Change

In the two decades after the 1952 revolution the Egyptian economy saw major changes. After recovering from the uncertainties of a major political change and the effects of the world-wide downturn in the business cycle after the boom of the Korean war in the early fifties, the Egyptian economy recovered to witness a period of significant economic growth for a decade, after which it suffered a decline.

In the period 1955-65 the Egyptian economy experienced rapid and sustained economic growth with Gross Domestic Product growing at rates of over 5 per cent per annum.

(Table 4.1) This period also saw a major structural transformation of the economy. The share of industry and services rose in both employment and output. (Table 4.2) Within industry the composition of output shifted in favour of intermediate goods and consumer durables. (Table 4.3) At the same time a transition was made from private enterprise to public ownership. (Table 4.4)

Table 4.1: Gross Domestic Product

Years	GDP (£ E millions)	
	GDP at constant prices (1952/3)	GDP at constant prices 1959/60
1952/3	806.0	
1953/4	871.0	
1954/5	930.0	
1955/6	881.0	
1956/7	897.0	
1957/8	959.0	
1958/9	985.0	
1959/60	1091.0	1285.2
1960/61	1139.0	1363.5
1961/62	1190.0	1411.0
1962/3	1324.0	1536.7
1963/4	1416.4	1669.7
1964/5	1480.0	1762.2
1965/6	1545.0	1841.1
1966/7	1546.0	1865.9
1967/8	n.a.	1847.6
1968/9	n.a.	1954.4
1969/70	n.a.	2089.3

Source: Mabro, R., The Egyptian Economy, op. cit., Table 8.1, p. 167.

Table 4.2(a): Sectoral Shares in GDP (%)

	1955-56	1965-66	1970-71
Agriculture	32.3	28.5	27.5
Industry, Petroleum and Mining	17.6	21.6	22.7
Electricity	n.a.	1.1	1.4
Construction	2.9	4.4	4.2
Transport & Communication	6.4	9.2	5.1
Trade and finance	9.5	8.5	9.7
Housing	9.7	5.1	4.3
Public utilities	n.a.	0.4	0.5
Other Services	21.6	21.2	24.6
All Sectors	100.0	100.0	100.0

Source: IBRD Report, Economic Management in a Period of Transition, by Ikram, K., John Hopkins University Press, Baltimore, Statistical Annexure, Table 7, 1980.

Table 4.2(b): Civilian Employment by Economic Activity (Percentage)

	1947	1960	1966	1971
Agriculture	58.4	57.0	53.4	53.2
Mining, quarrying and manu- facturing	8.2	9.5	13.1	12.4
Construction	1.6	2.0	2.5	2.3
Electricity, gas & water	0.3	0.5	0.6	0.3
Commerce	8.4	8.3	7.2	9.6
Transport, storage & equipment	2.9	3.4	4.1	3.9
Other services & unspecified	20.1	19.3	19.2	18.3

Source: IBRD Report: Economic Management in a period of Transition, op. cit., Table 7.4, pp.134-5.

Table 4.3: Composition of Gross Value-added by Categories of Industries

Category	1947	1966/7	1969/70
Basic consumer goods	79.8	55.0	51.6
Intermediate Industries	19.7	38.2	40.6
Consumer durables/equipment	0.5	6.8	7.4

Source: IBRD Report, Economic Management in period of Transition, Table 11.4, p. 243.

op. cit.

Table 4.4: Percentage Share of Consumption in GDP

	Consumption		
	Total	Private	Public
1952-53	88.1	71.7	16.4
1955-56	84.9	67.5	17.3
1960-61	85.9	68.3	17.6
1965-66	86.4	66.6	19.8
1969-70	89.0	65.5	23.5
1971-72	92.1	65.1	27.0

Source: IBRD Report, Economic Management in a period of Transition, Statistical Annexure, Table 5, p. 396.

op. cit.

In the period after 1965 the economy could no longer sustain high rates of growth of GDP which now fell below 2 per cent per annum. The growth in per capita income which was an average of 4.2 per cent per annum between 1960 and 1965 fell to less than 1 per cent a year between 1966 and 1973. In 1966-68 and 1972 there was actually a fall in real per capita income.<sup>1</sup> During this period the economy suffered from innumerable problems. While investment as a share of GNP fell since the rates of saving remained lower than the rate of investment, it could not sustain the high rates of investment as aid from the west was disrupted (Table 4.5). Moreover resources were diverted to defence.

Table 4.5: Gross Saving and Gross Investment as % of GNP

	Invest- ment	Saving
1959/60	12.5	12.8
1960/61	15.5	14.4
1961/62	16.6	10.9
1962/63	17.8	11.6
1963/64	19.7	12.5
1964/65	17.8	14.1
1965/66	19.6	13.7
1966/67	15.7	15.1
1967/68	13.7	12.2
1968/69	12.0	12.9

Source: Amin, G., Modernization of Poverty, E.J. Brill, Leiden, 1974, Table 22, p.53.

1. IBRD Report, Egypt Economic Management in a Period of Transition, John Hopkins University Press, Baltimore, 1980, p.4.



Investment

While industry accounted for a large share in the Gross Fixed Investment since the government directly undertook investment in public sector enterprises, the share of agriculture as such was low. (Table 4.6) However a substantial share of investment went for irrigation and drainage.

Table 4.6: Percentage of Gross Fixed Investment

	1955- 56	1960- 61	1965- 66	1970- 71
Agriculture	4.1	7.4	8.2	7.9
Irrigation & drainage	6.8	9.6	13.6	7.1
Industry, petroleum & mining	28.9	30.1	26.7	35.4
Electricity	5.6	2.5	16.2	6.5
Construction	n.a.	n.a.	1.8	2.5
Transport & Communication	14.6	33.1	14.1	22.9
Trade & finance	n.a.	n.a.	0.7	2.7
Housing	31.7	8.5	12.6	7.5
Public utilities	3.0	3.4	3.6	4.7
Other services	8.1	8.7	4.6	4.5
Less expenditure for purchased land	-2.8	-3.3	-1.8	-1.7
Gross fixed investment	100.0	100.0	100.0	100.0
Public	n.a.	n.a.	92.6	88.5
Private	n.a.	n.a.	7.4	11.5

n.a. - not available.

Source: IBRD Report, Economic Management in a Period of Transition, Statistical Annexure, Table 9.

op. cit.,

The government undertook investment in irrigation to ensure perennial water supply so that multiple cropping could be undertaken since arable land was limited and could be extended only marginally.<sup>2</sup> As a result by 1961, 100 per cent of the arable land was irrigated.<sup>3</sup>

To solve the problem of waterlogging which this led to investment in drainage was undertaken. From 1954 to 1960 the increase in the length of irrigation canals and drains was insignificant - the length of irrigation canals grew from 23,471 kms to 24,804 kms while the length of drains increased from 12,316 to 13,330 kms.<sup>4</sup> A significant increase in the investment on irrigation and drainage was seen in the 1960s when it grew to more than 14 per cent of Gross Fixed Investment in the country. It is of significance that 40-60 per cent of the investment went to the reclamation of unpopulated marshlands and desert fringes. The Aswan High Dam was built with a view to bring more than 2 million feddans of arable land under cultivation. Irrigated

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2. Only 616,000 HA out of the total land area of 34,150,000 HA (a mere 1.8%) was arable in 1961-65. FAO Production Yearbook 1976.
  3. FAO, Country Tables, 1988.
  4. Mead, D., Growth and Structural Change in the Egyptian Economy. The Economic Growth Centre, Yale, University, Illinois, 1967, Table 111-C-7, p.331.

land grew from 2,548,000 HA to 2,843,000 HA during the sixties.<sup>5</sup> The opportunity cost of this investment was virtual stagnation in the old lands. The benefit has been an added 621,000 feddans since 1959 much of which is either not yet in production or has been abandoned. After almost 20 years of receiving half the investment funds, their contribution to the annual value of sectoral production was some 3 per cent.<sup>6</sup>

#### Agriculture

The long run rate of growth in aggregate agricultural production has been low. The figure for Egypt is 1.3 per cent per year while for developing countries as a whole it has been 2.6 per cent.<sup>7</sup> There are two distinct phases of the growth in agricultural production. Between 1954-64 the rate of growth was 2.7 per cent per annum and it fell to 1.2 per cent per annum between 1964 and 1971. (Table 4.7)

The main crops of Egyptian agriculture are cotton, maize, wheat, rice and berseem (fodder). Their indices of yields for the period 1952-71 reveals that the improvement during this period was impressive. Yields did not rise in

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5. FAO Production Yearbook, 1976.

6. Cuddihy, W., Agricultural Price Management in Egypt, op. cit., pp. 17-18.

7. Ibid.

Table 4.7: Index of Crop Production

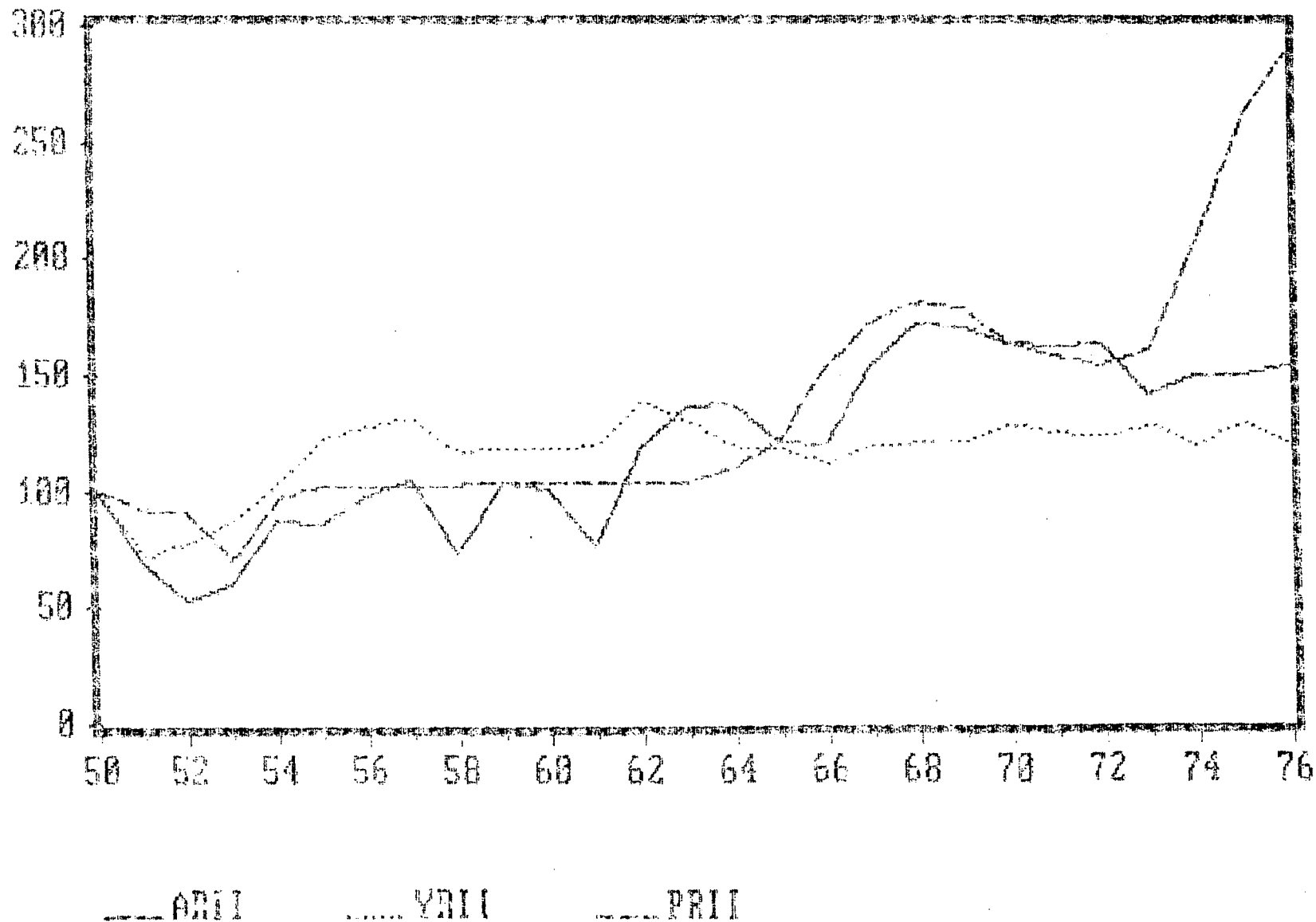

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	1957-59=100
1948	84
1949	82
1950	79
1951	76
1952	84
1953	80
1954	92
1955	89
1956	90
1957	98
1958	98
1959	104
1960	108
1961	89
1962	117
1963	119
	1961-65 = 100
1961-65	100
1964	106
1965	108
1966	105
1967	102
1968	107
1969	118
1970	116
1971	120
1972	122

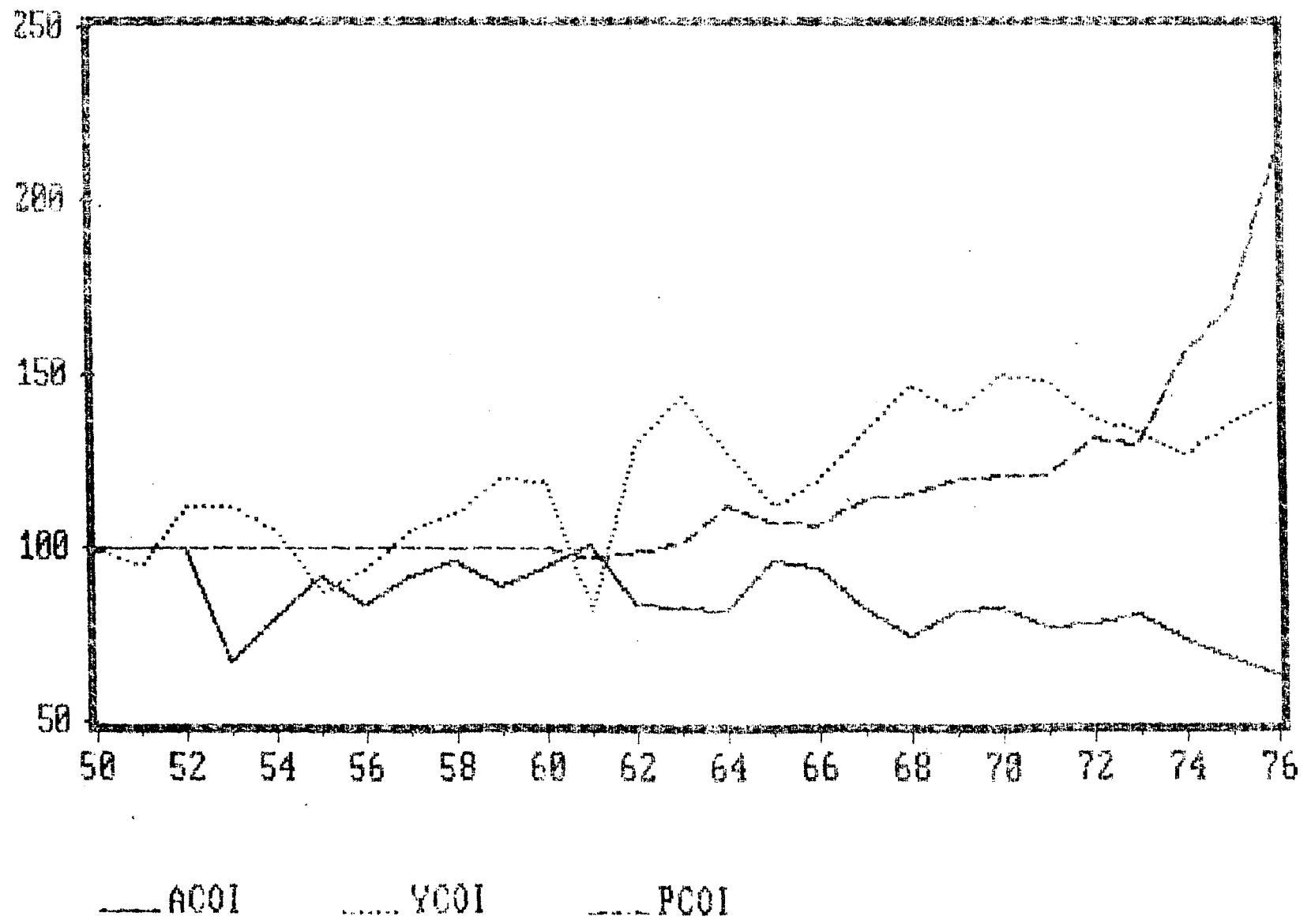
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For  
 Source: 1948-63, Agriculture in 26  
Developing Nations 1948-1963, USDA.  
 For 1964-72, Indices of  
Agricultural Production in Africa  
and the Near East, 1964-73, USDA.

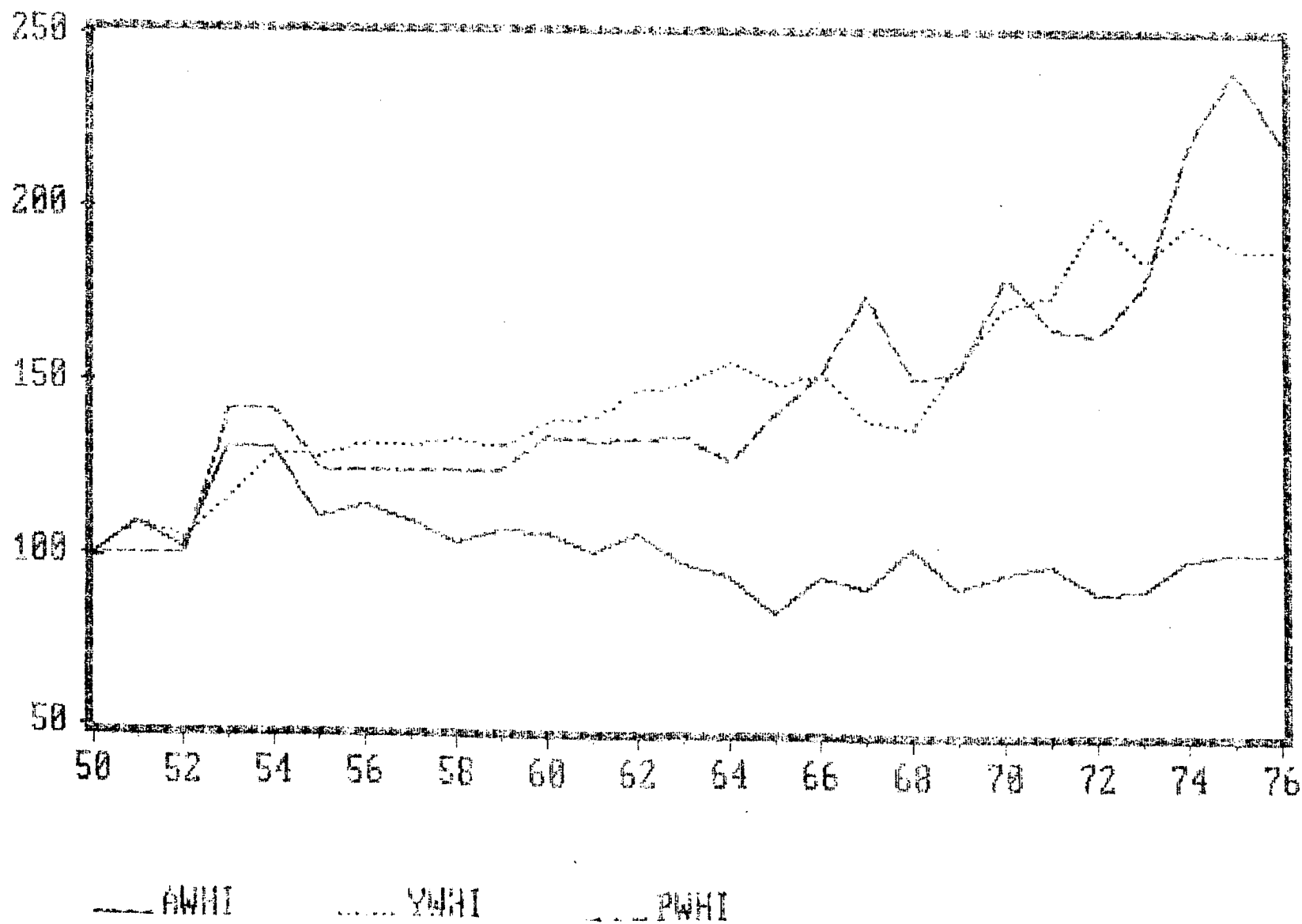
indices of acreage, yield and price of rice



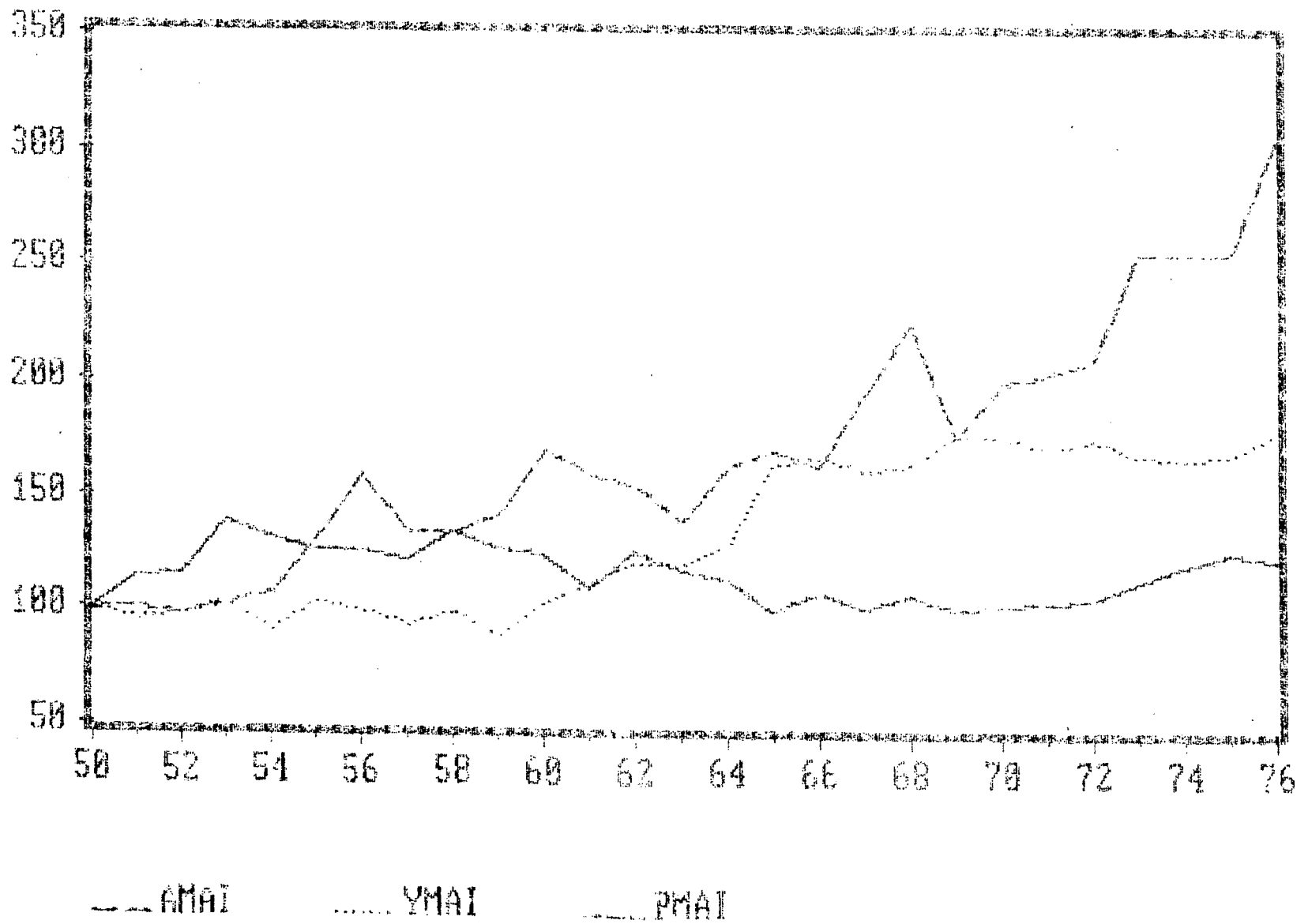
indices of acreage ,yield and price of cotton



indices of acreage yield and price of wheat



indices of acreage, yield and price of maize





the years corresponding to the first stage of the land reform, that is, between 1952 and the late 1950's (Table 4.8) Cotton, the most important crop performed badly until 1957 when yields just regained the 1948-51 average level. The yields of wheat remained stagnant after an early rise in 1952-4. The yields of maize did not improve in the 1950s. Rice is the only major exception to this pattern. By 1957, a 40 per cent increase in yields had been achieved, but they tended to fall or stagnate after that. One of the major factors which contributed to the increase in yields, apart from public investment in irrigation and drainage and the spread of new seeds appears to be the consolidation of land and improved cultivation practices under the cooperatives.<sup>8</sup>

In the second half of the sixties however there was a decline in agricultural growth rates. Richards argues that this was the direct result of the agricultural investment policies of the Nasser regime.<sup>9</sup> These policies had three main constituents: One, the construction of the Aswan High Dam; two, the emphasis on land reclamation; and three, the relative neglect of drainage. The share of

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8. Mabro, R., The Egyptian Economy, op. cit., pp.80-82.

9. Richards, A., "Agricultural Crises in Egypt", Journal of Development Studies, April 1980.

Table 4.8: Average Yield per Feddan of Principal Crops,  
1950-72

Year	Wheat	Maize	Rice	Cotton
1950	742	900	1776	620
1951	808	858	1275	589
1952	777	882	1381	693
1953	865	920	1541	695
1954	961	823	1835	647
1955	953	932	2176	541
1956	982	899	2280	583
1957	978	848	2335	649
1958	991	899	2083	681
1959	974	806	2108	745
1960	1029	929	2105	737
1961	1037	1009	2126	506
1962	1095	1094	2456	806
1963	1110	1084	2313	806
1964	1158	1165	2117	891
1965	1111	1476	2109	791
1966	1135	1509	1989	693
1967	1036	1456	2121	743
1968	1074	1478	2147	827
1969	1018	1594	2146	912
1970	1163	1592	2280	863
1971	1282	1539	2228	929
1972	1304	1579	2189	917

Source: IBRD Report, Economic Management in  
a period of Transition, op. cit.,  
Statistical Annexure, Table 19.

agriculture in total public capital expenditure rose from 11.6 per cent in 1952-3 to 16.8 per cent in 1967-8.<sup>10</sup> When the Aswan High Dam was being constructed in the mid-sixties this share is estimated by some to have risen to 25 per cent.<sup>11</sup> Most capital formation was in the hydraulic system (75 per cent of total capital in 1966).<sup>12</sup> In fact, the Aswan Dam accounted for almost a third of all capital formation during this period. While the High Dam led to an increase in maize yields by 20 per cent, increased water allowed for a shift from cotton into sugar and from wheat to rice in some parts. Despite the fact that yields of major crops rose dramatically there were two fundamental flaws in the agricultural investment policies. First was the relative neglect of drainage and the second was a concentration on land reclamation. Drainage problems were essentially of two kinds. One, of lands converted from basin to perennial irrigation as a result of the High Dam and two, difficulties facing lands already cropped year-round. Shortages of funds and engineers during the period of construction of the High Dam led the government to ignore drainage construction in those areas, postponing such works in the plans to 1970/71. Investments in public drains and pumping stations in the Delta which

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10. Ibid.

11. Ibid.

12. Ibid.

did occur were very inadequate because (i) water supply increased dramatically, (ii) peasant practices were based on centuries of water scarcity, (iii) water was free and (iv) because of the failure to construct small-scale drains to connect with the main drains.

As a former Under Secretary of Agriculture put it, "...public drains alone were not as effective in draining the areas they were planned to serve because only a small proportion of these areas were covered by the necessary field drains... and hence the benefits of drainage were in reality limited to narrow strips of land adjacent to the public drains..."<sup>13</sup>

Given the high cropping ratios and the high rural population densities, government's concentration on land reclamation is understandable. Heavy investments (some £ E 154 million out of total agricultural sector investment of £ E 208 million in 1960-5 five year plan), were allocated to such reclamation schemes as Tahrir province on the western edge of the Delta.<sup>14</sup> The results of the scheme belied the regime's technicians' hope that Egypt 'escape the confines of the Nile Valley'. Costs per re-claimed feddan have been estimated at between £ E 480 and

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13. Ibid.

14. Ibid.

£ E 1000 in contrast to official government estimates of £ E 165 (one may compare this to the per feddan cost of tile drainage of roughly £ E 46-50).<sup>15</sup> The neglect of drainage led to salinity and poor soil structure and thus limited crop yields which affected returns. While the total area reclaimed is disputed, by 1970 only 518,000 reclaimed feddans were being cultivated of which 345,000 feddans were marginally productive.<sup>16</sup>

One explanation for the blunders made is miscalculation. For instance it was assumed that the new lands would be as fertile as the old and that the Aswan Dam would cause the water table to fall. But Richards suggests that miscalculation was only part of the story.<sup>17</sup> Nor can myopia provide the explanation to the choice of land reclamation over drainage since, if drainage should have been postponed because of capital constraints, there was no reason why land reclamation which has an equally long pay off should get funds.

Richards argues that it seems like that these failures were partly the result of the nature of the regime, of its social base, and of its bureaucratic/military mentality.

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15. Ibid.

16. Ibid.

17. Ibid.

Such a regime was unlikely to take the Chinese route to agricultural development by finding the solution to the complex problems of production in the old lands by instituting a thorough going social transformation of the countryside. Nor was it likely that such a bureaucratic and highly centralized regime would rely on providing decentralized incentive mechanisms, for instance, to induce farmers to instal their own field drains. Highly centralized responses were most attractive in a centralized government structure. In the planning of new lands for which labour would be imported, the government could avoid dealing with the pre-existing and complex balance of local power. The engineers of the bureaucracy tended to treat the fundamentally social problems of Egyptian agriculture as essentially technical ones. The regime could not involve the peasantry and could not provide adequate incentives, leaving a centralized technocratic 'new lands' approach as the only real option. In seeking solutions to the intractable problems of Egyptian agriculture, the regime gave in to the temptation of denying the existence of social and technical constraints responsible for these problems.

### Industry

A considerable expansion of industry had already taken place between the thirties and the middle of the

fifties.<sup>18</sup> Some acceleration in industrial expansion was accomplished under the 5 year plans since 1951.<sup>19</sup> Industrialization began in the food and cotton industries encouraged by domestic demand and the availability of raw material. Industrial enterprises in cotton ginning, pressing, spinning and weaving, sugar, flour-milling, beverages, tobacco etc. were found even at the beginning of the twentieth century. At the outbreak of World War II domestic industries satisfied the following percentages of the country's consumption: sugar 100, alcohol 100, cigarettes 100, salt 100, flour-milling 99, cotton yarn 96, shoes 90, cement 90, soap 90, furniture 80, matches 80, beer 65, vegetable oils 60, caustic soda 50 and cotton textiles 40 per cent.<sup>20</sup>

After the revolution there was a considerable attempt to diversify industrial production. Import substitution in consumer durables took place. Oil and fertilizer production increased and even an iron and steel industry was established.

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18. Hanson and Mazrouk, Development and Economic Policy in the UAR, North Holland Publishing Company, Amsterdam, 1965, Ch.5.

19. Ibid.

20. Ibid., p.114.

The share of basic consumer goods industries fell from close to 80 per cent in 1947 to 50 per cent in 1978. Intermediate goods like plastics and rubber and nitrogenous fertilizers were produced in the intermediate manufacturing sector and their share in value added in industry increased to more than 40 per cent by 1970. The share of consumer durables and machinery and transport equipment did not increase significantly rising from 0.5 per cent in 1947 to 7.4 per cent in 1969-70.<sup>21</sup>

Rates of growth in industry also witnessed two distinct phases in the period under study. Between 1953/4 and 1963/4 the rate of growth of value added in industry was 8 per cent and this fell to 3 per cent between 1963/4 and 1973.

(Table 4.9)

#### Foreign Trade and Balance of Payment

Egyptian exports consisted mainly of agricultural commodities while the bulk of imports were intermediate or capital goods for industry. In the period under study Egypt faced a persistent balance of trade deficit.<sup>22</sup> (Table 4.10)

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21. Details given in Table 4.3.



Table 4.9: Index of Manufacturing Output

Year	Index	Rate of Growth
1952/53	100	-
1953/54	108.2	8.2
1954/55	120.7	11.5
1955/56	129.6	7.4
1956/57	140.2	8.1
1957/58	152.9	9.0
1958/59	162.5	6.3
1959/60	175.9	8.2
1960/61	203.2	15.5
1961/62	224.7	10.6
1962/63	250.5	11.5
1963/64	280.2	11.8
1964/65	292.8	4.5
1965/66	299.3	2.2
1966/67	297.2	-0.7
1967/68	291.0	-2.1
1968/69	301.2	3.5
1969/70	315.4	4.7

Source: Mabro & Radwan, The Industrialization of Egypt 1939-73, Policy and Performance, Clarendon Press, Oxford, 1976, Table 5.3, p.87.

Table 4.10: Balance of Trade, 1952-72 (ml. of US \$)

	1952-58 Yearly average	1959-66 Yearly average	1967-72 Yearly average
Trade Balance	-135	-310	-335
Exports (fob)	423	514	745
Cotton textiles	345	362	464
Imports (cif)	-558	-824	-1080

Source: Albani et. al. (eds.), op. cit.,  
Table 2.1, p. 22.

Invisible earning from tourism and the Suez Canal helped to make the balance of payment position more favourable but still Egypt had to depend a lot on the aid she received.<sup>22</sup> As the table below shows Egypt received the largest share of foreign aid among the Arab nations till 1964 (Table 4.11). Political considerations led the west to reduce aid drastically after 1967 and this prompted the Egyptian government to clamp down on imports. Consequently the rate at which the external deficit was rising slowed down. The decrease in the inflow of loans into Egypt in the second half of the sixties can be seen in the following table (Table 4.12).

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22. From 1957 to 1964 trade as a proportion of national income ranged between 36 and 43 per cent and Egypt had accrued a debt of more than \$ 2 billion. Marvin G. Weinbaum, Employment and Politics of US Economic Aid, Westview, London, 1986, p. 29.

Table 4.11: Long Term Economic Aid (million US \$)

From	U.S.A. (July 1, 1945 - June 30, 1964)	All D.A.C. <sup>a</sup> countries and Multi- lateral Agencies (Net Offi- cial Rece- ipts only) (1964-69)	Sino-Soviet Bloc commit- ments		
			1954- 64	1965- 69	1954- 69
To					
Kuwait	-	-20.2	-	-	-
Saudi Arabia	46.6	-31.6	-	-	-
Iraq	46.6	55.6 <sup>b</sup>	217	270	487
Libya	205.3	11.6 <sup>b</sup>	-	-	-
Egypt	943.1	231.9 <sup>b</sup>	1282	452	1734
Sudan	81.4	107.1	22	27	49
Syria	81.9	47.0	231	275	506
Jordan	431.6	284.0	-	-	-
Lebanon	78.9	65.6	-	-	-
<b>Total</b>	<b>1915.1</b>		<b>1752</b>	<b>1024</b>	<b>2776</b>

a - Development Assistance Committee of the OECD which includes US, Canada, Western Europe and Japan.

b - 1965-69

- Nil or negligible quantities.

Source: Amin, G., The Modernization of Poverty, op. cit., Table 1, p.9.

Table 4.12: Average Yearly Inflow of Loans (net)  
1956/60-1971/75 (millions of US \$)

	Total
1956-60	100.5
1961-65	126.2
1966-70	104.0
1971-75	765.3

Source: Alboni et. al. (eds.), op. cit.,  
 Table 1.4, p. 25.

#### Role of Agriculture in Industrialization

Agriculture played a crucial role in Egypt's growth and industrialization under Nasser. We shall now try to evaluate the contribution of agriculture to industrialization and establish that this contribution was made possible by the agrarian reforms brought about by the new regime.

The historical experience of present day developed nations shows that the contribution of agriculture to industrialization was crucial in providing food for its workers, raw materials for its machines, labour to work, a surplus to be invested, foreign exchange to import machinery and raw material and a market for its products. In the case of Egypt we shall try to establish that the contribution of agriculture was significant: one, in

terms of exports, two, in providing a surplus for investment in other sectors and three in a limited way in providing a market for manufactured goods. Whereas in terms of exports agriculture's contribution can be directly supported with evidence, in terms of surplus proof of extraction of surplus from agriculture exists but limitations of data do not allow us to show how this surplus was being used. Available government accounts do not indicate the source and use of funds in this manner. The market provided by agriculture ~~was~~<sup>was</sup> mainly for fertilizers and can therefore be easily measured. We shall also look at the other ways in which agriculture might have contributed to the growth of industry. At each step an attempt would be made to examine whether this contribution was made possible by the agrarian reform. The significance of the agrarian reform does not lie in any particular measure - the land reform or the cooperatives but in its conception and implementation as a large package of related measures. The cooperatives were, an essential component of the package and it is doubtful whether they would have been extended independently of the land distribution measures.

A few agricultural credit cooperatives were founded before the First World War. By 1931 there were 539 cooperative societies of all kinds with a membership of

53,000.<sup>23</sup> The government helped the movement for cooperatives by favourable legislation and the provision of cheap loans through Misr Bank. Since loans were provided to the cooperative at lower rates of interest large landowners began to join the cooperatives and secure control over them.<sup>24</sup> It appears that conditions were not conducive to the expansion of cooperatives in the pre-land reform structure of land holding. Moreover smashing the power of the landed aristocracy in the countryside gave the new state the opportunity to effectively implement its policies and exercise its power over the peasants.

The new kind of multipurpose cooperative which performed services such as loans, supply, sale, and organization of production developed after the Agrarian Reform Law of 1952 under which all beneficiaries of land redistribution were required to join such cooperatives. It was the extension of such cooperatives to the rest of the country which brought about a radical transformation of rural Egypt. The expansion of cooperatives was clearly integrally linked to the land reform.

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23. Issawi, C., Egypt in Revolution, OUP, London, 1963, p. 164.

24. Ibid.

### Imports

The importance of exports for a newly industrializing country lies in the fact that exports earn foreign exchange which is crucial for import of machinery and raw materials required for industrialization. Export earnings were particularly important for Egypt since it adopted a strategy of industrialization which was likely to be more import intensive in the short run as it emphasized import substitution in consumer durables and capital goods.

The possibility of export-led growth was not envisaged by the new rulers for Egypt because it was felt that Egypt had no cost or quality advantages in the highly competitive world market. In 1952 manufacturing was dominated by agro-based industries mainly food processing and textiles. The strategy of industrialization chosen placed greater emphasis on import substitution in consumer durables, metallurgical products, inputs utilized by industries and capital equipment which until then were of little significance in the manufacturing sector. This meant investment in new areas and a greater need for foreign exchange as these industries are likely to be highly import intensive initially though even by 1967 the import content of total inputs was 33.4 per cent.<sup>25</sup>

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25. Mabro, R. and Radwan, S., The Industrialization of Egypt 1939-73, Policy and Performance, Clarendon Press, Oxford, 1976, Table 12.7, p.209.

Large proportions of agricultural requirements of industries were also imported. Even by 1967 the food industry imported 90 per cent of its direct requirement of agricultural inputs. The cigarette industry imported all the tobacco used since the cultivation of tobacco was prohibited in Egypt in the nineteenth century to facilitate the imposition of taxes which were more conveniently levied in the customs house than on the field. The leather industry relied on imports of some 45 per cent of its inputs mainly hides and skins. In 1967, industries spent £ E 155.8 million on agricultural inputs, and more than 50 per cent of that amount was accounted for by imports.<sup>26</sup> As the table below shows more than 70 per cent of Egypt's imports were producer or investment goods (Table 4.13). Imports continued to be crucial to Egyptian industry. In 1967 fuels, intermediate commodities, raw materials and capital goods together accounted for 84.3 per cent of Egypt's imports.<sup>27</sup>

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26. Ibid.

27. When total imports added up to £ E 344.4 millions, fuels accounted for £ E 21.3 millions intermediate commodities £ E 116.5 millions, raw materials £ E 87.6 millions and capital goods £ E 65.0 millions, UAR Economic Survey, The Middle East and North Africa, 1969-70, Europa Publication Ltd., London. p 803



Table 4.13: Composition of Imports (%)

	1948-50	1953-55	1956
Consumer goods	33.6	29.1	25.6
Producer goods*	50.2	45.5	36.1
Investment goods**	16.2	25.4	38.3

Note: \* Producer goods includes fuels and lubricants and cereals for milling and other processing or seed or feed;

\*\* Investment goods includes machinery and equipment.

Source: Development of manufacturing industry in Egypt, Israel and Turkey, UN Publication, 1958.

### Exports

In 1952 the bulk of Egypt's exports consisted of agricultural products which accounted for more than 90 per cent of her export earnings, the most important export crop being cotton which accounted for upto 87 per cent of Egypt's export earnings.<sup>28</sup>

Long staple cotton is the most important field crop, even by 1970 it occupied about 30 per cent of the total acreage every year and provided upto 40 per cent of the value of field crops and 50-60 per cent of the proceeds of visible exports.

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28. Mabro, R. and Radwan, S., op. cit., Table 13.4, p.218.

Rice is another important crop which occupies a rapidly increasing area (1,075,000 feddans in 1967). Its yields were also rising, averaging about 50 per cent above their pre-World War II levels. Rice production reached a record in 1967 (at 2.27 million tons) when exports brought in £ E 29.8 million in foreign exchange. This record was apparently exceeded in 1968 by an output of almost 2.5 million tons.<sup>29</sup>

Agricultural products retained a high share in export earning even by the end of the period under study though their share declined. However the significance of Egyptian agriculture did not decline as a major earner of foreign exchange because of export substitution in cotton. This is revealed when we look at the composition of manufactured goods exports. (Table 4.14)

Table 4.14: Share of Yarn and Fabrics in Export earnings, selected years

Year	Export Share of textiles
1946	0.3
1952-53	3.3
1956-57	8.3
1959-60	9.7
1964-65	14.0
1966-67	19.2
1969-70	16.7
1973	17.1

Source: IBRD Report, Economic Management in a Period of Transition, op. cit., Table 11.5, p.244.

29. UAR, Economic Survey, The Middle East and North Africa, 1969-70, op. cit. p 803

Almost 55-66 per cent of manufactured goods exports have been accounted for by textiles since the late 1950s.<sup>30</sup> Moreover textile exports have grown at a rate of growth of 13.2 per cent which is close to that of manufactured goods (13.3 per cent) and reflects their weight in the basket of manufactured goods exported.<sup>31</sup> 55 per cent of textile exports was accounted for by yarn.<sup>32</sup> The composition of Egypt's export trade indicates export-substitution and reveals an attempt to transform an economy specialized in the exports of a primary commodity into a modern economy which possesses its own raw materials and exports manufactured products.<sup>33</sup> The share of textiles in total exports rose from 2-4 per cent at the beginning of the period to 17-20 per cent at the end. (Table 4.15) Other agricultural products which became important export items during this period were fruits, flowers and vegetables.

#### Role of Agrarian Reform

While the land reform created a class of peasantry capable of investing in land the cooperatives gave the state

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30. Mabro, R. and Radwan, S., op. cit., p.206.

31. Ibid.

32. Ibid.

33. Ibid., p.219.

Table 4.15: Value of Manufacturing Exports (£ E 000s)

Year	Food	Cotton yarn	Cotton fabrics	Total
1951	24 94	6 96 2	6 20	15483
1953	2158	2566	497	12276
1955	2149	4383	999	13616
1958	2317	7083	4586	24566
1961	5110	7727	6139	30707
1963	4501	18187	9006	50648
1965	4593	31092	11677	75586
1966	6202	30879	13476	78706
1968	5211	29922	14521	79799
1970	6286	25629	18132	104662

Source: Mabro and Radwan, op. cit., Table 13.5,  
p. 220.

control over agricultural produce, particularly cotton which was a crucial element in the export policy of Egypt. The cooperatives, an integral part of the agrarian reform, were designed to be the most important instrument in the hands of the state to gain control over agriculture. They succeeded, not only in orienting production towards the requirements of exports but also in becoming the channel for marketing agricultural produce. To increase government control most export crops were brought under cooperative marketing. (Table 4.16) These included cotton, rice, onions, potatoes and groundnuts. Starting in 1953 the cooperative marketing of cotton accounted for the entire volume of cotton marketed by 1965. Rice which was the major foreign exchange earner after cotton and represented

Table 4.16: Cooperative Marketing of Selected Export Crops as a per cent of total output, 1962-70

Agricultural years	Cotton	Rice	Onions	Ground-nuts	Sesame
1962/63	42	-	-	-	-
1963/64	60	-	-	-	-
1964/65	100	-	36	26	23
1965/66	100	50	31	25	31
1966/67	100	52	29	55	80
1967/68	100	48	33	59	70
1968/69	100	47	46	n.a.	n.a.
1969/70	100	49	28	60	80

Source: A. Fadil, op. cit., Table 5.2 and 5.3, pp.86-7.

about 12 per cent of the total export earnings in 1970 was covered by the cooperative marketing system almost to the extent of 50 per cent of the total output of rice. The quantity of onions marketed cooperatively reached a peak of 46 per cent of the output in 1968/69. During the second half of the sixties cooperative marketing accounted for upto sixty per cent of the output of groundnuts and almost 80 per cent or more of other important export crops like flax straw and sesame.

Not only did the cooperatives play a major role in marketing, they, being supervised cooperatives in which the farmers were directed by the supervisor on what to produce, also guided production. This helped in diversification of exports even among agricultural products. They, for instance, played an important role in increasing the production and share in export earnings of rice (other factors for the increase in production of rice were the increased availability of water and the land reclamation in the Northern Delta.

The emergence of fruits, vegetables and flowers as major export commodities was also made possible by the agrarian reform. The agrarian reform, as we have seen in the previous chapter, enabled the growth of profit making capitalist farmers who could invest in agricultural

production. Such crops which required large investments and have long gestation periods could be grown only by those with the capital and the incentive which the capitalist farmers, for instance, possessed. The table below shows the increase in the area planted with vegetables and fruit trees in this period (Table 4.17).

Table 4.17: Area planted with Vegetables and Fruit trees (thousand feddans)

Year	Vegetables	Fruit trees
1952	261	94
1960	513	131
1965	629	187
1970	717	244

Source: Mabro, The Egyptian Economy, op. cit., Table 3.3, p.51.

Below we can see the importance of agricultural produce in exports (Table 4.18). However this is not a complete picture since it leaves out the export substitution of raw cotton that was taking place. Even while agricultural products fell as a share of exports, cotton yarn and textiles <sup>grew</sup> in importance thus maintaining the significance of this crop. We thus find that agriculture had a crucial role to play in Egypt's export performance. Moreover we see that the credit for agriculture's performance goes to a large extent to the cooperatives in particular and the agrarian reform in general.

Table 4.18: Share in Export Earnings

Year	Raw Cotton	Rice	Agricultural products
1950	84.6	4.2	91.0
1951	81.0	7.1	89.8
1952	87.3	0.6	90.4
1953	85.0	-	88.7
1952/3	84.0	-	92.1
1953/4	82.8	0.5	90.5
1954/5	72.7	3.5	86.3
1955/6	72.8	6.4	89.0
1956/7	69.6	6.9	85.5
1957/8	65.9	9.8	84.9
1958/9	71.2	2.4	83.7
1959/60	70.8	2.5	77.6
1960/1	64.4	6.5	75.3
1961/2	58.8	1.8	67.3
1962/3	52.5	9.6	69.6
1963/4	49.2	13.1	67.7
1964/5	55.9	8.1	69.6
1965/6	55.9	8.4	69.5
1966/7	48.8	10.3	65.9
1967/8	44.5	15.9	65.8
1968/9	39.4	17.3	64.0
1969/70	49.1	11.6	67.9
1971	51.0	7.2	66.2
1972	45.2	6.1	58.7
1973	43.2	5.9	60.5

Source: Mabro & Radwan, op. cit., Table 13.4,  
p. 218.



Even the impressive contribution made by Egyptian agriculture to exports was insufficient and Egypt required more from the outside world, both for investment and current consumption than it could pay for by current exports. This led to a persistent external trade deficit for almost two decades and Egypt had to borrow from abroad till political developments led to a cut down in western aid and the government had to take extreme steps to limit imports after the June 1967 war. The cut down in imports led to the development of excess capacity in industry owing to lack of raw material and spare parts. As a result an acute recession took place in Egyptian industry.

#### Surplus Extraction

The scope for direct taxation of agriculture in Egypt was limited, first because it created discontent among the farmers which was politically undesirable and second because such taxes could be evaded even after setting up the required elaborate and expensive administrative network for measurement and implementation of such taxes. During this period the amount of direct tax on land holding collected by the state amounted to less than 1 per cent of the Value Added in agriculture.<sup>34</sup>

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34. Ahmed, S., Public Finance in Egypt, World Bank Staff Working Paper No. 639.

Another method of extraction of surplus from agriculture is through a movement in intersectoral terms of trade against agriculture. The government could either manipulate the terms of trade between agricultural output and inputs or between agricultural output and consumer goods which farmers usually bought from the manufacturing sector i.e. tax farmers' consumption.

#### Terms of Trade

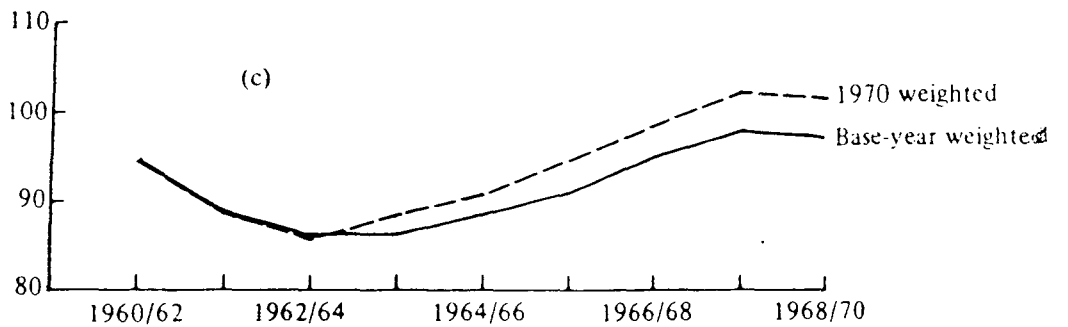
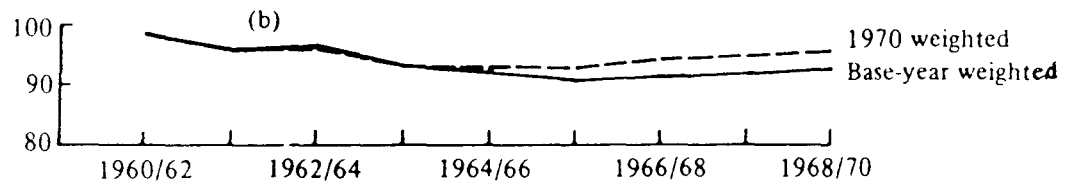
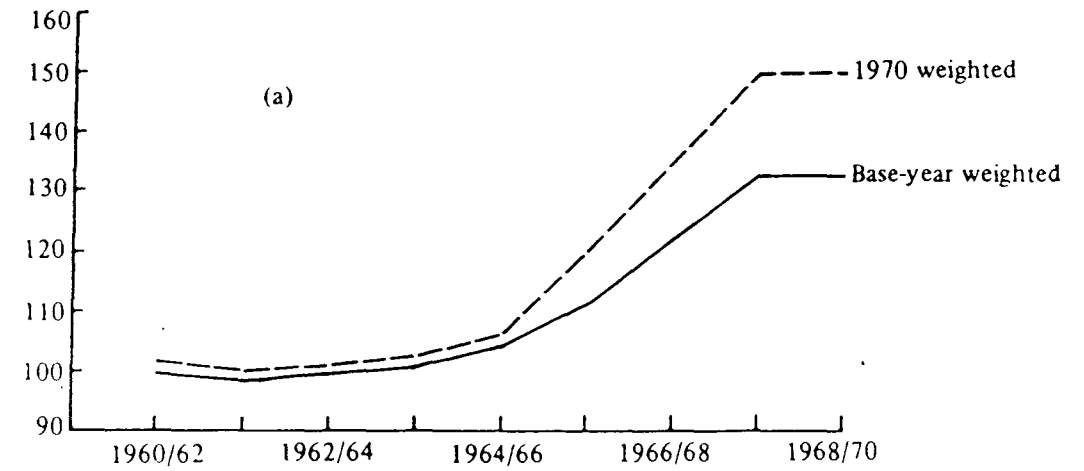
A study by Fadil shows that domestic intersectoral terms of trade did not turn greatly against agriculture during this period. He looks at both the terms of trade between agricultural output and manufactured consumers' goods. Agricultural output includes cotton, rice, wheat, maize, onions and sugarcane marketed at ex-farm prices which reflect average producers' prices for all grades whether delivered through government procurement system or sold to the cooperatives or on the free market. Manufactured agricultural inputs include chemical fertilizers, insecticides, fuels and lubricants while consumer goods include sugar, tea and coffee, soap and other chemicals and cotton and wool textiles.

Fadil chooses 1960 as the base year to construct the indices of the terms of trade because it represented a turning point in a number of governmental policies concerning agricultural prices as well as marketing. At the same time

*Movement in terms of trade for the agricultural sector (three-year moving averages, 1960/62-1968/70)*

- (a) Terms of trade between agricultural output and manufactured agricultural inputs
- (b) Terms of trade between agricultural output and manufactured consumers' goods
- (c) Overall index of terms of trade between agricultural output and manufactured goods

Index of terms of trade



1970 weighted index numbers are also constructed.<sup>35</sup> The results show that the use of different base years, or rather different weights, affects only the magnitudes of the aggregative index numbers while the pattern and the direction of the movement of the terms of trade for the agricultural sector remain the same. Over the sixties the weight of rice almost doubled while that of cotton fell. The use of the base period weights dampens the movement in the terms of trade in favour of the agricultural sector while the 1970 weights tend to exaggerate these movements (Table 4.19).

According to Fadil's estimates the terms of trade between agricultural output and manufactured consumers' goods have been stable after the mid-sixties before which they deteriorated slightly, and that between agricultural output and manufactured inputs (mainly fertilizers) was favourable to agriculture.

Another estimate suggests that between 1965 and 1975 the price of inputs into the principal crops - cotton, rice and maize were rising faster than the price of output. This can be seen in the following table (Table 4.20). Between 1960 and 1970 there was clearly a fall in the net profit per kantar of cotton. (Table 4.21).

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35. Abdel, Fadil, op. cit., Appendix. E.

Table 4.19: Indices of Terms of Trade for the Agricultural sector (on a three-year moving average basis)

Period	Terms of trade between agricultural output and manufactured inputs		Terms of trade between agricultural output and manufactured consumer goods		Overall index of terms of trade between agricultural output and manufactured commodities	
	Base-weighted	1970 weighted	Base-weighted	1970 weighted	Base-weighted	1970 weighted
1960-2	99.6	101.0	98.6	98.4	94.6	94.4
1961-3	98.0	100.0	96.3	96.1	89.1	88.9
1962-4	99.3	101.2	96.9	96.4	86.4	86.0
1963-5	100.1	102.5	93.5	93.3	86.4	88.1
1964-6	103.8	106.7	92.6	93.5	98.3	91.0
1965-7	111.3	118.2	90.2	92.5	90.5	94.6
1966-8	120.9	133.1	91.0	94.1	94.7	98.1
1967-9	131.4	149.5	91.5	94.6	97.9	101.6
1968-70	131.3	149.5	92.5	95.1	97.5	100.7

Source: A. Fadil, op. cit., Table 5.8, p.100.

Table 4.20: Annual Percentage Changes in Output and Input Prices, Selected Crops 1965-75

Commodity	Output	Input	Difference
Berseem <sup>a</sup>	11.0	5.0 <sup>b</sup>	6.0 <sup>b</sup>
Rice	5.4	7.1	-1.7
Wheat	6.8	5.2	1.6
Maize	6.0	6.3	-0.3
Cotton	3.7	5.8	-2.1

Note: a. Actual Prices (per cent per feddan) are available for some years only. Missing data were approximated by using meat price indices.

b. Estimated.

Source: IBRD Report, Economic Management in a Period of Transition, op. cit., Table 10.3, p.207.

Table 4.21: Profitability per feddan of sown cotton, 1960-70

Year	Average price per kantar £ E	Yield per feddan (kantar) rs)	Value of production per feddan			Prodn costs per £ E *	Net yield per feddan £ E	Net profit per kantar £ E
			Value of Cotton £ E	Value of firewood £ E	Total £ E			
1960	15.040	5.20	78.210	1.400	79.610	45.245	34.365	6.60
1961	14.580	3.21	45.800	1.500	43.300	49.700	(-) 1.400**	-
1962	14.840	5.12	75.780	1.500	77.480	51.840	26.640	5.00
1963	15.240	5.12	78.030	2.280	80.310	54.590	25.720	5.02
1964	16.840	5.66	95.310	2.200	97.510	57.681	39.829	7.04
1965	16.120	5.02	80.922	3.370	83.959	64.375	19.584	3.90
1966	16.052	4.40	70.629	3.087	73.716	71.259	2.457	0.558
1967	17.042	4.72	80.438	3.897	83.335	69.920	13.415	2.84
1968	17.463	5.25	91.681	3.623	95.304	70.590	24.714	4.71
1969	18.040	4.85	87.494	3.563	91.057	73.590	17.967	3.60
1970	18.190	5.48	99.681	3.214	102.895	75.660	27.235	4.97

\* Inclusive of rent per feddan.

\*\* Due to heavy damage to the cotton crop inflicted by pests in 1961/62.

Source: Price Planning Agency, Memo No.11: Report on Cotton (Cairo: May 1972), Table 17.

Cited in Fadil, op. cit., Table 5.7, p.96.

Since the figures in the table are in current prices and during this period (1961-69) the annual rate of inflation in the Egyptian economy was 3.2 per cent per annum,<sup>36</sup> this implies a fall in the income per kantar in real terms.

Falling profitability apparently had adverse effects on the production of cotton and farmers did not conform to the production plan set for them. As a result the government raised cotton procurement prices between 1964/5 to 1969/70 in the range of 10 to 22 per cent.<sup>37</sup> The price of extra long staple cotton, the most important export crop, tended to increase at a much higher rate than that of long and medium varieties. Even then it must be noted that while the price of inputs increased annually by 5.8 per cent in the period 1965-75 the price of cotton increased only by an average of 3.7 per cent per annum.<sup>38</sup>

However even if the manipulation of terms of trade did help to transfer resources out of agriculture, it was not, as we shall show below, the main instrument of surplus extraction.

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36. World Economic Survey, 1971, UN, Table D.7, p.93.

37. Abdel Fadil, op. cit., p.93.

38. IBRD Report, Egypt: Economic Management in a Period of Transition, op. cit., Table 10.3, p.207.



### Indirect Taxation

The chief instrument in the hands of the state for the extraction of surplus from agriculture was the indirect taxation of agriculture. The two major schemes on which this indirect taxation was based were: (1) the compulsory procurement at controlled prices and (2) determining cropping pattern through area restrictions.

The following table shows the different combinations of the two schemes for the major crops. Since cotton and rice were the major export earners, they were the chief means through which surplus was extracted from agriculture. As we shall see below the state made enormous profits by virtually becoming a middle-man who bought the produce at low domestic prices and sold them at the high international prices. One can draw a comparison with the mercant-cum-moneylenders who forced the indigo planters in India to plant indigo to repay the debt they had taken. Only, in this case the government used non-economic coercion like fines etc. to force the farmers to conform to its production plans. The sphere of surplus extraction was the product market. This was in addition to the surplus extraction by capitalist farmers in the sphere of production.

### Cotton

From 1953 onwards the Egyptian Cotton Commission (ECC) exercised control over prices and trade in cotton at a

Table 4.22: Development of Production and Export prices and Government profit margin for the cotton crop, 1960-70

Year	Producers' price (£ E per metric kantar)	Average export price (£ E per metric kantar)	(1)/(2) %	Government's profit margin per kantar (£ E)	Quantities exported (000 metric kantars)	Total government revenue (£ E million)
	(1)	(2)	(3)	(4)	(5)	(6)
1960	15.0	18.0	83	3.0	8,497	25.5
1961	14.5	18.1	81	3.5	6,740	23.6
1962	14.8	16.7	89	1.9	5,010	9.5
1963	15.2	18.8	81	3.6	6,447	23.2
1964	16.8	19.2	87	2.4	5,835	14.0
1965	16.1	22.3	92	6.2	6,843	42.4
1966	16.0	20.8	77	4.8	6,848	32.9
1967	17.0	20.2	84	3.2	6,043	19.3
1968	17.5	21.8	80	4.3	5,194	22.3
1969	18.0	25.3	71	7.3	4,760	34.7
1970	18.2	26.0	70	7.8	6,438	50.2

Average annual government revenue.

27.0

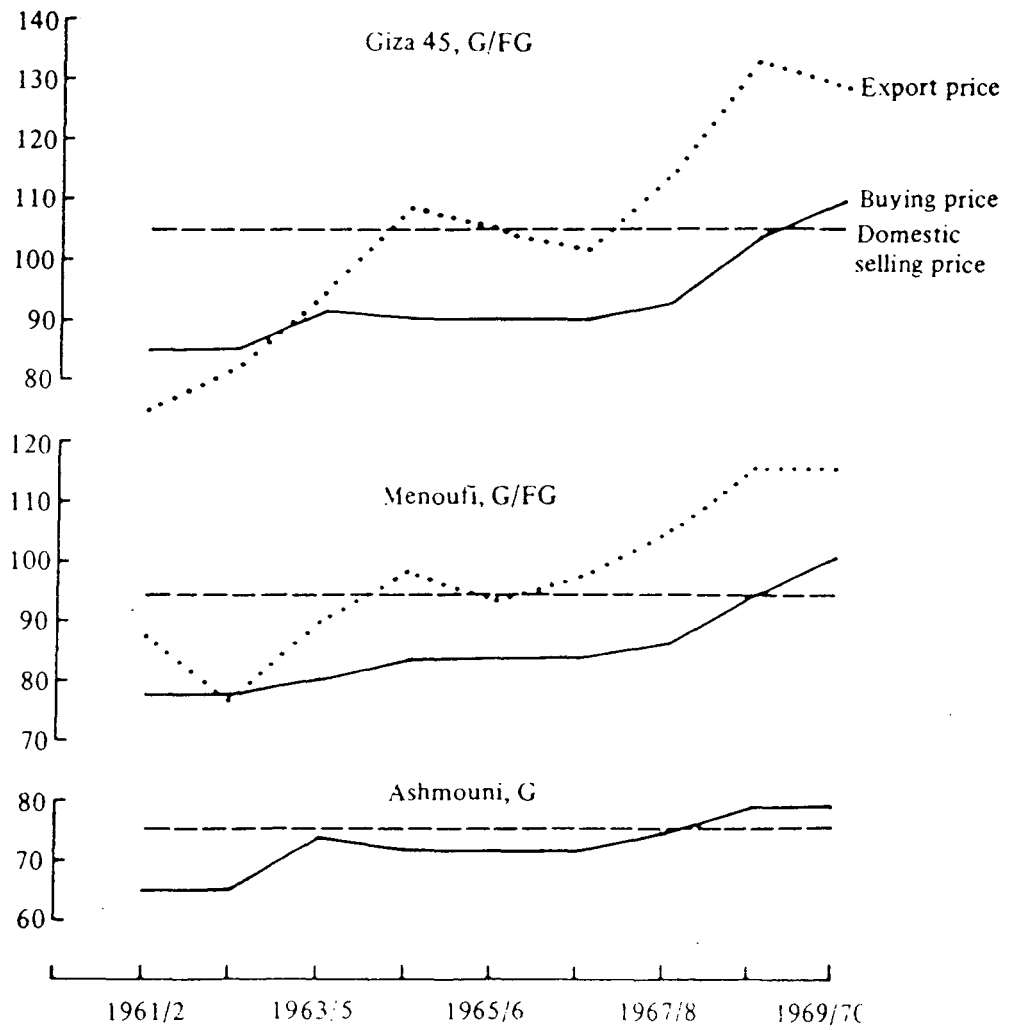
Source: col. (2): Central Price Agency, Cotton Report, Table 2.8, p.105.

col. (5): Central Price Agency, Cotton Report, Table 24, p.98.

Cited in Fadil, op. cit., Table 5.9, p.104.

Cotton ECC buying prices, domestic selling prices and export prices

7: Tallaris  
 5 per metric kantar



national level. In 1961 cotton trade was nationalized eliminating the handful of powerful dealers who controlled the future market. Since 1962 when the cotton exchange in Alexandria was closed the ECC has bought cotton at fixed prices, and fixed selling prices for both export and local consumption. These prices were announced at the beginning of each crop season. Since the entire procurement of cotton was through the cooperatives, price fixation by the ECC was very effective. As the graph below reveals, producers' prices received by cotton growers were much lower than the prices at which the government sold to either domestic spinners or in the international market. This implied a considerable margin of profit for the state. (Table 4.22)

It can be seen that while the domestic selling price remained constant throughout the sixties and the export price fluctuated since it was determined by the state of international demand, the price paid to producers over the period 1961/2 to 1966/7 remained much below and increased in the range of 6-11 per cent (prices paid to farmers differed with the grade and variety of cotton). The agriculturalist was being paid between 70 to 80 per cent of the world market price for his cotton crop. The revenue from cotton alone not only covered all state expenditure in the sector but also left the government with a surplus. For example, during 1974 the transfers to Treasury

of Cotton organization were £ E 136.8 million. The differential between foreign and domestic prices was responsible for most of the gain. The weighted average export price of cotton lint rose by 118 per cent - from £ E 550/ton f.o.b. in 1972 to £ E 1201/ton in 1974 while the producers' price rose by only 21 per cent during 1972 and 1974.<sup>39</sup> As a result of the use of overvalued exchange rate and from price differentials in terms of local currency, the direct state revenue net of all payments to growers from cotton sales alone was £ E 313.8 millions. In this year the sum of all direct and indirect producer subsidies was £ E 106.4 million. This included all explicit subsidies on all crops, the current expenditure of both the ministry of agriculture and of irrigation to provide water and services, plus all state investment in agriculture. Therefore even after taking into account all state expenditure in the sector cotton trade left £ E 207.4 million with the government (Table 4.23).

### Rice

The government also made substantial gains in the export <sup>of</sup> rice which was the second most important foreign exchange earner for Egypt. This can be seen in the following table (Table 4.24). During the sixties government's profit margin was almost 45 per cent. Even when world prices rose

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39. Cuddihy, W., Agricultural Price Management in Egypt, op. cit., p.16.

Table 4.23: Net Effect of Cotton Price Differentials  
1973-74 (£ E million)

Item	1973	1974
1. Transfers to treasury of cotton organization	64.8	136.8
2. Exchange rate gains	114.0	177.0
3. Total transfers out	178.8	313.8
4. Direct subsidies	15.8	12.7
5. All Public Sector investments in agriculture	51.0	54.0
6. Current expenditure of Ministry of Agriculture	16.4	19.8
7. Current expenditure of Ministry of Irrigation	18.4	19.9
8. Total transfers in	101.6	106.4
7. Net flow	-77.2	-207.4

Source: World Bank Calculations from official data  
IBRD Report, op. cit., Table 10.7, p.212.

Table 4.24: Price Relationships and Government Profit  
margins for bread rice, 1965-70

Season	Govt. laying price per ton of rice in husk rice* (£ E)	Total cost per ton of bleached rice* (£ E)	Average export price (£E)	Govt. profit margin per ton (£ E)	(4)/(3) %	Total Quantities exported (000 tons)	Total gov't. revenue (£ E million)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1965/6	22.0	35.2	62.1	26.9	43	287	7.7
1966/7	25.4	36.4	65.1	28.7	44	275	7.9
1967/8	25.4	38.8	69.5	30.7	44	395	12.1
1968/9	30.0	43.8	81.4	37.6	46	498	18.7
1969/70	30.0	45.4	73.1	27.7	38	707	19.6

Average Annual government revenue. 13.2

inclusive of costs of rice milling and export preparation costs per ton of exported rice.

Source: Price Planning Agency, Report on Rice, Table 43 and 81. Cited on Fadil, op. cit., Table 5.10, p.105.

the Egyptian government did not increase prices paid to the farmers. For example, world prices for rice climbed from US \$ 147/ton in 1972 to US \$ 542/ton in 1974, a 268 per cent increase, farm gate prices for rice had risen by only 3 per cent over the whole period since 1968.<sup>40</sup>

In addition to the revenue from tax on rice and cotton, the government obtained revenue from the 50 per cent tax on onion exports as well as the differentials on the value of orange exports. Similarly the revenue from the relatively low procurement prices of wheat, maize and sugar must be included while taking into account transfers from agriculture to the state treasury. (Table 4.25)

Table 4.25: Average Government Procurement Prices and Average Free-Market Prices, Selected Crops 1967-68

Crop	Average price for compulsory purchases (£E)	Average price for free retentions (£E)	Price differential (per cent)
Wheat (per ardeb)	4	5.1	27.5
Rice (per dariba)	20	40.0	100.0
Onions (per ton)	11	16.5	50.0

Source: A. Fadil, op. cit., Table 5.5, p.89.

40. Ibid.

Despite the large magnitude of transfers from agriculture to the state it has been argued that the squeeze was not on the farmers. Fadil argues that the policy package did not result in a drastic diversion from the farmers since even before World War II and during the fifties producer prices were much lower than the export quotations. It was the ginning mills and the intermediaries who had a margin of as much as 50 per cent in the trade. Thus the new policy package led to a diversion of surplus from the hands of the traders to the state treasury.<sup>41</sup>

Role of agrarian reform:

The agrarian reform consisted of not only the land reform which created conditions for an increase in production<sup>and</sup> surplus but also included the cooperatives which served as that crucial link between the government and the farmers that allowed the government to effectively pursue its policy of procurement of agricultural output at tax-inclusive prices. They permitted the state to effect area restrictions and encourage production of export crops since cultivation on the cooperatives was supervised by a representative of the government. Land was divided into strips and each farmer had to conform to the production plan set for him. While there were a few richer peasants who managed to get away without doing

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41. A. Fadil, op. cit., p.106.



so by bribing the officials or using their social links, most farmers conformed to the acreage plans set by the cooperative despite the disincentive of low procurement prices. As the graphs below reveal, the standard acreage response of a reduction in acreage with a fall in price was not found in Egyptian Agriculture. This fact is also confirmed by a World Bank study which found that neither absolute non-relative prices of either competing or complementary crops can explain variations in planted area.<sup>42</sup>

Apart from area restrictions it was because of the effectiveness of the cooperative marketing system that the government could procure crops at the low prices it paid to the farmers. Even though there were some farmers who defaulted, their number was relatively small and so one can conclude that the state was largely successful in the implementation of its procurement policies.<sup>43</sup>

Moreover, the cooperatives served as the only source of inputs and credit. This had two major implications. First, since farmers took credit for inputs there was an increase in the cash requirements of farmers. To obtain the required cash farmers sold a greater part of their output in the market. This helped to raise the level of

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42. Ibid.

43. In 1974 <sup>about</sup> 180,000 farmers paid fines rather than supply the required amount of cotton. Ibid., p. iv.

marketable surplus. This was important only for the supply of food and fodder crops which the farmer could either consume or sell in the market. The entire output of cash crops was already being sold in the market. In the latter case the farmers increased the quantity marketed by increasing the quantity produced.

Second, since the cooperatives distributed inputs at controlled prices as well as provided the farmers credits to buy these inputs, yields were not affected either by the rise in costs of production or imports of fertilizers etc. or scarcity of funds for working capital requirements. Higher yields and greater production helped the government in its attempt to maximize and mobilize agricultural surplus.

As far as direct investment into industry is concerned Issawi notes that one objective of the agrarian reform was to divert capital from agriculture to industry by discouraging further land purchases and by allowing landlords to use their bonds for investment in approved enterprises. The latter aim was not at all successful and the capital that was diverted went into high-income apartment houses. Consequently the government had to pass a law in 1956, limiting investment in building. The Agrarian Reform Committee itself did, however, invest some of its funds in various industrial projects, notably the fertilizer

plant at Aswan.<sup>44</sup>

Market:

The rural market for industrial products consisted of both the market for consumer goods and manufactured inputs into agriculture.

Since private consumption appears as only a residual term in the Egyptian national accounts no aggregate figures are available for rural consumption. The sample surveys of household consumption carried out in 1958/59 however reveal the familiar pattern of expenditure distribution, with the percentage expenditure on food falling, and that on durable consumer goods, services etc. rising substantially with increases in income. The second round of the National Sample Survey of Household Consumption was carried out in 1964/65. During this period the expenditures on consumer durables seem to have increased more than the increase in the average expenditure per household. This is accounted for by the relative increase in the number of households in the higher income categories. (Table 4.26)

Even though such expenditure seems to have risen we are aware that one cannot take this result at face value because of two major reasons. The first is that all estimates

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44. Issawi, C., Egypt in Revolution, OUP, London, 1963, p. 163.

Table 4.26: Expenditure on Consumer durables

	Average total expenditure per household	Number of households	Percentage of expenditure on durable consumer goods	Total expenditure on durable consumer goods
	(1)	(2)	(3)	(4)
1958/59	147.7	3037	8.6%	38576.6
1964/65	224.17	4480	n.a.	86368.2 <sup>a</sup>

n.a. - not available

a - by using 1958/9 figure for col.(3).

Source: A. Fadil, op. cit., col.(1) & (2), Table 4.5, p.72 and col.(3), Table 4.1, p.77.

are in terms of current prices and so one cannot say whether there was any increase in real terms. The second reason is that due to limited availability of data we have taken the 1958/9 value for the pattern of expenditure distribution. It is possible that this pattern of expenditure distribution had changed by 1964/65 due to price changes. Even then during this period per capita income rose rapidly (Table 4.27) and thus it is not unreasonable to assume that given the pattern of expenditure there must have been a rise in expenditure on consumer durables in the rural market.

Let us now look at the rural market for manufactured inputs into agricultural production. The most important of these were fertilizers, pesticides and tractors most of

the requirements of which Egypt imported in 1952.

While in 1952 Egypt imported more than 3/4th of her requirement of fertilizers the strategy of import substitution encouraged the growth of a domestic fertilizer industry. From 1961 to the early 1970s the infant domestic fertilizer industry was protected by a nominal rate of between 9 per cent to 87 per cent.<sup>45</sup> As a result by 1972 Egypt had six fertilizer factories with a total production capacity of 1,800,000 tons.<sup>46</sup> Domestic production concentrated on nitrogenous fertilizers while also producing phosphatic fertilizers to some extent. By taking four year moving averages it can be seen that the share of domestic production vis-a-vis imports was rapidly increasing over the period 1957-68.

Table 4.27: Agricultural Per Capita Income (£ E)

	Current Prices	1939 Prices
1952	19.3	6.1
1955	22.2	7.8
1957	23.7	8.2
1959	25	8.3
1962	22	7.2*
1964	28.7	9.6

\* This figure reflects the failure of the cotton crop in the fall of 1961.

Source: Watebury, J., op. cit., Table 10.1, p.208.

45. Ezz-el-dine Hammam and M.G. Abu-el-Dahab, Fertilizer Distribution in the Arab Republic of Egypt, ed. by Eric O. Deguis (Paris: OECD Development Centre, 1972) cited in Fadil, A., op. cit. Appendix F.

47. Fadil, A., op. cit., p.119.

Table 4.28: Fertilizer Production and Imports.

	1957-60		1964-8	
	'000 tons of N	%	'000 tons of N	%
Domestic Production	38	20	151	63
Imports	110	80	102	37
Total	148	100	253	100

Source: Fadil, A., op. cit., p.119.

#### Role of Agrarian Reform:

The agrarian reform succeeded in creating a section of the peasantry which had both the capital and the incentive to invest. Such a peasantry was crucial to the increasing use of modern inputs into agriculture. Not only did the agrarian reform create such a class of peasants, it also directly encouraged them to use modern inputs through the supply of cooperative credit to them for the purchase of such inputs.

Almost 80 per cent of short term loans were granted for the purchase of fertilizers.<sup>47</sup> Moreover it was short-term loans which constituted 96 per cent to more than 98 per cent of total loans.<sup>48</sup>

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47. Radwan, S., op. cit., Table. 6.2, p.67.

48. Fadil, A., op. cit., Table G-1, p.148.

The use of fertilizer was also encouraged by supplying fertilizers to the members of the cooperative. The Ministry of Agriculture drew up fertilizer-use recommendations, both in terms of the quantity of various nutrients and for the types of fertilizer material. The cooperative allotted quotas to each farmer according to crop and acreage requirements.

Moreover, the Fertilizer Prices Stabilization Office stabilized prices so that farmers do not abstain from using fertilizers because of price rise. If the selling price is higher than the procurement price the F.P.S.O. collects the difference but if the selling price is lower than the procurement price the F.P.S.O. pays a subsidy.<sup>49</sup>

As a result by 1960 the consumption of fertilizer per acre of cultivated land in Egypt surpassed that of all developing countries except Taiwan and South Korea.<sup>50</sup> By 1970 fertilizer use rose to 131 kg. per hectare of arable land.<sup>51</sup> The Egyptian fertilizer industry is thus endowed with a large domestic market. Moreover this market is also expanding because given the limited

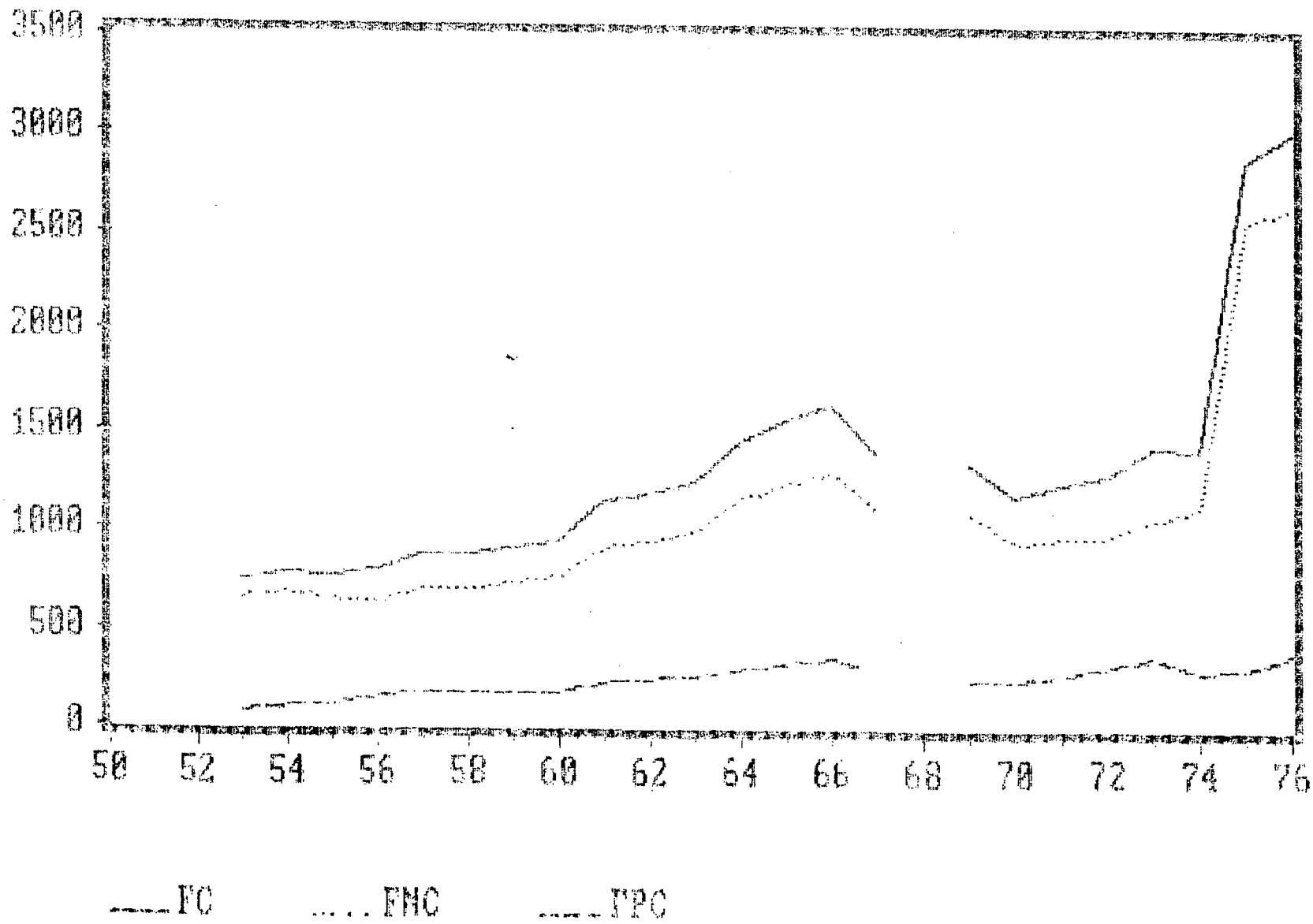
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49. Fadil, A., op. cit., Appendix F.

50. / Chokri, A., et. al.,  
World Bank Staff Working Paper NO. 269, A Planning Study of the Fertilizer Sector in Egypt, p.4.

51. FAO country Tables 1988.

fertilizer use by type ('000 metric tons)





availability of land, the attempt to increase yields is accompanied by the increased rise of fertilizers. (Table 4.29) The chemicals industry has benefitted greatly from the growth of the expanding market for fertilizers. By 1967 chemicals contributed 12 per cent to the gross value added in the manufacturing sector thus becoming the third most important industry in the sector after textiles and food processing which contributed 32 per cent and 28 per cent respectively.<sup>52</sup>

While cooperatives were directly responsible for the spraying of pesticides and the consequent expansion of the domestic market, they encouraged the use of agricultural machinery by providing loans at low interest rates for purchase of agricultural machinery. Diesel fuel costs only 70 per cent of its international price, while interest rates for tractor loans were negative in real terms.<sup>53</sup>

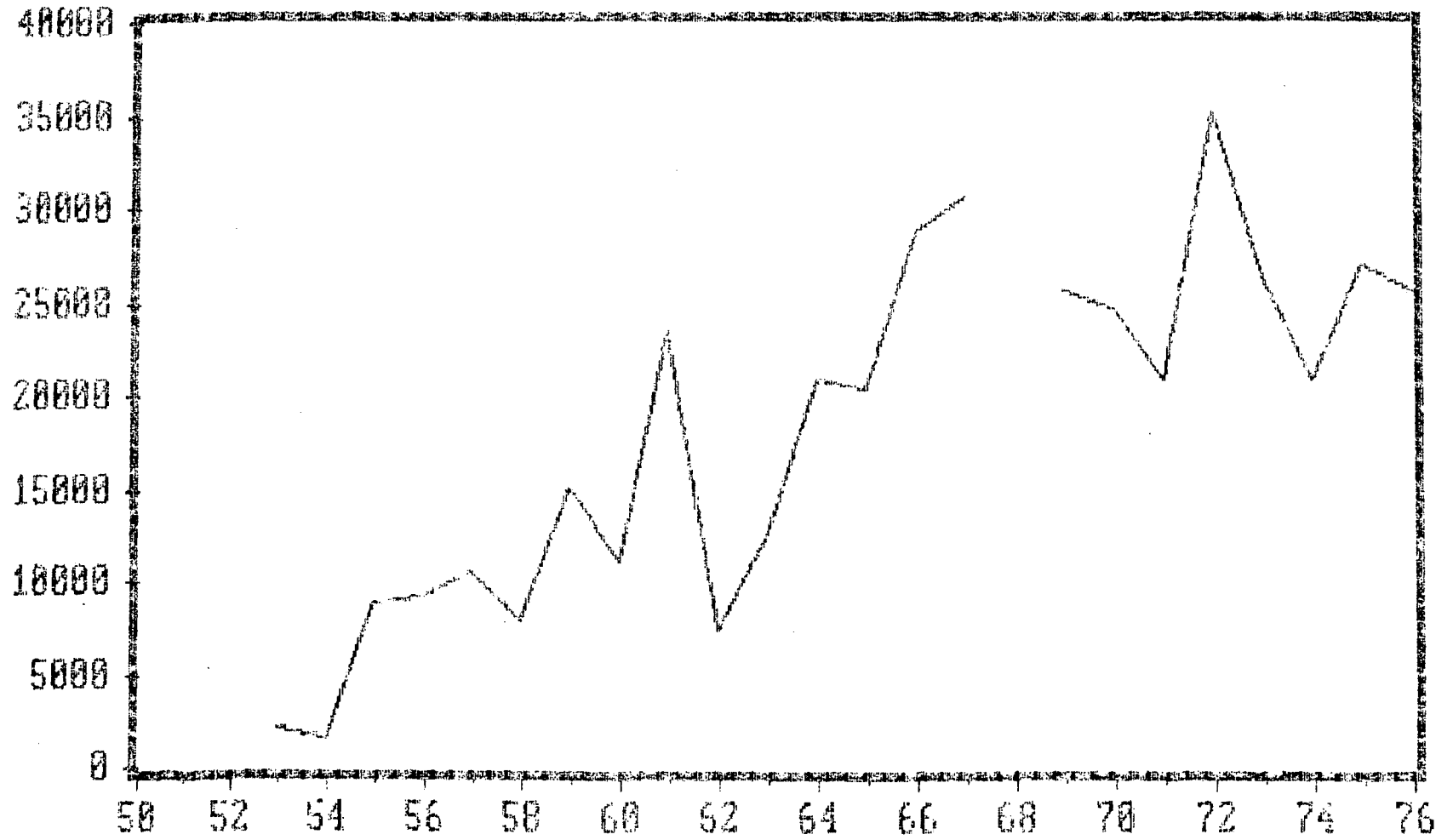
Table 4.29: Fertilizer Use

Year	Fertilizer Production '000 MT	Fertilizer consumption '000 MT	Fertilizer Use per arable land kg/HA
	(1)	(2)	(3)
1961	132	242	94
1965	192	338	126
1970	193	373	131
1975	228	501	177

Source: Country Tables, FAO, 1988

52. UAR Economic Survey, The Middle East and North Africa 1969-70, op. cit., p.203.
53. Qudsihy, W., "Agricultural Prices, Farm Mechanization, and the Demand for Labour" in Richards, A. and Philip, L. Martin (eds.), Migration, Mechanization and Agricultural Labour Markets in Egypt, Westview, Colorado, 1983, p.5.

pesticide use (metric tons)



— PU

As a result there was an increase in the use of motors, pumps and tractors.

Table 4.30: Tractor Use per arable land

Year	No/'000 HA
1961	5
1965	5
1970	6
1975	8

Source: Country Tables FAC, 1988.

Fadil estimated that since 1965 home production of tractors amounted to about 50 per cent of the country's total annual availability of tractors.

While it is difficult to find direct evidence of the increase in consumption of manufactured goods as a consequence of the sharp increase in the class of capitalist farmers and the rise in rural incomes due to the agrarian reform, we may safely conclude that the agrarian reform and subsequent developments have provided industry a domestic market for manufactured agricultural inputs particularly fertilizers which has in turn given a substantial boost to the chemicals industry.

Raw materials:

The major industries in Egypt are agro-based. These are the textile industry and the food-processing industry.

As we have discussed in the section on imports, despite the large agricultural sector the food processing industry imports upto 90 per cent of its inputs. For example, grain and flour are imported for the bread industry. However, some inputs like sugarcane are supplied by the agricultural sector which produced 5.2 million tons of sugarcane on an area of 133,000 feddan in 1966 to supply the bulk of the requirement of the sugar industry.

Egypt produces high quality long and medium staple cotton and the Egyptian cotton textile industry is obliged to use it as input. It can be argued that the Egyptian cotton industry should import short staple cotton as it needs cheap cloth for the domestic market as the standards of living of the majority of the population were low. However, the policy of not importing short-staple cotton for domestic industry might be considered to be rational because the marginal revenue from selling more Egyptian cotton abroad would most probably have been lower than the import price of short staple cotton, and consequently the value of cotton imported is likely to have been higher than the value of cotton exported which would have increased the trade deficit. Moreover this would have made Egyptian industry even more dependent on imports than it already was. Since the government continued its ban on imports of short-staple cotton, one finds that apart from the textile

industry very few industries used inputs produced by Egyptian agriculture.

However one input which was required by all industries to feed its workers was food. Let us now see whether Egyptian agriculture could fulfil the national requirement or not.

Food:

The supply of food to its population is a very important contribution of agriculture to the economic development and industrialization of a country. In case agriculture cannot supply the required food the country is forced to import it and this tightens the foreign exchange constraint which may force a cut in imports essential for industry, or increase foreign debt and make the economy more vulnerable.

As the table below shows, there was no significant rise in per capita food production in Egypt. (Table 4.31) However with the increase in per capita income the demand for food increased and it is estimated that between 1960 and 1968 while the demand for food rose at the rate of 3 per cent per annum the domestic production of food rose at only 1.5 per cent per annum. (Table 4.32)

As a result her imports of food grew. By 1970 Egypt was importing almost one-fourth of her per capita foodgrain

Table 4.31(a) Indices of food production (1961-65=100)

	Food Production	Food Production per capita
1961-65	100	100
1966	109	101
1967	108	98
1968	121	107
1969	123	106
1970	125	105
1971	130	106
1972	132	105
1973	134	104
1974	135	103

Source: FAO Production Yearbook, 1976, vol.30.

Table 4.31(b): Growth in food production

	Average annual rates	
	Changes in Food Production	Changes in PC Food Production
1961-65	2.9	-0.5
1965-70	3.3	1.1
1961-70	3.1	0.8

Source: World Economic Survey, 1971, UN,  
Table D.5, p.90.

consumption.<sup>54</sup> As the table below shows Egypt's self-sufficiency in food declined. (Table 4.33)

Food imports imposed a heavy burden on Egypt's external sector. By 1967-68, about 30 per cent of Egyptian imports consisted of food items (Table 4.34).

Table 4.32: Average annual change in food production and demand, 1960-68

<u>Annual average % rate</u>		<u>Elas. of demand for food</u>	<u>Average annual % rate</u>	
<u>Popn</u>	<u>Pcy</u>		<u>Estimated demand for food</u>	<u>Domestic food prodn</u>
2.5	1.0	0.50	3.0	1.5

Source: World Economic Survey, 1969-70, UN, NY, 1971.

Table 4.33: Egypt, Self-sufficiency index for major crops, 1960-80 (%)

	<u>1960</u>	<u>1965</u>	<u>1975</u>
Wheat	70	35	34
Lentils	92	93	42
Maize	94	93	86
Sugar	114	99	81
Rice	-	137	107
Red Meat	95	81	87
White Meat	100		99
Dairy products	93		92
Fish	95		92

Source: Commander, S., Employment, The Labour Market and the Choice of Technology in Egyptian Agriculture, Mimeo., Cairo, 1986, p.44.

Table 4.34: Food Imports

<u>Period</u> (Annual averages)	<u>Total imports</u> (Mill £ E)	<u>Imports of Food &amp; live animals</u>	<u>% of M of F&amp;LA to Total imports</u>
1955-6	184	24	13.0
1967-8	317	96	30.3

Source: Amin, The Modernization of Poverty, op. cit., Table 13, p.29.

54. FAO Country Tables 1988.

Wheat.

The rise in food imports was also the result of a change in the composition of demand which accompanied economic development. The per capita consumption of wheat in urban areas is 145 kgs a year compared to 88 kgs in rural areas. With greater urbanization came a rapidly rising demand for wheat. Domestic production was insufficient and Egypt had to import almost 50-60 per cent of her wheat requirements. In 1974 wheat imports accounted for 68 per cent of consumer commodity imports and 28 per cent of total imports.<sup>55</sup>

(Table 4.35)

Table 4.35: Wheat Imports, 1973-76

Item	1973
Wheat grain (million of tons)	2.23
Flour (million of tons)	0.43
Grain-equivalent <sup>b</sup> (million of tons)	2.80
Value of grain equivalent (mill. of £E c.i.f.)	220.00
Total value of all imports (mill. of £E)	658.00
Grain-equivalent imports as a percentage of all imports <sup>c</sup>	33.00
Average price per ton (£E)	78.68
Domestic production (mill. of tons)	1.83
Total consumption (mill. of tons)	4.64

a - Budgeted quotas

b - The conversion factor for wheat grain to flour is 75 per cent. Grain equivalent is the sum of grain imported as grain plus the amount of grain from which the flour imported was obtained.

c - "All imports" refers to all food and non-food commodities.

Source: IBRD report, Economic Management in a period of Transition, op. cit., Table 10.13, p.223.

55. IBRD report, Egypt: Economic Management in a Period of Transition, op. cit., p.188.



The implications of the rise in food imports were very serious for the Egyptian economy. As Mahmoud Hussein notes in 1967-68, the value of food imports was approximately equal to that of cotton exports and nothing was left for the industrial take-off.<sup>56</sup>

This led to a cut down in imports of raw materials and capital goods and though for a couple of years strict regulations resulted in an improved balance of trade position, there was a major recession.

#### The Role of Agrarian reform

A whole set of policies including those relating to procurement were a part of the reform. One of the major problems facing the government was procurement of food, particularly wheat, for supplying to cities to satisfy urban demand. The system of compulsory deliveries was an attempt to ensure punctual delivery of some selected crops. This system was introduced in the early 1950s to ensure the supply of wheat to the towns. Later, in the mid-sixties it was extended to important export crops like rice and onions. (Table 4.36) Under this system farmers had to deliver to the state procurement agencies part of their production of the crop at 'administered prices' through

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56. Hussein, M., op. cit., p.220.

Table 4.36: Minimum Compulsory Deliveries for Requisitioned crops 1965-70

Crop	Minimum compulsory deliveries per feddan (absolute numbers)	Average yield per feddan (1965-70)	Compulsory deliveries as % of average yields per feddan	Free re-tention rates (per cent)
Cotton	-	-	100.0	0.0
Wheat (in ardebs) <sup>a</sup>	2.0	7.25	27.6	72.4
Rice (in daribas) <sup>b</sup>	1.5	2.25	66.0	33.0
Onions (in tons)	4.0	7.00	57.0	43.0

- Not applicable

a an ardeb equals 198 litres

b a dariba of rice (in husk) equals 945 kgs.

Source: Fadil, op. cit., Table 5.2, p.86.

the medium of 'alloted quotas'. These quotas and the prices at which different crops were to be delivered were fixed every year by the government. These prices were invariably lower than the price in the market. The system implied an element of implicit tax imposed on the required delivery of these crops.

The food sector seems to be one important front on which the agrarian reform miserably failed to achieve its purpose and food production per capita could not keep up

with demand. The cause of this seems to be the fact that the State's emphasis was on increasing production of export crops and extracting surplus from agriculture rather than feeding its population. With regard to food crops the emphasis was on ensuring procurement of food crops rather than increasing food production and this too was specifically for wheat, an important food item in urban areas for which demand had grown rapidly. However the state's policy of extracting surplus by procuring wheat at prices much below the market price must have acted as a disincentive for wheat production. Moreover for maize, the staple food crop of rural Egypt, there were no area restrictions effected even though the government was empowered by the law to set such restriction. (Table 4.37) In other words, neither incentive nor coercion were used to increase food production.

As a result the Egyptian economy became highly dependent on food imports as production failed to rise sufficiently to satisfy demand. Government policies thus played a negative role in this sphere.

#### Labour:

The contribution of agriculture to industry in terms of release of labour takes two forms. One is the migration of labour from country to town and the other is the absorption of labour by industry situated in the rural areas. While the latter had limited scope in Egypt because of the location

Table 4.37: Indirect Taxation of Agriculture

Crop	Area Restriction		Compulsory Procurement
	Legal	Effective	
Cotton	Yes	Yes	100% of total r/t
Sugarcane	Yes	Yes	100% " " "
Soyabeans	Yes	Yes	100% " " "
Groundnuts	Yes	Yes	Fixed quantity varied periodically
Onions	Yes	Yes	"
Garlic	Yes	Yes	"
Potatoes	Yes	No	100% of taxable surplus
Oranges	Yes	No	"
Wheat	Yes	Yes	Fixed quantity varied periodically
Beans	Yes	Yes	"
Lentils	Yes	Yes	"
Sesame	Yes	Yes	"
Rice	Yes	Yes	"
Maize	Yes	No	No

Source: Arab Republic of Egypt: Issues of Trade Strategy & Investment Planning, World Bank Report No. 4136-EGT, pp. 105-6 and 189.

in Ahmed, S., op. cit.

of industry, the former was substantial. Evidence indicates that the rate of rural to urban migration was very high.<sup>58</sup> There was thus a shift of population from the agricultural areas to the industrial areas. This took place largely because of a rural push factor. Arable land was scarce and agriculture was already labour intensive. As population grew there was little scope for absorbing it in agriculture either by expanding the area cultivated or by increasing labour intensity.<sup>59</sup> The majority of the migrants to towns were those who could not get absorbed in agriculture.<sup>60</sup> (Others included educated young persons who had no scope for finding suitable jobs in villages).

However industry was also not able to absorb these people. Since industrial expansion was greater in the capital intensive industries, the rate of growth of absorption in manufacturing was even smaller than that in agriculture. A large part of the increase in the labour force was absorbed in the services sector. In the case of Egypt the decrease in the proportion employed in agriculture did not come about as a result of high economic growth as in developed countries. It was largely the result of the government's policy of ensuring employment to educated

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58. Faḍil, A., *op. cit.*, Ch.6.

59. Mabro, R., *op. cit.*, .

60. IBRD report, Egypt: Economic Management in a Period of Transition, *op. cit.*

persons and the subsequent expansion of the administrative network and the absorption of rural migrants into the informal service sector.

Conclusion:

Egypt witnessed a period of rapid economic growth for more than a decade after the revolution. The subsequent downturn came as a result of both external factors and incorrect governmental policies including agricultural policies.

The agrarian reform brought about major changes in Egyptian agriculture which allowed it to make a significant contribution to her industrialization effort. This contribution was mainly in terms of export earnings which allowed Egypt to import raw materials and capital goods, a surplus which could be diverted to investment in industry and infrastructure and a market for fertilizers which gave a boost of Egypt's chemical industry. However in the food sector the agrarian reform was unable to fulfil its objectives. We have seen that the agrarian reform which consisted mainly of the land reform and the growth of multi-purpose supervised cooperatives radically transformed the Egyptian countryside. The land reform made possible the development and expansion of such cooperatives which helped to remove institutional barriers to investment by provision of credit and inputs apart from creating the benefits of crop

consolidation. Peasants who had earlier paid high rents and had no surplus left to themselves, whose only source of credit was the village moneylender who charged usurious rates of interest and who lacked the incentive to invest because of insecurity of tenure, were now provided both the means and the incentive to invest by the lowering of rents, security of tenure and provision of loans at low rates of interest.

However the removal of institutional barriers, though a necessary condition was not a sufficient condition for growth. An initial spurt in growth was witnessed as a result of institutional changes and the widespread adoption of modern technology. But Egyptian agriculture could not sustain these growth rates as it lacked an adequate system of incentives. As noted earlier a state which attempted development along capitalist lines, and retained private property in land could not be expected to evolve a system of incentives as in a commune system. But even economic incentives necessary for farmers producing for profit were not offered as the farmers were forced to sell to the government at below market prices. Thus despite the successful removal of institutional barriers to growth subsequent government policies failed to provide the material incentives necessary for growth.

An important lesson which the Egyptian experience provides is that while the removal of institutional barriers to investment is a necessary condition for agrarian growth it is not a sufficient condition. The new system cannot witness sustained growth without an adequate system of incentives for investment and production. The contribution of agriculture to development and industrialization can become limited in such a situation.



CONCLUSION

### The Egyptian Experience:

The basis for private property in land in Egypt was laid in the reign of Muhamed Ali and with the coming of the British all land became full private property. Payment of taxes in cash and the heavy tax burden encouraged growing commercialization as well as the use of new techniques, all of which led to a differentiation within the peasantry. By the time of the second World War there had emerged a significant polarization in the Egyptian countryside. While on the one hand had emerged a rural proletariat on the other was emerging a rural bourgeoisie and almost 80 per cent of cultivated area was cultivated by owners. However during the war cereal prices rose, consumption fell and as fertilizer imports declined output fell. This led to a reversal of the ongoing process of agrarian transition to capitalism. As profits declined the incomes of the capitalist farmers ceased to rise and they could no longer invest in land. Big absentee landlords were satisfied with the cash rental system as they had assured incomes and could invest their capital in trade and usury. The reversal to tenancy thus brought about a halt in the growth and investment taking place in agriculture. At the same time along with a decline in their economic strength the recently acquired political power of the rural bourgeoisie was also threatened.

The barriers that had arisen to growth of output and productivity in agriculture were thus institutional in

nature and could not be removed without reforms in the structure of landed property. By the end of the first half of the present century more than half the area cultivated was leased out by big landlords to small tenants. While the former had no incentive to invest the latter had no means to do so. Along with a stagnation in output came the demand for high rents. The increasing exploitation of the tenant led to widespread social unrest and "rural crime". As the mass movement gained momentum it acquired a revolutionary character and soon posed a threat to the very institution of private property. While those in power opposed even the slightest change in property relations which would hurt the landed aristocracy, others realized the need to initiate change within the legal structure before the situation got out of hand.

The above was the scenario in which the Free Officers, a group of nationalistic progressive minded military officers whose social origins lay largely in the rural bourgeoisie and who wished to carry Egypt forward on the path of modernization, took over power. The very first task undertaken by these officers led by Nasser was a radical land reform which aimed at doing away with the power of the landed aristocracy. Land ceiling laws were enacted and implemented and large estates were broken up. Due respect was given to the institution of private

property and adequate compensation was granted for the land expropriated from the large landowners. Those who received land under the land redistribution programme had to pay for it. Since cultivators were on top of the priority list of those<sup>to</sup> whom land was to<sup>be</sup> redistributed they usually were the beneficiaries of the limited land distributed. The landless were so low on the priority list that they rarely received any land. The purpose of the land reform was not only doing away with the political and economic power of the landed aristocracy but also creating conditions for the growth of agriculture. The new regime believed that a stagnant agriculture could not contribute to the industrialization of Egypt, which it felt, was vital if Egypt was to grow into a self-reliant industrial nation. The reform therefore not only removed the barriers to growth by bringing about a change in the structure of landholding, it also encouraged the growth of the medium-sized wage-labour hiring, profit making capitalist farmers who had the means and the incentive to invest in agriculture. Not only did the land reform not touch medium-sized properly while demolishing large estates and marginally benefitting small owners, but even the nature of the cooperatives - the crop rotation and the policies relating to credit, prices, livestock, fodder, seeds etc. were such that the rich peasants and capitalist farmers were favoured.

Government policies thus accelerated the process of transition to capitalism in the Egyptian countryside.

As we have seen, agrarian transformation in Egypt involved both institutional changes needed to create conditions for growth as well as technical changes which transformed the methods of production in the agrarian sector as a whole. While the former were brought about by a land reform and a set of policies which followed it, the latter were promoted through the cooperatives. At the same time the former created conditions for the reemergence of capitalism in agriculture and the latter created conditions for its growth. The agrarian transition was a necessary part of the agrarian transformation since the existing relations of production acted as hindrance to growth and technical change.

While the agrarian transformation was necessary for growth in Egyptian agriculture, a relevant question is was it also a prerequisite for the industrialization of Egypt. While the contribution in terms of earning foreign exchange, supplying raw material and the creation of a rural market for industrial inputs were significant, what was most important was the transfer from agriculture to industry. This was made possible by the existence of important export crops like cotton and rice whose cultivators were paid

much less than the international price, and the government who had monopoly over internal and external trade pocketed the difference. The revenue from trade of even cotton alone, not only covered all the expenditure the government undertook related to agriculture but even left a surplus with the government which it could invest in industry or infrastructure.

Industry was nascent and an attempt was being made to substitute imports and such industry is often initially high cost and import intensive. This meant that large amounts of foreign exchange were required for industrial inputs. However Egyptian agriculture had failed on the food front as production fell short of demand and food had to be imported. The magnitude of food imports was so great that it significantly reduced Egypt's potential to import raw materials and capital goods essential for industry. However, one must admit that apart from foreign aid the major source of finance for industry was agriculture and the considerable resource transfer which took place from agriculture to industry was necessary for the industrial growth, however limited, which took place. Even then, one must examine why Egyptian agriculture failed to come up to expectations. One can argue that the failure was a result of the lack of an adequate set of incentives. In a system where private enterprise decided the two crucial inputs - labour and capital, it is unlikely that production would grow unless economic incentives are offered. While

the profitability of cotton and food crops was declining, farmers could not respond to the profitability criterion and move to more attractive crops because of acreage restrictions. Such crops must have been cultivated with declining enthusiasm. The very system which initially created conditions for the agrarian transition put limits to it and did not allow the transition to be completed because urban interests became dominant and the attempt to extract resources from agriculture in favour of industry seems not to have allowed the agrarian transition to be completed. Removing institutional barriers was not sufficient and there was a need to evolve a suitable system of incentives which the government failed to do.

### General Conclusions

Development in any country, capitalist or socialist, necessarily requires growth - growth in agriculture and industry. However 'backward agriculture' often processes in-built barriers to growth. Existing institutions may hinder investment and the adoption of new technology.

When one discusses institutions one is referring to the whole array of institutions such as ownership of land and other means of production, credit, marketing etc. Property relations form the most important basis of the institutional structure because asset distribution decides not only the resource constraints with different classes but also their economic, political and social power. Though

the purpose of institutional change may be growth, the direction in which this change is made is decided by the correlation of class forces existing. The change often takes place in the context of a new national social formation.

In the present context of a country having chosen a capitalist path of development the route by which capitalism pervades the countryside is decided by the existing social structure in the period before the state actively intervenes to bring about change. For example, in Egypt before the revolution there was emerging a powerful class of capitalist farmers from among the ranks of the peasantry while the big landlords preferred extraction of rent to direct cultivation. The route to capitalist agriculture was clearly the peasant path. The land reform removed existing institutional barriers to growth by first of all smashing the social and economic power of the landed aristocracy. This act was enacted immediately after the revolutionary forces took away political power from them. The nature of the state and the role it played were crucial to the change in the countryside. Since the government was committed to bringing about a radical change in the countryside the change became possible as the land reform was favoured by the emerging dominant classes.

Another relevant lesson that can be drawn from the Egyptian experience is the possibility of extraction of



resources from agriculture in the initial stages of the industrialization effort. While direct taxation was not politically advisable acreage restrictions induced a rather non-existent price response of farmers which made it possible for surplus to be extracted from agriculture through the price mechanism. It is also seen that the contribution in terms of food and raw materials can be quite significant for a newly industrializing country attempting a path of self-reliance.

However as a result of the concentration of government policy on resource extraction there failed to emerge a suitable set of incentives to encourage production. As a result growth rates fell. One important lesson to be drawn from the Egyptian experience is that while removal of institutional barriers is a necessary condition for growth it is not a sufficient condition. Under a system of private property economic incentives are essential to induce investment and raise productivity.

One may thus conclude that if a newly industrializing country does not wish to depend on foreign aid then it becomes necessary that agriculture makes a contribution to it at least till industry can generate enough surplus to sustain itself. If agriculture is not in a position to make this contribution then it may be necessary to transform

agriculture. This transformation involves institutional changes if the existing institutional structure has in-built barriers to growth which means a change in property relations which form the basis of the institutional structure. The direction of change is decided by the type of national social formation. The manner in which this change comes about, for example, in the context of capitalism the route to capitalist agriculture from 'above' or 'below' is decided by the structure existing in the previous formation.

However institutional change though a necessary condition is not a sufficient condition for growth. Even when institutional barriers are removed the system must possess a set of incentives to induce an investment and an increase in production.

In the country studied our hypothesis was thus found to be true. The agrarian transition was the result of material, social and political changes in the system in which the state played an important role as a mediator. The agrarian transition was a necessary condition for growth but it did not prove to be a sufficient condition as growth rates fell after a while because of the failure of the state to evolve a set of suitable incentives. The agrarian question / could not be solved in such a situation since agrarian growth was not sufficient for agriculture to contribute adequately to industrialization.

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