

LAND REFORMS IN RUSSIA SINCE 1991

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Dedicated

to

Late Prof. Jayashekar



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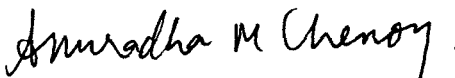
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CERTIFICATE

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INTRODUCTION

The agricultural sector is the cornerstone of most of the economies since it fulfills the requirement of food and basic goods for the population, provides rawmaterials and market for industries, and saves precious foreign exchange by restricting imports while adding to the foreign exchange reserves through exports. Agriculture is, therefore, categorized as the 'primary sector' for any economy.

Agriculture has been very crucial for the Russian region. In the precommunist phase, it used to be the major sector, both in terms of its share in the national product and total employment. Even after the introduction of communism, agriculture formed the basis of the industry-led-growth process. As long as agriculture was in good health, the economy seemed to be vibrant. By the end of the Khrushchev era, agriculture started showing signs of fatigue and this was reflected on the overall health of the economy. The precarious agrarian situation was a major reason for the collapse of the entire system. In post-communist Russia, as the reform process towards the establishment of market economy takes shape, the performance of agriculture has become all the more crucial. In present conditions, much will depend on how agriculture supports the reforms that have been initiated to transform an early planned economy into a market based private one.

The issue of agricultural transformation revolves around the success and failure of land reform in their ability to transform agriculture. In any study of land reforms, the organisational and institutional forms prevailing in agriculture assume great significance. These are largely determined by agricultural policies of the government and, in turn, affect the agricultural production and productivity. All the organisations and institutions on land form a complex which guide and are guided by community living, i.e. the social relations, and the prevailing standard of living in the countryside.

The nature of land reforms, in general, provides the structural foundation for the character of growth in agriculture and the limitations to it. The land question in Russia, as anywhere else, has been an important but a controversial question. The economic as well as political happenings can be seen to be closely linked to it. But before we go into a further discussion of the matter, it would be worthwhile to point towards a peculiar characteristic of agriculture in the Russian region: weather, undoubtedly, has played a negative role. Because of the extreme, northern location of the Soviet grain belt, winters are long and severe, the growing season is very short. The moisture diminishes as one travels southeast towards the dry region of Central Asia. Tarrant (1984) and Kagan (1981) note that application of technology appears to bring the greatest rewards in climates favourable to

agriculture and the least rewards in marginal land. Thus, the factors affecting agricultural production are: (1) the system, (2) the climate, (3) the negative interactions between the two. Understanding the latter requires an understanding of the characteristics of regional climates, the spatial distribution of crop production, and the nature of regional development strategy. In this study, these factors are kept aside while the main focus is on the study of the agricultural system - i.e., given the inhospitable climate, how should farming be organised.

The conditions prevailing in agriculture at the time of disintegration of the Soviet Union indicate the need for agricultural reforms. The agrarian crisis that struck Russia, and the entire country, was the inevitable result of the statized system. The essence of this system in agriculture can be defined as the absence of economic freedom on land. Like in any other area, economic freedom in agriculture plays a special role. It makes it possible to coordinate the modes and forms of organising production and to coordinate its structure with the peculiarities of a given plot of land and of given natural conditions. The absence of such freedom destroys land, nature and agriculture. This is unfortunately what happened in Russia. It must be freed from the dictates of the State in agriculture in all its forms. The topic of my research - Land Reforms in Russia - 1991-1993, deals with the reform process initiated during Gorbachev's restructuring phase and

continues into the post communist phase.

My research topic deals with the ongoing process of land reforms in Russia which is comparatively a recent happening. Once the ongoing events are traced systematically and analysed intently, the significance and the direction of land reforms will become clear. As the changes underway are vast and complex, my approach will necessarily be selective, and my coverage will include Russia specifically.

Research material has been drawn from various books, pamphlets, articles in journals and magazines, and from newspaper clippings. Since the possibility of research based on original data collected from field survey was ruled out in my case, my study is based entirely upon documentary sources. The interview of some key officials, associated with the agriculture ministry, that appear in different journals has been particularly important in understanding the motivations regarding the land reform process. In a nutshell, the library material has been the basic source of my research work.

This study is organised into four chapter apart from the introduction and conclusion to the dissertation.

In Chapter One, the historical analysis of the performance, the ideology and the organisation of agriculture has been dealt with in detail to bring out the causes for the malaise that afflicts agriculture in today's Russia. This Chapter provides an understanding of the system.

that is to be reformed. It drives home the point that the region where market relations are to be introduced has never had such an experience before as feudal relations were rightaway succeeded by socialist mode of production. Market relations existed only in short spells.

In Chapter Two, the methodological premises which are essentially to be kept in mind while initiating a land reform process, have been outlined briefly. These methodological premises are important for a correct orientation in choosing socioeconomic forms of management and for substantiating their viability.

Only the restoration of the supremacy of the law can restore people's trust in state authority and stimulate their social (including enterpreneurial) activity. Rather than commanding, the authorities should provide legal support for this process and prevent arbitrary action in regard to any of the recognised forms of property. Chapter Three enumerates the legislative measures that have been taken during Gorbachev years and after the 'disintegration'.

The results of the reform process that has been initiated, and the difficulties under way have been discussed under Chapter Four. And this is followed by the conclusion chapter.

CHAPTER 1

HISTORICAL BACKGROUND TO THE AGRICULTURAL PROCESS IN THE RUSSIAN REGION

The question of raising agricultural productivity by obtaining harmonic production relations so as to meet self sufficiency in providing food requirements for population and raw-material for industrial development, has been the motivating force behind any of the attempts to start land reform. The reforms initiated in the different periods, i.e. the Tsarist phase, the Soviet phase and the post-communist phase, were only partially successful and the land question in the Russian region remains unresolved till now. Let us examine how agriculture in the Russian region was organised in the past, so that we can understand the present reform process better.

Tsarist Russia was an agricultural and a grain exporting country, but its agriculture was characterised by low productivity. The proportion of total land cultivated was also very small, being no more than 25% even in European Russia. With a relatively large population density, the average area of cultivated land per head of agricultural population came out to be only 3 acres. Thus, Russian agriculture "combined negative feature of European agriculture (relative smallness of arable area) and of American agriculture (lowness of yield)", with a resulting level of grain production per head "appropriate to a country importing grain, instead of exporting it"¹. So far

agriculture is concerned, the backwardness of Tsarist Russia was revealed in everything - land tenure, farm techniques, yield per hectare, quality of livestock, incomes and diets of peasants, composition of exports and so on. The causes of such a backwardness can be attributed to the feudal mode of production that dominated Russia for centuries.

Feudalism developed rather late in Russia and survived in a unique and extreme form till the middle of the nineteenth century. Arable land was divided between the pomeshchiki and the peasant obshchina (communes). Pomeshchiki, the landed aristocracy were the staunch allies of monarchy. Agriculture on pomeshchiki land was carried on with the help of serfs who were bound to the soil, could be deported to Siberia, were conscripted virtually for life into the army, were sold on the open market by their masters and, perhaps, treated a little better, than the slaves. Depending upon the region of the country, Russian serfs were either required to pay labour services on the landlord's land (barshchina) or to make payments in kind for their crops (later money) for the use of their allotted land. Due to lack of incentives, serf labour was so inefficient that it became customary to call barshchina "all that is done slowly and incorrectly."² Apart from pomeshchiki, obshchina (or communal agriculture) was the only other way of organising agriculture through which millions of peasants in the countryside were fed. It was organised on egalitarian principle. The entire land was graded into fields according

to its quality and then each type was divided into strips to be allotted to individual households in accordance with their size. A periodic redistribution was performed by village elders, who constituted a form of village self-government, in order to give land to new families. Thus, the agrarian structure in Tsarist Russia was an admixture of feudal relations of production and communal property right on land. The landed property was based on two contradictory principles: communal property and recognition of ascriptive (non-economic) privileges/status. It not only sustained different layers of rights in land but in a variety of ways also countered the absolute right in land, especially for the middle layer of proprietors.

How well did the system function? Over the entire time period, on an average the productivity on pomeshchiki increased while that of community land remained very low. Land for communal farming was fixed as population kept increasing. Uneconomic size of the strips made it difficult to use horses for ploughing or to affect any other improvement in farming techniques. Moreover, the small size of the average peasant holding meant that there was a deficiency of pasture land and hence, of livestock and manure. This disturbed the proper arable-hayland-pasture balance, which is so very crucial for healthy agriculture. On top of this, a family could have as many as 50 or 60 individual scattered strips of different quality. [See Table 11. A large amount of effort was wasted in looking after

strips of land separated from each other by large distances. Hence, the peasants on communal land were subsistence farmers who faced a perennial shortage of capital and were forced to use poor implements and poorer seed corn than was used by the larger estates and kulak farms. The practice of redistribution of strips proved to be a further deterrent to investments in land improvement as the peasants feared to lose their land in the next redistribution. As a result, even when the Western Europe had become aware of the use of leguminous plants in the multifold rotation system, Russian strip farming was employing three-field-rotation system which left 33% of all arable land fallow each year. On the other hand, the yield on Pomeshchiki improved as better crop rotation methods and agricultural machinery were introduced and as qualified agricultural advice became available. The result was that whatever marketable surplus of grains was available, it came from the pomeshchiki. The noticeable point here is that the surplus from land belonged to those who did not cultivate the land but were only interested in rent extraction. Those who were actually cultivating land neither had the means nor the incentive to invest in land. And this led to the poor state of agriculture as it was.

Table 1

Number of Strips per household in different regions of Tsarist Russia

Number of strips per household	South & Southeast	Orel District Orel Guberniya Central Russia	Northwest	Mologa district Yaroslaveguberniya Northern Russia
Not more than 5	27.6	13.1	1.7	--
6-10	49.3	13.8	2.0	--
11-20	16.7	27.3	10.5	1.4
21-40	4.1	33.9	32.9	24.3
41-60	0.2	8.0	25.6	56.7
61-100	0.0	5.9	19.6	17.5
Over 100	0.1	1.0	7.7	0.7

Source: P.Pershin 'Forms of Land Tenure' On Land, edited by commissariat of Agriculture, RSFSR (1st issue, Moscow, 1921), p.54.

The Emancipation Act of 1861 was a watershed for it provided a unique opportunity to establish the foundation a modern Russian agriculture. If we examine the Act from the viewpoint of efficiency, we will find that while the reform did contain certain positive elements - an increase in large estates that created surplus, the introduction of a money economy in the countryside via redemption payments, and the psychological impact of emancipation - it placed serious constraints upon agricultural development. The liberated serfs were not made equal subjects under the Czar, but a special class was found of them - a class beneath all others, and far below that of former self owners. Under the circumstances, agricultural progress was difficult.

Land ownership after the Emancipation and before the revolution remained rather complicated. Land was mainly divided between private, owned either individually or collectively, and peasant or allotment land, always owned by a group, the village commune. Principally, the village communes, had the right of repartitioning the land but hereditary tenure could be found in certain communes. After the passing of the law of 1893 which prohibited repartitions more often than every twelve years, the repartition had become far less prevalent. The various kinds of land in village commune were administered in different ways. Each household received its allotment of arable and meadow land apart from an allotment for permanent use,⁵ while the pasture land was meant for communal use, the commune

providing the herdsman. The individualistic principle was incompletely developed in the Russian peasantry. The commune dealt with the individual not as owner of his farm, but as the head of the household and it had the right to displace a household head who did not perform his duties well. The village commune was also a political body and a means of control over the peasantry. It was responsible for payments for land and for taxes, with the result that the more prosperous commune members became liable for the defaults of others. With this feature there was reduced incentive to accumulate wealth within the commune. The peasant family could not officially withdraw its land until all debts on land were met and then only with a two-third vote of the membership. The rigid internal passport system ensured peasant compliance and tied him to the village. According to Alexander Gerschenkron, the guiding principles of the Russian agrarian program between 1861 and 1906 were: "To preserve the obshchina until the liquidation of redemption debt, to prolong the amortization of that debt so as to protect obshchina, and at the same time to hold the peasantry in the vise of ruinous aggregate taxation." In short, the Emancipation Act made it difficult for the peasantry to develop both a sense of private property and an interest in long term productivity improvements - factors so very crucial for any agricultural revolution.

We see that cooperative farming had existed even in the pre revolution phase. Other than the village commune, the

artel and the TOZ or the society for joint cultivation were organised on the principle of cooperation. In the artel, members kept their own dwellings and garden but they had their agricultural land and implements in common, they farmed collectively and shared out the crop. In the TOZ, each peasant household retained his separate holding of land and even his own implements and draught animals, but the households cooperated to work on the land and shared out the crop according to the size of their several holdings.

At this time, there developed two schools of thought - the Slavophiles and the Westerners, with different philosophies regarding the future course of Russian agriculture. The Slavophiles believed that the cooperative activities on land had given a peculiar characteristic to the economic and cultural development of Russian countryside. Hence, Russia should not follow the European way but should have her own specific way to develop agriculture. The Narodniks of the nineteenth century and their successors, the Social-Revolutionaries (the SRs) belonged to this school. Immensely popular among peasants, these socialist movements were shaped by the existing rural problems. The narodniks believed that the Russian peasant commune and the system of common land tenure with periodical redistribution of individual allotments which had prevailed under serfdom and survived its abolition, provided a basis for the principal of common ownership in a future socialist order. The SRs stood for the socialisation of land by way of

its "removal from commercial exchange and transformation from a private property of individuals into a common national possession." The land was to be distributed to individuals on two principles described as the 'labour principle' and 'equalisation', meaning an equal distribution of land among those who worked on it, the only difficulty being that of determining the criterion by which equality should be calculated. This policy ranked the SRs with those non-Marxist socialists who believed that the essence of socialism lied not in methods of production but in equal distribution. The SRs believed that the commune or artel assisted the development of socialist consciousness among the peasantry, and thus would pave the way for the socialist revolution.

The Westerners, on the other hand, believed that the Russian peculiarities were a sign of backwardness that would disappear with economic and cultural progress. The Social Democrats followed the Westerners closely until it split into the Mensheviki and the Bolsheviki. After that, they became followers of Marxist doctrine which stated that large scale production would replace small scale production not only in industry but also in agriculture, although the experience of the whole world testified to the contrary.

The Social Revolutionaries enjoyed wide support of the peasants during the peasant unrest of 1904-05. At this time, the communes acted as revolutionary channels to give vent to the massive peasant dissatisfaction with the government's

agrarian program. This prompted the government to eliminate the village commune and to improve the lot of the peasantry.

The executive decrees issued by Pyotr Arkadyevich Stolypin as chairman of the council of ministers later became known as Stolypin Reforms and proved to be a major event in the Russian agrarian sector. The decree which initiated the Stolypin Reforms was issued on November 9, 1906. The outstanding redemption debt were cancelled and peasant households were permitted to consolidate their communal strips, claim individual ownership of their nadely, and withdraw from the communes. Stolypin's second reform of June 14, 1910, was however more radical. It dissolved all the communes which had not redistributed land since the Emancipation. These were mostly in the central, northern and western parts of the country, where the villages were small and poor and the soil required substantial investment to increase its fertility. A year later, on May 29, 1911, Stolypin passed a new decree, which simplified consolidation and evaluation of commune in any part of the country.

From the viewpoint of long run economic development, the Stolypin Reforms of 1906 and 1910 were significant government measures because allowing allotments to be bought and sold they facilitated the withdrawal of individual peasants from the village commune, which - combined with the reduced indebtedness of the peasantry - opened the way for private agriculture in Russia Substantial progress was made

in the conversion of allotment land into private land and in the elimination of strip farming to create Otrub - the consolidated land, until the revolution of 1917 once again changed the entire direction of land reform, ending the measures introduced by the Stolypin reform.

From 1905-1917, impressive changes took place in land tenure. The nobility began to lose out their land by sale. In addition to this, a substantial part of their land was either leased to peasants or was cultivated by the peasants with their workstock and machinery, on share or for other forms of payment. ⁸ By 1917, the agricultural land held by the peasants exceeded by about four times the land held by other owners. The share of peasantry in agricultural production grew more than is indicated by the data on land tenure. Kondratiev estimated the proportion of cropped arable land in those years at 85 to 90% which is impressive by any standards.

The revolution of 1917, in Marxist theory a proletarian revolution, was essentially an agrarian revolution. Industrial development was a recent phenomenon and trade unions were weak. Hence the class struggle between capitalists and the workers could not be the basis of the revolution. Rather, it was the age old and highly desperate conflict between the archaic communes and the landowning class which prompted a spontaneous uprising of the peasantry to redistribute land and to solve the land problems.

Agrarian questions, though they had occupied a subsidiary place in Marx's thought, were vital for his disciples in a country where nearly 90 percent of the population was engaged primarily in agriculture. It was natural that the first Russian Marxist groups should have grown out of controversy with the narodniks about the destiny of the Russian peasant and Russian agriculture. Plekhanov, the father of Russian Marxism, regarded the peasant, in Russia as in the West, as a fundamentally conservative group and was convinced that the Revolution in Russia must take the course laid down in the Communist Manifesto. Contrary to the narodnik idea of proceeding to socialism through the peasant commune without the contravening capitalist stage, the Russian Marxist group considered the establishment of capitalism as the final stage and its subsequent overthrow by the proletarian socialist revolution as the final stage of moving to socialism.

Lenin appeared on the scene in the eighteen-nineties as the fervent disciple of Plekhanov, passionately defending the necessity of capitalist development in Russia. In 1907, the Bolsheviks made use of the SR slogan of equalisation but what for the SRs appeared to be the ultimate socialist goal, was for the Bolsheviks merely an incidental item in the bourgeois revolution. The theoretical discussions between the SR and the Bolsheviks continued during the first two decades of the nineties. The initial popular base of the SRs began to dwindle as the changing situations turned to favour

the Bolsheviks. The final text of the law 'On the Socialization of the Land', promulgated on February 19, 1918, represented upto a certain point a conflation of the views of the Bolsheviks and those of the SRs. The soul of this law according to Lenin was 'the slogan of the equal use of land'. According to article 25, "the area of land allocated to individual holdings.... must not exceed the limits of the consumer-labour standard". The appropriate size of a given holding was to be determined by an elaborate calculation which took into account both the number of "worker units" on it and the number of 'bread eaters'. It was then that Lenin gave his famous "land, peace and bread" slogan.¹⁰

One of the first actions of the fledging Bolshevik regime was to confiscate the remaining large estates (the Land Decree, November 8, 1917) and to sanction the distribution of this land among the peasants - 'Socialisation of land was thought to be a thing entirely different from the state property.'⁹

Irrespective of the causes, this drift of land tenure in favour of the peasantry was to have far reaching impact upon policy making throughout the twenties. In their enhanced capacity as full proprietors, the peasants were no longer obligated to deliver a prescribed portion of their output either to the landlord¹¹ or to the state.¹² Thus, the total output and marketed portion, thereof, became dependent for the first time on the Russian peasant. But as the

sentiment of ensuring land to the tiller gained ground, it became unpopular, unprofitable and even dangerous to be a well-to-do peasant. As a result, mass splitting of large households took place at a rapid rate and it eliminated or reduced all or most of the farms that had produced about half of the grain crops. The marketed surplus fell further due to a lack of incentive to sell their produce during the years of Civil War, when the economy was facing hyperinflation and the state grain monopsony¹³ acted to prevent grain prices from rising as rapidly as the prices of manufactured goods.

The government badly needed resources to fight the war. It responded by announcing war communism (1918-1921) - the policy of forcibly requisitioning agricultural surplus. This policy severed the existing market link between agriculture and industry, estranged the Russian peasant from the Bolshevik regime and encouraged him to engage in dysfunctional behaviour, such as restricting output and hoarding or concealing surpluses during a period of agricultural shortage.¹⁴

To get the situation under control, government had to take a step backward on the path to socialist reconstruction when it announced the New Economic Policy in 1921. The forcible requisition of food surpluses was replaced by a proportional tax, first paid in kind and by 1924 in money. The state grain monopsony was abolished and free trade in

food and consumer goods was legalised. The high level of NEP is usually dated to 1926 when prewar production levels were generally surpassed. In spite of its successes, NEP was abandoned in 1928 in favour of collectivisation of agriculture because there was a fundamental contradiction in the Smychka¹⁵ strategy. The reestablishment of market agriculture was bound to create a class of commercially minded peasants who would provide the critical marketed surplus. This would increase the differentiation among agricultural population which was ideologically opposed to the Marxian thought that condemned the wealthy and middle peasantry as adamant opponents of socialism. The opening of the price scissors was viewed with alarm and an urgent policy change was mooted. Thus, during 1918-1928, the economy operated under two quite different administrative regimes - War Communism and the NEP,¹⁶ that provided experience to assist in making the final choice of Central Planning and Collectivisation of agriculture.

On the eve of collectivisation, i.e. in 1927-28, individual peasants accounted for 98.2 percent of the total agricultural output. The negligible residual production was the share of the State Farms and the Kolkhozy. Table II shows what was called in the USSR the class composition of the peasantry, in 1927-28.

The 1927 Survey of Peasant Economy¹⁷ "gives a vivid picture of the organisation and functioning of the pre-collectivisation peasantry. [See Table III]. The households



investigated were grouped according to the value of the principal means of production into seven groups. There were vast differences between the first and the seventh group in terms of allotment arable land and cropped plowland. These differences were due partly to the fact that the stronger households took more land on lease than they let, while the reverse was true of households without means of production. Both the practices of taking of land on lease and the letting of means of production, were emphasized by the party spokesman as important indications of strong capitalist development. Actually, it was on a small scale. That such a rate could be considered dangerous to the Soviet system merely emphasized the deficiencies of that system.

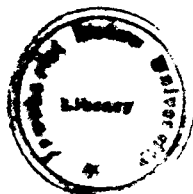
Table II

CLASS COMPOSITION OF THE PEASANTRY, 1927-28

Groups	Households	Persons
Workers on State Farms	2.3	1.4
Kolkhozniki	0.7	0.6
Non Socialised groups: total	97.0	98
Wage Earners	8	6.3
Semi-proletariat	20.2	16.0
Average producers	64.9	70.6
Small capitalist group	3.9	5.1

Source: Statistical Handbook, USSR, Central Statistical Board (Moscow 1929) pp.88.

Note: Only households engaged in the rural economy are shown in the table.



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Table III

PRECOLLECTIVISATION PEASANT RURAL ECONOMY: LAND TENURE AND OPERATION

Household	groups	Land Tenure	Land Operation
Principal means of production per household (value in roubles)		Allotment arable land	Cropped plowland
None	1	2.5	.8
1-100	2	3.7	1.5
101-200	3	4.5	2.2
201-400	4	5.6	3.3
401-800	5	6.7	4.7
801-1600	6	8.8	6.9
1600 & over	7	11.0	9.4
	Average	6.1	4

Source: Statistical Handbook, USSR, Central Statistical Board (Moscow 1929).

The crucial nature of the relationship between the peasant and the state was the subject of continuing discussion during the 1920s. The participants in this discussion suggested alternative roles for the agricultural sector in the development process. According to Preobrazhensky,¹⁸ as industrial investment rose, the rate of saving had to be increased and the burden of this increase in savings rate should be borne by the peasants through the system of primitive socialist accumulation, whereby savings would be extracted from the countryside by setting low agricultural prices. Bukharin, on the other

hand, argued that any system designed to extract involuntary savings from the peasants would destroy any positive relationship between peasant and state and lead to active peasant resistance in the form of reduced peasant marketings. He therefore suggested to adopt a slower rate of economic growth and set prices in the favour of peasants.¹⁹ Shanin's agriculture first policy was based on two assumptions-(i)the marginal output-capital ratio of agriculture far exceeded that of industry and (ii)there was a higher propensity to save in agriculture than in industry. He envisioned that his policies would have to be carried out within an essentially free market environment.²⁰

Against this background, it should be pointed out that Lenin had long stressed the need to take advantage of economies of scale in agricultural production. Collectivisation of agriculture, therefore, to the extent that it might provide a mechanism for effective control of the countryside, might have appeared both ideologically and practically a rather ingenious solution to the complex problem of Soviet agriculture.

Stalin used the grain procurement crisis of 1928 as a major justification for instigating collectivisation. The fact that the grain output and marketing of kulaks declined whereas those of middle and poor peasants expanded, served as the evidence of the need to move against the kulaks. In the Fifteenth Party Congress, decision was taken to build industrialisation programme upon the introduction of large scale farming on cooperative basis as its cornerstone. The

step from cooperative trade and credit to cooperative production in agriculture involved a transformation of the economic basis of Russian villages. At that time, collectivisation was regarded by the different party factions as a desirable long term solution to the agrarian problem, but few could have foreseen (or would have supported) the forced collectivisation that was to follow shortly. There were significant differences on the speed of collectivisation and the precise organisational form to be utilized. Nevertheless, the overall speed of collectivisation was rapid and collective farm had supplanted the age-old mirform of village government in one year's time (See Table IV). The year 1929-30, was the year both of final offensive against the kulaks and of serious 'excesses' and departures from the voluntary principle and the principle of allowing for local peculiarities.

The organisational system in Soviet agriculture that replaced the traditional system was so inflexible that it stayed till the break up of the Soviet Union with only minor change in it. There were two basic production units - the collective farm (kolkhoz) and the state farm (Sovkhoz). The farm which exceeded two thousand acres on an average, was the unit of cultivation and management. The chores of tilling, planting and harvesting in both the cases were handed out to the households by the farm management. But the farms were huge, the work force was large, and continuous supervision was necessary to wrestle with the 'free-rider

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 problem.' Apart from these farms, agricultural production also took place in the private or subsidiary sector that arose in both the state and cooperative sector.

Table IV

EXPANSION OF THE COLLECTIVE FARM SECTOR, 1918-1938

Year	Collective Farms (in thousand)	Households in Collective (in thousand)	(Selected Years) Peasant Households Collectivised. (percentage)
1918	1.6	16.4	0.1
1928	33.3	416.7	1.7
1929	57.0	1007.7	3.9
1930	85.9	5998.1	23.6
1931	211.1	13033.2	52.7
1932	211.1	14918.7	61.5
1935	245.4	17334.9	83.2
1938	242.4	18847.6	93.5

Source: Volin, A Century of Russian Agriculture (Cambridge, Mass: Harvard University Press, 1970).

Under the original kolkhoz charter developed in 1935,²² the means of production are said to be 'kolkhoz-cooperative' property belonging to the kolkhoz in perpetuity.²³ On a kolkhoz, the workers are not fixed wage receivers but can earn a bonus if output targets exceeded. In addition to the socialised sector (land, equipment, building etc.) belonging to the farm as a whole and governed by a chairman and a management board, each peasant household was entitled to cultivate a private plot. The Machine Tractor-Station (MTS), established in 1958, were responsible for the provision of machinery and equipment and agricultural specialists to the kolkhozy. Prior to their abolition in 1958, they played an important role in the day-to-day operations of the kolkhoz. The sovkhos or the state farm was structurally similar to a Soviet industrial enterprise in that it was budget financed,²⁴ operated under the khozraschet²⁵ system of management. Ideologically, the sovkhos with full state property an organisational form favoured over the kolkhoz, and an effective tool in implementing major changes in the countryside.

There were substantial gains for collectivisation but these gains were uneven and undoubtedly achieved at a major cost. Prior to Barsov-Millar hypothesis,²⁶ economists argued that it was through collectivisation that a surplus could be extracted from agriculture to invest in industry and offset against imports. Now, there is vast literature²⁷ challenging what was once well accepted.

There is little doubt that collectivisation lowered Soviet agricultural productivity in both short and long run. The growth of productivity of arable land - slow but visible in 1906-1916 and in 1923-28 - stagnated, and the yields of the main cereal crops did not grow for the next twenty five years. The total grain harvest which was 86 m tons in 1913 remained at the same level until 1952-54 (fluctuating between 82 and 85 m tons), despite a significant population growth. Grain production only began to rise when Khrushchev introduced his virgin land program. ²⁸ The number of livestock was restored to the 1928 level only in 1956.

Collectivisation closely tied the peasant to his kolkhoz. Because of the absence of passports, mobility was restricted. Papers of identification (spravka), certifying the identity of the kolkhoznik and issued only in winter for a total of 7-10 days, were used in order to take to market part of the produce harvested from the area around the farm centre. Other than this, the kolkhoznik only left his home territory for mandatory work in timber cutting and timber floating.

Imperfections in the overall administrative and economic environment was another reason for poor performance of Soviet agriculture. On principle, farms were not told - as they were in Stalin's time - what to produce but only what to sell to the state; even the sales plans were to be elaborated with the farms themselves participating, on the basis of national and derived territorial 'control figures'.

In practice, however, those plans were still much imposed from above. Equally, the investment and current input buying of farms very much depended on what was assigned to them, with only limited regard to local conditions and without due coordination among the administrations of the branches that produced and distributed these inputs. In addition to central planning and directives, the regional and local authorities imposed management and reporting demands on the farms. In spite of numerous decrees to the contrary, most State and Party functionaries, until very recently, have told the farms what to sow, how many animals to raise, where to sell their produce etc., and have sent down emissaries²⁹ for controlling the fulfillment of such orders. As a consequence, most farm managers were not accustomed to apply their own judgement on how to allocate resources and increase output in a way best suited to farm's condition. Moreover, the industrially produced inputs for agriculture were inadequate in quantity, quality, assortment and timing of delivery. Thus, much of the cooperative and voluntary nature of the kolkhoz was lost. Those who departed from kolkhoz to city did not, in fact, receive their equity from the farm.

It will be useful to consider how long the most negative measures introduced by Stalin persisted. The very unpopular system of single annual payments in kind at the very end of the season continued until the end of the 1950s. After that, it was gradually supplemented and later replaced

by monthly payments in cash. In 1966, Khrushchev introduced a regular wage payment system.³⁰ Khrushchev's rural strategy was meant to spur greater production and productivity through economic incentives within the kolkhoz-sovkhoz structure. Starting in 1953, Khrushchev increased procurement prices for farm produce, increased wage rates for both kolkhoz and Sovkhoz workers, introduced a floor for collective farm wages and converted a considerable number of collective farms into state farms, which resulted in elimination of many collective farms with low wage structures. Introduction of cost accounting method to improve collective farm management was another laudable measure to enforce economic adjustments in agriculture. Another unpopular feature of Stalin regime, namely, the arbitrary legal and police restrictions on the movement of peasants from one place to another and to the towns, associated with the denial of internal passports to kolhozniki, survived until 1976-78.

The collective farms remained in a continuous state of crisis, no matter what improvements and modifications were introduced. Most of them always needed credits which they could not repay. Since 1940s, new sovkhozy have been replacing the totally impoverished and bankrupt kolkhozy. In 1940 about 93% of all arable land in the country was cultivated by the kolkhozy. BY 1985, their share had fallen to 40 percent and they produced an even smaller proportion of grain.³¹

Though kolkhoz and sovkhos are both large by Western standards, since 1980 there has been a shift to smaller farm size. However in terms of sown area, the sovkhos grew in importance while the private sector declined.

Another change in the organisational structure observed during the 70s and the 80s was that the number of interfarm organisations and enterprises grew significantly. Brezhnev significantly expanded upon the trends begun under Khrushchev and the big winners during the Brezhnev era were rural workers. Brezhnev's basic agricultural strategy was to pour money into the rural sector. According to official Soviet statistics, the capital funds of interfarm enterprises increased from just under 400 m roubles in 1970 to almost 9000 m roubles in 1988. For the same period, the average annual labour force of interfarm organisations and enterprises increased from just over 78,000 to 765,000 at a time when the overall agricultural labour force had been declining. The process of specialisation and concentration of agricultural production on the basis of interfarm cooperation and agro-industrial integration, ³² had become the operative phrase of Soviet agriculture during the 1970s and the 1980s. Soviet leaders had long tended to downplay the basic differences between industrial and agricultural production, arguing that it is possible to 'industrialize' agriculture. This idea was applied with different intensity in different phases. In the 1970s, the emphasis was upon

organisational change to reap benefits of integration, both
vertical³³ and horizontal³⁴. Thus, as Soviet agriculture
became hooked on 'mechanization and chemicalisation', the
processes which require higher and higher state budgets to
finance an array of interests within the agro-industrial
complex developed which had benefited from this strategy and
exerted pressure for its continuation.

Deeply rooted ideological dogmas concerning the
absolute advantage of the concentration of production and
the necessity of steadily raising the level of socialisation
of property hindered the search for a conscientious,
proprietary attitude in villages towards property. The
quality of proprietorship in the peasantry and the
socioeconomic conditions should be such that it does not
alienate the rural working people from their labour and the
results of their labour. This element was missing in the
former Soviet Union. The state and collective farms faced
the problem of labour turnover which arose due to both
subjective and objective factors. There were problems in the
field of material and moral incentives for the more skilled
labour on kolkhoz and sovkyoz. Research has shown that the
earnings of mechanisers are differentiated on the basis of
many factors: according to the territory types of farms and
between farms of the same and different types, occupational
groups, skill level, length of service, age, general
educational and forms of special training etc.³⁵ There was
no correlation between labour productivity and wage rates.

Upto 1964, on many farms, the level of wages lagged behind that of industrial workers of approximately the same skill by from 50 to 100 percent. Dissatisfaction with housing, trade and cultural living services is one of the chief factors affecting manpower turnover. Soviet collective farms (and, in part, also state farms) had to finance and carry out infrastructural investment within agriculture with little or no help from the state administration. Schools and objects of social infrastructure became less in number and distant from some of the surviving villages. Bad roads made transportation cost a high percentage of the cost of agricultural production. Traditions are easy of break but hard to reestablish. Under conditions where children do not live at home but in a boarding school, the estrangement from their parent's love for work makes it generally impossible to convey to them a key aspect of their heritage - rural traditions. Without knowledge of the secrets of working on land and without an attachment to it, growth in productivity of agriculture is not ensured.

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Let us now examine the private sector in Soviet agriculture. It can be perceived in several different contexts:

- 1) Families on kolkhozy are entitled to the use of plots of land by virtue of their membership on the collective farm and their participation in the socialised sector of the farm. In addition, a small but generally limited number of animals may be held

privately.

2) Workers and employees in rural areas are also entitled to plots of land, although this entitlement varies depending upon where they live and where they work. ³⁷

3) Workers and employees residing in urban areas are also entitled to garden plots varying from 0.15 to 0.30 acres, depending upon whether the plot is located inside or outside the city boundaries.

Soviet experts have insisted that 'private plot' is a misnomer since quite often they manage to get materials free. Whatever we choose to call them, these plots were important in terms of product contribution. Partly due to the hostile official attitudes and policies, the private sector slowly declined in importance over a long period of time till in the late 1970s and the 1980s, a relaxation in official restrictions on private agricultural activity took place. In Brezhnev's food program of May, 1982 new attention was given to the private sector. Specifically, the limits on the number of livestock held in the private sector had been removed where such livestock was being raised on a contract basis for subsequent transfer to the socialised sector. Moreover, credits were made available to finance this activity. The task of further encouraging the private activities on land was left for Mikhail Gorbachev who came to power in 1985.

Thus, we find that the Statized Oligarchical system and its concrete sociopolitical management structures in the agrarian sphere destroyed the objective foundation of the agrarian relations. The peasants were commanded and everything was decided for them. Farm management received excessively detailed supervision from ministry, local govt. and communist party officials. A system of planned mandatory formation of the structure of agricultural production and the distribution of produced output guided the economic link between industry and agriculture among different regions. Procurement prices were symbolic and produce was collected like a tax on the prodrazverstka³⁸ principle which meant that there was a nonequivalent confiscation from agriculture. Given the low incomes and the leftover principle in the formation of wages, its level was scanty and instable.³⁹ There were also numerous unresolved problems in the field of material and moral incentives for the more skilled labour on collective and state farms. The housing, trade and cultural living services were also largely unsatisfactory. Hence, it can be argued that the economic and social relations did not secure elementary conditions for human life and for the development of production.

Footnotes :

1. Maurice Dobb, "Soviet Economic Development since 1917" Ch -2, p. 39-40.
2. P.R. Gregory and R.C. Stuart; "Soviet Economic Structure and performance", p. 25.
3. The system of redistribution was more prevalent in the more fertile chernozem regions (such as Ukraine, Rostov, Voronezh and Sani) than in the central nonchernozem provinces where intensive fertilization and other labour intensive improvements were required and where overpopulation rendered small size to the strips.
4. In 1800, there had been about 2 desyatin (5.4 acres) of grain producing land per person, whereas in 1900 there were only 0.8 desyatin (2 acres) per person.
5. For the house and an adjacent garden.
6. Alexander Gerschenkron, "Russian Agrarian Policies", p. 229.
7. According to the programme adopted by the SR party Congress in Jan. 1906.
8. This reflected not only the inefficiency of the owners but also the veritable land hunger of the peasants who were willing to pay prices and rents for exceeding those justified by prospective returns from the land.
9. State land, like all other land was to be expropriated to become property of the people. Later, all land was regarded as forming state funds, administered by the individual federated republics and governments. Not before 1922 was socialisation of land interpreted as equal simply to state property. In 1928, all land was declared the property of the USSR rather than of the individual federated republics.
10. Lenin, "The agrarian programme of social democracy in the first Russian revolution, 1905-07" and "On the socialist transformation of agriculture".
11. As rental payment.
12. As a tax or principal payment.
13. Grain elevators and warehouses were nationalised in 1918.

14. Dobb, Maurice, 'Economic Development Since 1917', 5th ed. (London: Routledge and Kegan Paul 1960), Ch. 2.
15. The collaboration between the Soviet regime and the peasants.
16. The above discussion of War Communism and NEP are largely based on the following sources: Alec Nove, 'An Economic History of the USSR' Ch. 3 & 4, EH Carr and R W Davies, Foundations of a Planned Economy, 1926-29, Vol. 1, Part II (New York : Macmillan 1969).
17. Stastical Handbook USSR, 1928, p.90-133 and 144-55.
18. Preobrazhensky's views are outlined in his famous work, "The New Economics", Brian Pierce, trans. (Oxford: Oxford University Press, 1964).
19. Erlich, Alexander, "The Soviet Industrialisation Debate 1924-1928" (Cambridge, Mass: Harvard University Press, 1960).
20. Erlich, A. Op. cit.
21. Everyone wants a bountiful harvest while hoping that the next fellow will do his best.
22. A new charter was created in 1969.
23. Gusev, P., 'Trends in the development of collective and cooperative farm property', Problems of Economics, Vol. XXIV, No. 4, June 1981, p. 76-96.
24. For details of discussion on Sovkoz see Ballard, 'Problems of state farms administration,' Soviet Studies, Vol. XVII, Jan. 1966, p. 339-52.
25. It means Cost accounting, economic accountability. A system profit and loss accounting whereby each enterprise pays operating expenses from its gross income.
26. Barsov Millar hypothesis states that agriculture at best provided a very small net positive flow of income, one which changed little, if at all, during the collectivisation drive. The question of agricultural product surplus as a contribution to the Soviet industrialisation process as raised by the Barsov-Millar hypothesis is discussed in Alec Nove, "The Agricultural Surplus Hypothesis: A comment on James R. Millar's Article", Soviet Studies, Vol. 22, No. 3 (Jan. 1971) p. 394-401.
27. For a more positive view of surplus, see Charles K. Wilber, "The Soviet Model and Underdeveloped Countries". (Chapel Hill: University of North Carolina Press, 1969) p. 32-34.

28. McCauley Martin, 'Khrushchev and the development of Soviet agriculture: the virgin land programme 1953-64'. London, The MacMillan Press, 1976.
29. See R F Millar, 'The failure of the Soviet Kolkhoz' Problems of Communism, Vol. XXV, March - April 1976. p. 34-50, and R F Miller, "Soviet agricultural policy in the twenties: the failure of cooperation", Soviet studies, Vol. XXVI: 2 April 1975. p. 220-44.
30. Stuart Robert C., 'Managerial incentives in Soviet Collective Agriculture during the Khrushchev Era,' Soviet Studies, Vol. XXII, April 1971, p. 539-55.
31. Khebnikov, V., 'Problem on analysing the profitability of agricultural production', Problems of Economics, Vol. VIII, No. 7, November 1965, p. 22-31.
32. Smetanin N., 'Agro industrial integration in the USSR,' Problems of Economics, Vol. XVII, No. 8, December 1974, p. 46-64.
33. Where a single administrative unit produces an agricultural product encompassing production, processing and distribution.
34. Where a number of farms contribute a basic product to the integrated processing and distribution facilities.
35. Morozov V., 'The system of material incentive for collective farmers', Problems of Economics, Vol. VII, No. 6, 1964, p. 38-49.
36. Wadekin, Karl-Eugen, 'Soviet rural society: a descriptive stratification analysis', Soviet Studies, Vol. XXII, April, 1971, p. 512-38.
37. If they live in rural areas but as not work directly in agriculture they get a smaller entitlement.
38. Requisitioning of grain by force during the War Communism period.
39. Upto 1964, on many farms the level of wages lagged behind that of industrial workers of approximately the same skill by from 50 to 100% (Soviet Geography, Vol. XXVI, No. 1, Jan 1985, Berentsen, 'Interrelationships between spatial variability and levels, of national grain productivity in the USSR, 1955-1974).

CHAPTER 2

LAND REFORMS - THE ISSUES AND THE METHODS

In the previous chapter, we saw how the Soviet system of farming failed to meet the aspirations of raising production and productivity. The system of production showed stubborn resistance to change and any reform within the system could not produce any sustained and perceptible improvement. All attempts to resolve the food problem were not only carried out within the framework of the given relations, structures and principles but as a rule were based on their strengthening and deepening.¹ Consequently, no organisational changes in management structures, forms of mandatory planning, sizes of farms, incentive systems etc. could secure the stable development of agriculture. Many of the reforms produced an explicitly negative result. Some of them, primarily connected with guaranteeing the remuneration of labour on collective farms, the possibility of increasing it, and raising of purchase prices, made it possible to realise a temporary effect without fundamentally altering the state of affairs. Even a transition to a policy of increasing capital investments in agriculture could essentially only retard the worsening of the crisis for a certain time.

A break from the past trend was made when Mikhail Gorbachev announced his perestroika programme. The continuation and sustainability of the command economy, in its consistent dismal performance, was put to question. The

elements of decentralisation and democratisation were introduced within the administrative - command system in order to streamline the system as also to gear it towards being more people oriented rather than being result-oriented. However, this Gorbachevian reform with a 'human face' failed to yield results in the agrarian sector because of certain practical and political problems and because the reform process itself was flawed.² By the time of dismantling of the USSR, the chronic shortage of consumer goods, massive state subsidies that exceeded an estimated 120b roubles in 1990, and poor food quality reflected the pathos of Soviet agriculture and had become the hallmark of a totally disarrayed economy.

The break-up of the Soviet Union due to the force set in motion by the perestroika and glasnost seemed to be inevitable, but it did not by itself guarantee the reversal of the trend of poor economic performance. Infact, the economic situation kept deteriorating in an atmosphere of uncertainty and threatened political stability. In the late 1991, the food situation in Russia was considered to be catastrophic. The agrarian crisis in Russia is not only the food problem, but, above all, it is the economic and social failure of the statised centralist system in organising and practicing agriculture, and the resulting alienation of the agriculturists from the land and from the means and result of labour. Realising the grave situation, the Russian President Boris Yeltsin told the opening session of the

Fifth Congress of People's Deputies in October 1991, that the country was faced with the task of creating a "fundamentally new situation in the agricultural sector."

The creation of a new system implies the rejection of the old. As we have seen, the explanation for the poor performance of agriculture as of the entire economy in the former Soviet Union are several but are fundamentally linked with the legacy of the old system of Central Planning. Agriculture has generally been characterised by large and relatively inefficient State and collective farms that have suffered from excessive state interference in production decision making and from a distorted incentive mechanism. World experience and the practice of not only capitalist countries but also of Eastern Europe, China and Vietnam offer convincing evidence that there is no alternative to the market. There may be variations on making a transition to the market but it is impossible to build an effective system of management without it. In economic literature, the earlier debate used to be on whether market was necessary and on whether it was compatible with socialism. Now, the debate has finally shifted to the plane of practical actions. The economists are busy preparing blueprints for the transition of the STEs [Soviet - type economies] into market economies.

It can now be emphasised that the transition of the entire economy into market economy is organically linked to the agrarian sector. This connection is two-fold³. First of

all, the possibility of implementing market programme in all spheres of the national economy depends on the state of agriculture and the allied branches of the agro-industrial complex [AIC]. This thesis is essentially axiomatic and hardly requires extensive argumentation. Understandably, the food supply quickly influence the people's mood, their perception of politics, labour productivity, and the growth of output in all spheres, upon which ceteris paribus a scarcity free economy and a balanced consumer market depend. If the transition process ignore the agrarian sector, the entire reform is bound to get jeopardised as had happened during the perestroyka years. Secondly, the state of affairs in the countryside and in the entire food sphere cannot be fundamentally corrected unless the agrarian sector itself is converted to a market mechanism. But this is a complex and a multifaceted problem. Its solution, in turn, goes beyond the framework of the AIC and depends on the entire economy and public policy.

Agrarian reform is not a one-time act but a long-drawn process of creating conditions to make agrarian relations more receptive to internal changes in external conditions. The essence of agrarian reform consists of forming and securing the real freedom to farm land which will reestablish the direct-bond of farmers with the land. The organic link between agriculture, and the rest of the economy, which was discussed earlier, makes the whole reform process look very complicated. It is, therefore, essential

to identify the centres of economic relations whose transformation secures the freedom to farm land. The Agriculture Minister V.N. Khlystun in Jan.1992⁴, identified the major task in reforming agriculture as acceleration of land reforms, the transformation of collective and state farms into new forms of management, reforming the system connected with processing and storing of agricultural production, the development of an engineering and social infrastructure designed for a variety of forms of management. The key policy areas that emerge in this context are - marketisation (i.e. price-liberalisation), trade, regulation and privatisation.

Marketisation: The creation of the market price formation mechanism is first among various aspects for making a transition to market-oriented economic-ties that will make the administrative-departmental management economically superfluous. In the Soviet economic system, an arrangement of 'forward contracts' with collective farms as also with individual peasant economies, and not the structure of prices, guaranteed agricultural supplies upon which production plans for industry could be built. Thus supply-quotas, contracted for in advance and originally voluntary in form, became obligatory; and were recognised as such by a decree of Jan 19th, 1933. Varying according to the area of sown land and the qualities of soil, these delivery quotas were to be paid for at fixed official buying price, and therefore had the character of a requisition rather than a

tax. But since these buying-prices were a long way below the market price, they represented substantially a form of tax in kind. In addition to these obligatory deliveries at 'delivery prices', there were so-called 'decentralised collections', which were the result of voluntary sales contracts to the state at 'State purchase prices' which were considerably higher than the former. The only surviving type of open competitive market in the Soviet economic system was the Kokhoz market - the sale of collective farm produce from stalls and shops in local urban markets or with direct contract with various types of institutions. The retail price-index number was discontinued in 1930 simultaneously with the extension of rationing and the system of multiple prices for the same commodity in different categories of market. The existing system of price did not reflect the level of necessary expenditures on the production of various kinds of products (i.e. the cost conditions) neither did they reflect the correlation of demand and supply, and hence if farms were free to form their production structure, there would be even greater deformation of their production structures than due to administrative command system of management.

With the establishment of market mechanism of price formation, the sale of agricultural produce and agricultural resource supply will correspond to the freedom of formation of agricultural production structure. In the absence of distortions, the products which are highly demanded will

ensure greater profits and hence their production will go up. Thus guided by the price, the agricultural production structure will gear itself up in such a manner that the shortages and surpluses are mopped up.

However, this transition to market price-formation must be gradual. Gradualness can be expressed both in the gradual expansion of the circle of products included in the circle of market price-formation and in the identification of these products that will be sold for the established state prices for a certain period of time. But, this transition should be consistent and rapid. Its gradualness is primarily necessary to attenuate the process of the lowering of the population's real incomes due to the sudden increase in the cost of food and other goods at a time when a void is rapidly developing in the commodity market.

During the present liberalisation of prices, there has been only manifold increase in retail prices and a significantly smaller increase in purchase prices. The conversion of prices is one of the most urgent measures making it possible to protect agriculture under the conditions of monopolistically high prices of equipment and other industrial products reaching agriculture.

Trade:

The system of supply-quotas grossly hampered the right of free trade of the collective and state farms. As a result the interregional and intersectoral flow of commodities took

place on the planned and bureaucratically administered directions.

The sooner the market - oriented changes are carried out in price - formation, the sooner can the product-turnover process begin on the basis of mutually accepted contracts rather than on the basis of prescriptions. The long term market relations in intersectoral trade can develop well only if the sphere of procurement, processing and the commodity producing network of agricultural output is reformed. The existing procurement system, whose task is to receive produce from collective and state farms, must be converted into a developed network of enterprises and organisations that purchase, store, ship and process agricultural output and that operate on the basis of market principles over vast areas. These enterprises and organisations can take state and republic orders (accepted on a contractual market basis), contracts with local production and economic and trade subdivisions and other manifestations of market demand into account in their activity.

The system of material -technical supply of agriculture must similarly be reformed. In order that the market might supply farms with technical and other resources, it is essential to develop a network of trade and service bases and firms, exchanges, and other structures that assume the functions of the former Agricultural Technical Services and that are able

to use it as the basis for privatizing the latter and converting it into joint stock.

All this is important not only for the establishment of economic principles in the organisation of the circulation of agricultural produce but also for the formation of a national regional structure, for the identification of large zones for the commodity production of basic types of products, and for the organisation of effective interregional exchange.

Regulation:

The reform was initially conceived as an all Russian administrative measure to be carried out under pressure from above. While peasants formally retain the right to choose the form of farm they want, in reality the authorities were to 'orient' people on collective and state farms in such a way that they would opt for associations of private farms. Hence, the willingness and efficiency of the authorities to carry out reforms through appropriate regulation and guidance becomes a crucial factor in deciding the price and the direction of the reform process.

The functions of the Ministry of Agriculture must also be fundamentally altered and must consist in the formulation and implementation of various market-oriented program, through regional and branch management structure, for the introduction of new technologies, for the development of new production facilities, for the dissemination of effective

forms of developing the social sphere in the countryside, in the conceptualisation of experience, the identification of problems relating to the development of agriculture and in organising and supporting production, seed growing and selection.

Moreover, private property cannot be left to itself. The corresponding legal regulation, the corresponding tax, financial credit and antimonopoly policy, the system of state orders and of scientific-technical and social programs, the activity of various funds, trade unions and other institutions - - all this constitutes a safeguard against the aggressive socially dangerous aspirations of the "chastnik" (private traders), civilizes relations in society and gives them a social orientation. If the reform process hurts the social interests, its popularity is deemed to get affected. It turns out that private and social interests can be combined via appropriate regulations. The society will then be more willing to accept the reforms and contribute whole heartedly to make it a success.

6 Privatisation

The most important area under privatisation programme is that of change in land ownership pattern. The restoration of private ownership of land and its various concrete forms is the essence of land reforms. Land reform which presupposes a change in the ownership of land and the entire aggregate of land relations with regard to specific republic and regional features, occupies a special place in the strategy

of restoring agrarian relations.

Before proceeding with the ways and means of change in ownership pattern of land, it is important that the specialists as well as the public, understand the meaning of private ownership of land. Ownership of land may be defined in two ways. First, as the lifetime leasing with the right of inheritance (Vladeniye) and, second, as outright ownership (Sobstvennost).⁷ If the aim of the reform is to grant freedom of activity on land so that farmers can grow what they choose, sell to whom they want and for the price they want, this aim can be realised even without private ownership [for example, a long-term lease with right of inheritance]. The freedom of activity on land requires one condition - that the individual farm is entirely independent and is regulated by market and not by fiat. And, this condition is not strictly connected with private land ownership: it can exist with or without it. The aim of land reforms should be of creating optimum farms which are efficient and not just outright privatisation. Land Ownership reforms has to be based on economic and social advisability leading to a real, and not sloganised, pluralism of forms of management by freeing agriculture of inefficient farms.

On the basis of existing experience, it is possible to suggest several basic directions and conditions for privatisation and development of various types of farms. The

question of land ownership is closely connected with the fate of collective and state farms. The majority of collective farms have lost their cooperative features, and collective farm members are not the owners of collective farm assets. This holds true for the state farms to an even greater degree. In this connection, the destatisation and privatisation of a part of their productive assets should become the determining direction of this transformation in order to make individual workers on such farms the real owners of productive resources and income. This can proceed in several forms.

One form could be the privatisation of collective and state farms by converting them to a joint stock either on a lease - purchase basis or on the basis of the combination of individual farms and agricultural cooperatives through a determination of workers' share and the subsequent distribution of some of the profits based on these shares (or stocks).

Another form of privatising collective and state farms is their conversion into associations of individual farms based on a preliminary division of assets and land among workers and the formation of something resembling private farms as a result. This form, which is encouraged by the government's agrarian reform programme, can actually be least widely applied under present conditions when it would be possible to restore the cooperative foundations of the collective farm sector of the economy. The idea of the mass

conversion of collective and state farms into associations of individual farms is a continuation of the idea of leasing. This method was expected to promote the preservation of the old system of collective and state farms and at the same time, convert them into something that was opposite of them (ie. into individual farms). This is a contrived idea and may lead to the same result as the entire leasing campaign. The broad development of private farms may, of course, in time probably result in farming associations and unions. But, this is an entirely different matter. This will be one of the results of the transformation of agrarian relation and not a conscious development as such.

It would be wrong to preface land ownership reform with the transformation of collective and state farms into private farms. There is a need to develop a variety of types of farms in the agrarian sphere: different types of private property (based on one's own labour and based on hired labour), cooperative property, property of work collectives and state property. The objective conditionality of the plurality of forms of property lies in the following facts. First, in a country like Russia with such a diversity of conditions, it is abnormal to have just two or three identical forms of farm. Conditions of reproduction, like the character and degree of development of equipment and technology, the scale of processes, and the depth of the division of labour, specialisation and cooperation in various sectors of social production are substantially

different. Second, none of the forms of property has only pluses or minuses. Any form of property has its own ambiguity. The zealous attitude towards private property often poses against the social interest. Cooperative property, while on the one hand, directly combines individual and common interest, on the other hand, it juxtaposes group interest against other interests, and in this capacity it is kindred to private property and has some features in common with it. State property makes it possible to concentrate resources in certain directions to the greatest degree but the bureaucratization and wasteful expenditure due to centralisation lead to the defacto exploitation of the working people.

Hence, various forms of property must be combined, first, in order to use the potential of each of them, and second, to cancel their negative features by integrating them. Private plots should coexist with cooperative and state farms. Private (allotted) or collective land ownership with private principles is possible in small cooperative. In the case of the remaining state enterprises (seed growing, breeding, experimental enterprises), land should remain state property.

The question of the ownership of land forming the personal household plots of the rural population and especially of collective and state farm workers must also be resolved. It appears that within regionally established

limits this land should be transferred to private ownership first of all. This will protect the personal household plot which has been forgotten about in the passions surrounding the reorganisation of collective and state farms even though it continues to provide one fourth of all agricultural output and may perhaps provide even more. It also creates certain guarantees for collective and state farm workers especially those who will not become private farmers.

The privatisation of land presupposes the inclusion of land in market circulation and the possibility of its purchase and sale. This will make it possible to secure existing money with real resources, to strengthen the rouble, and above all, to ensure dynamism in the use of land itself.

The reform of land ownership and the inclusion of land in market turnover presupposes the establishment of special land banks that will be able to carry out the reforms and perform market, leasing and mortgage operations involving land. It would be extremely important if new land relations were organised by such structures rather than by local authorities and various commissions. This would make it possible to direct land reform and all agrarian reform along the lines of market economy in a significantly shorter time.

It should nevertheless be remembered that the transformation of individual workers and work collectives into owners cannot be secured by merely altering existing

forms of property. Such changes might alter the forms in which workers receive their income and to a certain degree its size and the forms of internal economic relation and labour organisation. But they do not lead to the actual transformation of farmers into owners which is possible only if the entire aggregate of relations connected with the use, disposition and appropriation of the means and results of agrarian production is transformed. Comprehensiveness and the unity of transforming forms of property and all economic conditions in farming should also be one of the mandatory principles of agrarian reform.

At this point, it will be worthwhile to compare the land reforms that took place at the onset of socialism to the one that is taking place at the demise of socialism. According to Marx's prognosis, the transformation of precapitalist property into capitalist property is a more protracted, violent and difficult process than the transformation of capitalist property a socialised one. But in reality, what had happened in the Russian Region was in contradiction to the theoretical prediction. First of all, at the time of Bolshevik revolution, the capitalist transition was incomplete and the socialist state had to undertake the 'protracted, violent and difficult' process of transforming precapitalist property. The Kolkhoz -Sovkhoz system that finally emerged out of the collectivisation drive of Stalin, stayed till the break up of the Soviet Union. After the break up, the agrarian structure of the

Russian region has once again been put to a drastic change. Again, this change is just the opposite of what was discussed under Marxian theory. Instead of capitalist system being transformed into a socialised system, we have a socialist system being transformed into a capitalist system. This second phase of transformation, though more peaceful than the first, is in no sense less cataclysmic.

FOOTNOTES:

1. For details see L. NIKIFOROV, 'The Agrarian crisis and Agrarian Reform', Problems of Economics, Oct.1991, p.25.
2. For the details of the Gorbachev Plan that deal either directly or indirectly with the transition to a market economy in the USSR in the agricultural sector see STATUTES AND DECISIONS, Winter 1992-93. It is also discussed in the next chapter.
3. See. A. EMEL'IANOV, 'The Agrarian Sector on the Path to the Market', Problems of Economics, March 1992, p.22.
4. 'Khlystun on Future of Land Reform' - BBC Monitoring SWB, Weekly Economic Report, Part I Former USSR, 14 January 1992.
5. See V.V. KULIKOV, 'Destatisation of Property', Russian Social Science Review, p.54.
6. Based on the discussions in L.NIKIFOROV, op.cit., A. EMEL'IANOV, op.cit., and 'Agrarian Reform and Socioeconomic Structures of the Modern Countryside', Problems of Economics, Feb.1991; BASHMACHNIKOV.V., 'Socialist Agricultural Production', Problems of Economics, Sept.1991; KULIKOV, op.cit; A.ARKHIPOV, 'Destatisation in the Agrarian Sphere', Problems of Economics, March, 1992.
7. See 'The Path to Freedom of Economic Activity on Land' by NIKIFOROV, Problems and Economic Transition, Jan.1993.

CHAPTER -3

LEGISLATIVE MEASURES FOR DESTATISATION OF AGRICULTURE

The question of land reform and the introduction of peasant farming had been part and parcel of the struggle for power in the former U.S.S.R. which took an enhanced form in the eighties. The issue had been, on the one hand the need to improve the disastrous agricultural record by reforming the system of the state and collective farms and on the other hand, the ideological objections of the Communist Party to the introduction of private land ownership.

Gorbachev came to power with a different set of political needs than his predecessors. Stalin's successors had maintained political stability by keeping food prices low for urban consumers. This strategy, though successful for a time, acted as a long term disincentive to increase food production, and retail prices below market clearing level created demand imbalances and wasteful consumption. Moreover, the regime's rural egalitarian strategy undermined the ability to provide high quality produce with variety to a growing urban population. Thus, Gorbachev realised that the continuation of the Post-Stalin agrarian strategy held the danger of long term political instability as consumer demands became increasingly frustrated. Gorbachev's problems consisted of two tasks, to promote the emergence of strong farms and to overcome excessive egalitarianism, which he hoped would lead to an improvement in food supply.

One primary instrument by which Gorbachev attempted to redefine rural - rural relations was through the introduction of leasing relations. Economically, leasing represents a form of policy intervention by the regime to increase food production, lower production costs and link remuneration to output by encouraging income-differentiation among food producers. Politically, leasing represents an effort to create conditions for the development of a rural elite, though one bounded by certain constraints.¹

By mid-1987 the failure of the collective contract system led Gorbachev to introduce a more radical reform initiative. Arguing that the most important task is to make people full fledged masters of the land again, Gorbachev introduced leasing as an alternative in Soviet agriculture for the first time since the late 1920s.² The basic decision to adopt leasing as the primary reform of labour organisation was taken at a CPSU Central Committee Conference (Soveshchanie) in May 1988. Then at the end of August 1988, Gosagroprom published its recommendation on leasing agreements for terms up to 50 years and in October - November leasing was formally discussed within the Central Committee.

According to the leasing law adopted on 23 Nov. 1989, leasing allows an individual or small group to lease land from the state or collective farm in exchange for rent.³ The term of the lease may run upto 50 years and leases may be inherited. Leases are organised voluntarily and lessees may

be related. The lessees do not receive a guaranteed wage, but receive income from the profits they earn after paying rent and meeting production costs. Thus, the Law of the USSR "On Leasing Relations," legalises the possibility of transforming state property (as well as statized collective farm property) into cooperative group or individual property on the basis of a buy out.

Another instrument of change was the 1989 Reform of Consumers' Cooperatives.⁴ The 27th Party Congress, attempted to place man with all his aspirations and needs at the centre of its economic and social policy, put forth the task of making broad use of cooperatives in the production and processing of output and in the sphere of services and trade. The development of the countryside and of the entire sphere of agroindustrial complex were recognised as urgent problems requiring immediate attention. It recognised that under conditions of developed Perestroyka, a fundamentally new situation had arisen for the development of consumers' cooperatives. The number of consumer societies had increased by 2.5 thousand units in the past two years. Over 8 thousand production cooperative were formed, either as collective of consumers' societies or functioning under the auspices of cooperative organisations and enterprises. A campaign to hear reports and elect new officials had taken place in an environment of democracy and openness (glasnost). Around 2.5m shareholders had been elected to organs of communal self-management. But, along with this,

the input of consumers' cooperatives into the resolution of socio-economic tasks of the countryside and of the food problem was not upto its potential. Hence, the Law "On Cooperatives in the USSR" was passed in 1989. Cooperative group property originated as a result of the creation of small artels for the production of agricultural output outside collective and state farms on the basis of this Law. Such artels were originally formed within the framework of collective or state farms. They leased land and certain costly means of production from them and bought technical means and commercial livestock using their own funds and USSR Agroprom-bank loans. Afterwards, such artels were created on land obtained by them in accordance with the new land legislation from local organs of Soviet power.

In order to overcome excess egalitarianism, in late 1988, Gorbachev signalled his new approach to social justice, one which tied remuneration to work performance. In exchange for increased production he was offering the opportunity for significant material gain. Wage differentiation had also found support among progressive Soviet economists who argued that Breznev's **Uravnilovka** was a violation of fair remuneration and had started acting as one of the chief braking mechanisms in the U.S.S.R. Gorbachev wanted to reverse Brezhnev's historical legacy by promoting rural wage differentiation among food producers. But as evidence and experience suggests a policy of wage differentiation is not as successful in agriculture as it is

in industry. Initially, a pronounced pattern of wage differentiation was evident in agriculture. Workers in agriculture saw their average incomes rise 8% between 1985 and 1987, while rural white-collar employees' incomes had increased by 16%. However, since 1987, this trend has not been sustained. Between 1987 and 1988 workers in agriculture saw their incomes rise 6.5%, while employees' incomes increased by less than 1%.

Gorbachev also wanted to create a system of efficient profitable farms. At the March 1989 plenum, Gorbachev hinted at farm and regional differentials but did not develop the point, recommending only that production in regions with most favourable conditions should be stimulated the most. Since that time selective incentives were adopted which were designed to stimulate the adoption of reforms promoting differentiation among food producers. For example, the first evidence of rural-rural differentiation policy came at the First Congress of People's Deputies when a resolution was proposed to permit the U.S.S.R. Council of Ministers to pay farms with hard currency for the purpose of stimulating additional deliveries of high quality products. This experiment was officially adopted by the Council of Ministers in August 1989 when it adopted a resolution to pay an average of 60 roubles in convertible currency per ton of hard wheat for deliveries exceeding the average levels procured during the 11th five year plan. The experiment, which ran for a two-year period and ended in 1990, was

admittedly a failure mainly because farms did not want to sell grain for hard currency for fear they would lose their price subsidies and also because the price being paid to Soviet farmers was still very low in comparison with the average world price.

Since 1989, the government has adopted additional resolutions designed to benefit high production farms through increases in procurement prices and other measures. One resolution cancelled the debts of farms which adopted leasing contracts.⁹ The long-term debt of kolkhozy, which exceeded 47.5 billion roubles by 1988, was further reduced when the USSR Council of Ministers cancelled debts of collective farms, state farms and agro industrial enterprises to the sum of 40.3 billion roubles in July 1990. Moreover, as an enticement to adopt new forms of farming and farm management, those farms which voluntarily switched would also have their debts cancelled. Thus, the total debt cancellations was estimated at around 70 billion roubles.¹⁰

Procurement prices were also increased. On May 1990 the procurement prices for many different grain crops were increased substantially. In August 1990 the USSR Council of Ministers adopted new state purchase prices for animal husbandry products, to become effective on 1 January 1991.¹¹ However, as produce was held back in expectation of higher prices and state procurement figures went underfulfilled, the date was moved forward and higher procurement prices

went into effect on 1 October 1990. Having adopted these financially costly measures, the government put itself in a position where it virtually had to raise retail food prices. Soviet estimates indicated that subsidies to food production, which already exceeded 100 billion roubles annually, would increase by 30% if increased procurement prices were not matched with higher retail prices. The basic inclination to soften the impact of marketisation through government compensation contradicts the effort to increase economic efficiency and promote productivity based on social differentiation.

Apart from the policy problem, Gorbachev faced two major political problems: first, the subsequent political instability in the system as both food shortages and higher prices hit consumers simultaneously; and second, it was extraordinarily difficult to cultivate social bases of support for such agricultural reform because, in the short term, most group of actors would be losers.

In spite of the problems, the process of agricultural reform initiated by Gorbachev advanced further. On 24 May 1990, Prime Minister NI Ryzhkov presented to the deputies at the Third Session of the USSR Supreme Soviet the Government's new economic model, based on a gradual transition to a "regulated market economy." ¹³ During the summer of 1990, economists, parliamentarians, and various committees and working groups were hard at work devising alternative versions of the "model for transition" and

seeking consensus on the concept of a "regulated market economy", including the optimal amount of permissible intervention by the Central bureaucracies into the workings of the national economy. On 2 August, President Gorbachev appointed a new Ad Hoc working group under the economist S.S.Shatalin to prepare a separate plan that would make it possible to arrive at joint understanding between the President of the USSR and the Chairman of RSFSR Supreme Soviet, B.N. Yeltsin. The Draft Plan was to consider the transition to a market economy as the basis of the Union Treaty that was at that time being debated by the Supreme Soviet.

There were marked differences in approach to the transition to a market economy between the "500-Day Plan" and the Ryzhkov ("Government") Plan, the latter envisaging a more gradual transition, a more traditional approach toward the role of Central Planning, and rejecting the concept of 'private' (as opposed to "individual") property.

On 24 September, Gorbachev tried to seek a compromise between the various plans, a consolidated version or synthesis, with elements of both the "500 Day" and the "Ryzhkov" plans incorporated into it. Gorbachev's consolidated plan was submitted to the Supreme Soviet of the USSR "On the Main directions for the stabilization of the National economy and the Transition to a Market Economy."

By this time, several republics of the USSR had started

demanding autonomous status claiming their right to influence economic changes according to their needs and not being guided by the Union laws. In any event, land became part of the "battle of laws" between the republics and the all-Union authorities, with the republics claiming absolute sovereignty over their land and issuing laws which directly contradicted the all-Union Fundamentals. For example, the RSFSR, Armenia, Moldova, Latvia, Lithuania and Estonia recognised the private ownership of land with the right of sale and purchase of plots. Even as Gorbachev's consolidated plan was being discussed, the RSFSR Parliament hastened to approve the "500 - Day Plan" before Mr. Gorbachev had a chance to submit his own revised Plan for approval by the USSR Supreme Soviet.

The Fundamentals of Legislation of the USSR and the Union Republics on land ¹⁴ talked of 'the property of the people inhabiting a given territory', which was a change from the previous formulation which talked of a single State land fund. It stated that land was granted to citizens and organisations for tenure (Vladieniye) and use (Pol'zovaniye), but stopped short of recognising private ownership. A new type of landholding recognised by the Fundamentals was hereditary life tenure to plots of land, but it did not permit the sale of such plots. Article 25 of the Fundamentals allowed the granting of plots of land for peasant farming based primarily on personal labour and labour of the family members. These plots could be held either on hereditary

life tenure or on lease. As in the case of the previous Fundamentals on Land, issued in 1969, the idea was that this legislation should provide the basis for further enactments by both the all-Union government and the republics, including a revision of the latter's land codes. It should be remembered that the plots of land allocated by the new legislation for peasant farming was a mid-way development and stood in contrast with the traditional so-called 'personal subsidiary agriculture', commonly referred to in the West by the term 'private plots', as well as the private land ownership which would be the next step. Under this kind of peasant farming, the individual state or collective farmer, or a cooperative formed by a group of them had the right of individual exploitation of land and equipment and the possibility of bequeathing such rights to heirs or passing them on to a family member on retirement. Land use rights were to be allocated by the collective and state farm or other source with the agreement of the local authorities concerned. In case of lease deals, the state of the plots, the length and conditions of leases were to be regulated by agreement subject to the approval of local authorities. These arrangements were predominantly directed towards family operation rather than the hiring of labour and there was no provision for outright ownership or sale of land. With this exception, this law, for the first time since the 1920s, set out a legal framework for private ownership, guarantee of rights, protection against interference by the

state and procedures for settling disputes.

The '500-day' Programme became the guiding document for future legislations in the RSFSR which decided, even before the disintegration of the Soviet Union, to have its own land code rather than follow the all-Union laws that were progressing very slowly. This Plan was highly optimistic in terms of the possible timetable of the reforms and the pace of privatisation. The following extracts from the document will help us gain some insight into the process of transition to market in the agricultural sector¹⁵, as suggested by the Plan and accepted later on.

The aim of the Shatalin Plan was to develop the legal, organisational, and economic foundations of the land reform. Republic land codes and direct-effect legislative acts regulating the procedure for levying the land tax and lease payments for land, the taking away and assignment of lands, the introduction of a land cadaster and monitoring of lands, and conditions for the purchase and sale of plots of land were to be adopted to this effect. Local Soviets should confirm the appropriate, methodological and normative documents. Simultaneously, outdated legislative acts, instructions, and statutes that contradict the Fundamental Principles of the Legislation of the USSR and the Union Republics on Land be repealed.

Republic Committee on Land Reform with a developed structure of local divisions should be created and they

should be charged with land management, consultative, oversight, and arbitration functions for the implementation of the legislation on land reform adopted in the Republic. It suggested amendments into civil and criminal law in order to neutralize sabotaging at the local level.

The plan laid out that reregistration should be carried out by local soviets taking into account the actual use of the land and grant plots of land for tenure and use to spiritual enterprises and for life-long inheritable tenure and ownership to citizens.

Farmers were to be granted the right to land allotment a personal subsidiary farm to be transferred for a modest fee. A conditional privatisation of land and fixed assets was suggested for kolkhozes and sovkhoses - the certification of shares, stocks etc. taking local condition into account. Farmers who desire to operate an agricultural production unit jointly within the framework of a large consolidated formation could create a cooperative, artel, or enterprise with limited liability. A comparable procedure was extended to sovkhoses and interfarming-unit agricultural enterprises.

The mechanism for the allotment of plots of land may provide for the submission by citizens to village Soviet of People's Deputies of applications, with an indication of their intended use, size, and, preferably, location. If this plot of land was not under the land use of Kolkhozes,

sovkhozes, and other agricultural enterprises or in cases when they agree to its being allotted, decisions concerning this were to be adopted after a review by the appropriate deputies' commission of the district Soviet of People's Deputies.

In cases where agreement was not reached between the agricultural production unit and the workers withdrawing from it concerning a specific land allotment for the organisation of an individual farm, a conciliation commission was to be appointed, made up of representative of the deputies' commission of the Soviet of People's Deputies, the village Soviet, that agricultural production unit, and the committee on land reform. The recommendation of the conciliation commission was to serve as the basis for the adoption of a final decision by the district Soviet of People's Deputies, which, however, may be appealed in court if, in the opinion of one of the parties, violation of the law had taken place.

Other citizens, who were not workers of the enterprise in question, were to be allotted plots of land for engaging in individual agricultural production from reserve lands created from lands taken away from unprofitable and low-profit agricultural production units incapable of ensuring their effective use.

It further suggested the establishment of land banks in the republics in order to overcome the financial

difficulties in the way of reforms. The charter capital of land Banks was to be formed from the budgetary assets (the banks could be founded on the basis of the Agro-industrial bank [Agroprom Bank]). The functions of the land banks include the issuance of long term and short term credits, the acquisition of ownership of land, mortgage credit, the offering and purchase of stocks, share, payments in cooperatives etc.

The plan recognised the requirement of payment for land as the most effective lever of the land reform. During the course of the inventorization of the land stock, the preliminary worth of the land should be conditionally calculated, and the land tax be introduced, leading to its effective use.

The task of full scale introduction of market relations in the agroindustrial complex without any restriction was recognised as the most urgent one. To this end the formation of a network of commercial wholesale trade enterprises beginning in Oct. '90 and the sale of the output of the AIC branches by means of wholesale trade and on the basis of free price formation was suggested. State intervention in the provision and material resources to agriculture would be aimed at eliminating the monopoly of suppliers (oversight over prices, breaking up organisational monopolies, creating parallel structure). A used agricultural machinery market was to be created in parallel. In order to eliminate the monopoly of the enterprises that

process agricultural output, the construction of small shops directly agricultural production units was to be stimulated as well as the unification of the agricultural production units of a district for the purposes of buying out the fixed assets of food-industry enterprises and the creation of cooperatives, partnerships and joint-stock companies for purchasing, transporting, processing, and selling agricultural output.

The subsidisation factor, which has developed into a complex sociopolitical problem, was thought to be complicating the full scale introduction of market relations in the AIC and it was suggested that subsidies be shifted from the stage of purchasing and processing agricultural output to trades and be almost entirely entrusted to local budgets, with the appropriate revenues for covering them.

Understanding the failures of Gorbachev to create support bases for the success of agrarian reform, the Shatalin Plan incorporated a long list of social measures in order to neutralise the adverse effects of the reform.

In late Nov.1990 the RSFSR Congress of People's Deputies convened an extraordinary session to consider land reforms and agrarian policy in Russia. After a contentious debate which lasted several days, landmark legislation was adopted permitting the ownership of private property, although conservatives were able to dilute the law somewhat by prohibiting the sale of land to all except the state,

and the farmer must own his land for 10 years before he is eligible to sell it. The RSFSR law, "On Land Reform", rescinded the state monopoly on land and granted recognition to the principle of private ownership ('Sobstvennost') under certain conditions. Article 8 of the law permitted the granting of land allotment into private ownership of citizens in order to undertake peasant farming. Providing these allotments were within a designated size limit, they were to be granted gratis, although additional land could be added if paid for. Article 10 stated that such allotments could not be sold or otherwise be alienated, except in the case of transfer by inheritance, for a ten year period. Within this period, allotments could only be disposed off to the state (i.e., the local Soviet). The same article states that further questions concerning land sale and purchase are to be decided either by the RSFSR Soviet Supreme or by popular referendum, presumably within the 10 year period. The law, "On Peasant Farming:", aimed at regulating and encouraging the development of peasant farms into the foreseeable future. Together with the land reform law, the law granted the same status to peasant farming and land ownership as that enjoyed by state and collective farming. Thus, it confirmed the plurality and equality of state, collective - farm-cooperative, private, and collective - share forms of ownership and supported the development of all forms of management: collective farms, state farms, individual farms,

and their cooperative and associations.

The importance of this new legislation was twofold. First, it added another dimension to agrarian reform by making private ownership of land possible by allowing the peasant freedom to leave the collective farm or state farm in order to form independent peasant farms. This legislation raised question regarding unwanted speculation and therefore represented an ideological breakthrough of sorts and for that reason it encountered fierce opposition by conservatives. Secondly, by adopting this legislation the RSFSR went beyond Gorbachev's package for agrarian reform. Whereas Gorbachev's proposals were at the forefront of reforms from 1988 through most of 1990, by the end of 1990 his policies, which continued to emphasize on state ownership and leasing, were considerably more conservative in comparison with the new RSFSR Legislation. For example, the attitude in the USSR Government opposed the radical RSFSR land legislation. In Feb. 1991, the former USSR PM Pavlov said, "if land reform goes according to the plan stipulated by the decisions of the Russian SFSR Parliament, the situation could lead us towards civil war"¹⁶.

The program for restoring Russian countryside and developing the AIC was also adopted. It was decided that starting from 1991 at least 15 percent of the RSFSR national income will be allocated every year for the development of the rural social and production infrastructure. It was decided to write off twenty three billion roubles in short-

and long-term loans to collective and state farms. A uniform tax on land was being introduced, the size and procedure for payment to be established later,. All type of taxes on collective farms, state farms, and individual private farms, except land tax, were abolished - reaffirming the equality of all forms of property. A number of measures for supporting different forms of management were provided. In particular, there would be price-parity on industrial and agricultural products based on price indexing, and financial support for farmers was also planned.

It was assumed that a state programme would be developed for assisting and supporting individual farms, which will create more favourable conditions for the fruitful work of the Russian farmer. Beginning in 1991, a radical restructuring of structural, investment, and tax policy was planned in favour of rural housing, school, hospital and road construction, electrification, and natural gas supply. Starting in 1991, at least 15 per cent of national income was earmarked for this. No less important than the recognition of property rights is the decision adopted by the Congress that prohibits interference in economic activity by state, economic and other organs and organisations.

The process initiated in Dec.'90 was continued and in Dec.1991-Jan 1992, the President and the government signed a series of documents which carried forward the board agrarian

reform. The moratorium on the purchase or sale of land introduced by the Congress of Peoples' Deputies has not been abrogated, but the President's decree has made it possible to solve the problems of the use of land. Investment of funds in the processing or service industries and transfer to other regions, for instance, are sufficient reasons for the sale of land as permitted by the decree (though only in such case).

In the new economic conditions the government started adopting a stricter attitude towards chronically unprofitable farms and started their reorganisation without any delay. A government decision introduced the criteria for bankruptcy. Essentially, it is a petition by economic subjects for the repayment of debts incurred by unprofitable farms, with a subsequent claim on income from their production activity. Unprofitable farms are by no means to cease operation: cooperation with industrial enterprises, sale of land or some of the buildings and machinery may permit formation of fully viable peasant holdings or a cooperative on the basis of such a farm.

The aim for 1992 was an overall revision of attitudes to land on the basis of its redistribution, creation of new organisational forms, and establishment of conditions for the formation of land market. This includes a system of assessment of the value of plots and determination of their normative price, a system of land banks, arrangements for renting land and mortgage credit.

During 1993 different decrees and laws were passed which marked major advancements toward ensuring a transition towards market in the agricultural sector. As state and collective farms were being reorganised and private farming was on the rise, there was a need for introducing amendments and addenda to the 'Russian Federation law on private farms' in order to remove obvious contradictions within the current legislation. The law cannot be ambiguous and the amendments introduced have to strengthen the law. The Russian draft law "On Amendments and Supplements to the Russian law on Peasant Economy" makes it possible to render effective aid to the farmers¹⁷. Local administrations and not local councils shall now be in charge of allotting land and registering private farms. It gave more freedom to farmers and barred intervention by the government and its agencies in their activities, including the formation of cooperatives, joint-stock companies and partnership including foreign partners. The government also ruled on changes in the registration procedure, enabling farmers to obtain the State certificate of ownership, set the boundaries of their own land, open bank accounts, including foreign currency ones and establish business relation with enterprises as independent producers to be included in drafting program for social and economic development of the regions.

A draft law on cooperatives was also introduced. The

Presidium of the Russian Council of Ministers on Thursday (12th August) decided to support consumer cooperative societies through the allocation of credits. The economic activity of consumer cooperatives had been complicated by the economic crisis and to ensure a steady supply of goods to the rural people, R 400 billion of credit on easy terms was required. Out of this sum, R 100 billion was needed for urgent delivery of goods into districts of extreme north and similar localities. Yeltsin approved a decree on support for farmers and cooperatives¹⁸ that would promote farming, the development of interfarm cooperative sector, and the system of farmers' self government with due account taken of the experience gained by the association of Russian Farmers and Agricultural Cooperatives. The government and Central Bank have been instructed to provide the necessary financial and insurance support for the farmers and agricultural cooperatives.

Considering the fact that the equipment level in agriculture and at processing enterprises in Russia had fallen to where it was in the mid 1970s, the government adopted the draft federal program for machine building for Russia's AIC.¹⁹ It covers a five year period and calls for more than 3000 new types of machines and equipments to be put into production, and for the modernisation of virtually all farm equipment. This programme is expected to increase labour productivity by 80 per cent and the volume of production of agricultural output by 20 to 40 percent.

Yeltsin has also issued a decree "On taxation of the sale of land plots and other transactions involving land" and a decree "On the Formation of Federal and Regional Food Stocks". Several incentives to be offered to those who produce output for the federal stocks have been specified : continuation of subsidies and compensation that were in effect in 1992, with indexation taken into account, compensation for fifty percent of the cost of machinery, equipment and spare parts among other things.

The latest development had been the issue of President's decree liberalising grain market. The decree abolished the requirement on farmers to deliver specific quantities of grain and oilseeds to the state to make up the central grain reserve and allowed them to charge market prices for what they do supply. The decree also instructed Russia's regions to set up their own grain reserves, in addition to the Central reserve. Republics and regions of the Russian Federation shall independently meet their own needs for grain and processed grain products. Any decision, by regional authorities banning or restricting the free movement of grain and oilseeds or impeding trade in those commodities shall be considered invalid, except in cases provided for by national legislation. The decree also called for all state-owned grain purchases, processing and storage enterprises to be converted into joint stock companies.

The legal developments for affecting agrarian reforms to ensure a transition to the market have progressed faster after the disintegration of the Soviet Union. For any real change to take place in the Russian countryside, it is very important that unambiguous and sufficient legislations on land exist. In this chapter, I have enumerated the major legal developments and in the next chapter, I will point out their effectiveness in times of progress of the reforms and their deficiencies in terms of the difficulties which still hamper its progress.

Footnotes:

1. For example, the Fundamentals of USSR land legislation allowed for limited private land use, but the new land law adopted on Feb.1990 continued to prohibit buying and selling of land.
2. During NEP leases were supported by Lenin as late as May 1922. In 1926 draft laws on peasant land use and leasing were submitted to the Academy for Science for review. In 1928 a resolution which forbade leases was passed and in 1930 land leases were outlawed.
3. The leasing law was published in Pravda, 1 Dec, 1989, Republished in Current Digest of Soviet Press, Jan 1990.
4. The Cooperative law was published in Statutes and Decisions.
5. Egalitarianism.
6. Stephen K. Wegren in Soviet Studies, Vol.44, No.1, p.11, 2nd para.
7. Ibid.
8. Price levels were established for other products as well.
9. Soviet economists had estimated that a profit rate of at least 40% on cost was necessary for self-financing and leasing to be viable. Because many farms were weighed down with debt, the necessary profit rate was impossible to attain.
10. Soviet Studies, Vol.44, No.1, 1-12.
11. Ibid.
12. One article argues that while Gorbachev and his advisers appear to have won out in the policy and academic debate with the conservatives on the need to temper commitment to social justice in the interest of economic reform and efficiency, the leadership finds opposition from the general public', Problems of Communism, 39, 6 (1990) pp.34-43 at p.40.
13. Statutes and Decision, Vol. 29, No. 1, Winter 92-93.
14. Izvestiya, March 7, 1990.
15. Statutes and Decisions (The Laws of the USSR and its Successor states (Winter 92-93) Vol.29, No.1, Towards A Market Economy, 1990.
16. 12 February 1991, translated in Current Digest of Soviet

Press, XI111, 6(1991), p.4.

17. BBC Monitoring, SWB (Summary of World Broadcasts). Russia TV Channel, Moscow GMT 12 Aug 1993.

18. 27 July 1993, BBC, SWB.

19. 7 July 1993, BBC, SWB.

20. 8 December 1993, BBC, SWB.

21. February 16, 1993, BBC, SWB.

22. BBC SWB 7 Jan 94, ITAR-TASS News Agency (World Service) Moscow, 24 Dec. 1993.

CHAPTER 4

Achievements of the Reforms and the Difficulties Underway

Progressive forms of economic organisation have been introduced by law at different stages of the reform. But have these measures yielded any satisfactory result? I go on to discuss the impact of these legislations on the countryside and progress of the reforms. I begin my discussion with the Gorbachev's experiment with leasing.

With positive financial incentives, seemingly every farmer would want a lease contract. However, that was not the case. Negative attitudes towards 'progressive forms' of economic organisation have been increasing over time. Western analysts assumed that peasants wanted leasing and the local farm managers and officials have been frustrating peasant efforts to obtain land. Undoubtedly this type of obstructionist behaviour had occurred. There are in fact several good reasons why managers, specialists and party officials would want to discourage leasing. Over the years their jobs were secure as the agricultural bureaucracy expanded. Naturally, they feared that if leasing takes hold they will become superfluous and, inevitable, unemployed. A second reason had to do with the ability to adapt to new circumstances.

Moreover, the attitude of the rural dwellers was also not encouraging for they perceived the avoidance of risk taking to be the safest policy. Peasants had grown

accustomed to not working hard, and it was precisely the spectra of strenuous work and potential hardships that prevented many peasant from adopting leases. G.Bystrov said that 'human memory is vivid, and no one wants to take on a lease today fearing that tomorrow he'll suddenly be told he's a kulak'¹.

The freedom to choose what to grow was restricted, as the lessee was required to grow products which 'correspond' to the farm's infrastructure, and the director must approve these decisions. Further, the lessee was obligated by contract to sell his output to the farm, and prices for this output were set by the farm. These contract prices were not allowed to exceed state procurement prices. The lessee was not allowed to sell his output through channels other than the farm. The lessee was also dependent on the farm for feed, fodder, seed, as well as technical support and mechanised assistance. Because many aspects of production remain controlled even under leasing conditions, in essence the burden of risk had shifted from the farm to the lessee. However, it was precisely because the underlying economic incentive structure had not changed that peasants were not more favourably inclined towards leasing.

According to Goskomstat survey data some 54% of farmers with leases were not satisfied with the conditions of internal leasing. The most commonly cited reasons were 'the absence of any kind of independence', 'low prices for products produced through leasing, combined with high prices

for land [rent], livestock and technology'². Therefore, the real problem was that leasing had the danger of being accomplished only on paper. In this situation the farmer took out a lease, while conditions remain largely as they were.

Thus, the implementation of leasing was frustrated by a combination of the legacy of previous rural social policies, middle-level bureaucratic intrasigence, counterproductive political campaign techniques and inherent design flaws in the reform. Perhaps more importantly, the reform movement could not gather enough momentum to overcome several decades of an egalitarian political culture, a peasant culture which continued to view differentiation with suspicious.

Gorbachev's attempt to overcome excessive egalitarianism did prove to be successful to a certain extent. Available data indicate that leasing has in fact led to income differentials among food producers. Income differentials between lease and non-lease farmers varied from region to region depending on the product, the cost of production and the local natural conditions. Nonetheless, Goskomstat data indicated that agro-industrial workers who converted to leasing averaged 264 roubles a month, while non-lease workers averaged 237 roubles in 1989.

After the disintegration of the Soviet Union, the official land reform program of the RSFSR government consisted of legislations to ensure a rapid development of

peasant farming and other types of personal farming activities. The program envisaged setting aside between 5.5 and 6.5 m hectares of land for peasant farms over the period of 1991-95 (i.e., between 2.5 and 3 percent of total agricultural land)³. In addition the program aimed at providing upto 3 m hectares for gardening and vegetable growing⁴. During the first stage of the program, that extended upto April 15, 1991, reports refer to the establishment of a land fund of 5-9 m hectare for future redistribution, to the creation of over 17,000 peasant farms on an area of 840,000 hectares, and to grants of roughly 1 m hectares for collective gardening, vegetable growing and the construction of individual houses⁵. Clearly these statistics appear difficult to reconcile with the modest Goskomstat data referred to in Table 5. Statistical uncertainty may reflect problems in definition and also differences between policy and actual implementation.

Table 5

PEASANT FARMS IN THE RSFSR

	April 1 1990	July 1 1990	January 1 1991	March 1 1991
Number of registered peasant farms	231	890	4433	8931
Total land area under peasant farms (thousand hectares)	11.6	30.5	203.5	395.2

Source: Goskomstat RSFSR in *Ekonomika Izhizn*, No.17, April 1991, p.8.

Reprinted in News Notes Soviet Geography, Vol. XXXII No.9, November 1991, pp.639-643. "Land Reforms and Peasant Farm.

Development in the next phase of reforms are discussed below.

New Forms of Agricultural Enterprise in Russia (at the beginning of 1993)

Work collectives make independent decisions on the organisational-legal form of their enterprises. Moreover, they are given three possibilities. First, re-registration as an open or closed type joint stock company; second a production cooperative (including also a collective farm); third collective and state farms may be fully divided into individual and small private enterprises, uniting in a single association or a number of service cooperatives.

By 1 January 1993 almost 77% of the collective and state farms had been reorganised in conformity with the decree of the President. On the Reform of Collective and State Farms. Of them, 35% preserved their former status, while the remainder were transformed into open and closed-type joint stock companies, agricultural cooperatives and farmers associations (Table 6). In the course of the reorganisation 43,590 farms and 748 farmers associations were established. However, only 18% of the peasants who acquired property and land shares as a result of reorganisation of the collective and state farms ventured to
6
set up independent farms.

Table 6

TRANSFORMATION OF STATE AND COLLECTIVE FARMS IN RUSSIA (1 JANUARY 1993)

Reorganised state and collective farms (in all)	19719
Preserved their former status	6990
Reorganised into:	
joint stock companies	328
limited partnerships	8331
cooperatives	1662
farmer's associations	748
state farms transformed into collective farms	251
Other farms	1062

Source : Tyagunenko Anna, Agrarian Reforms in Russia, Communist Economics Transformation, 5(4), P - 464

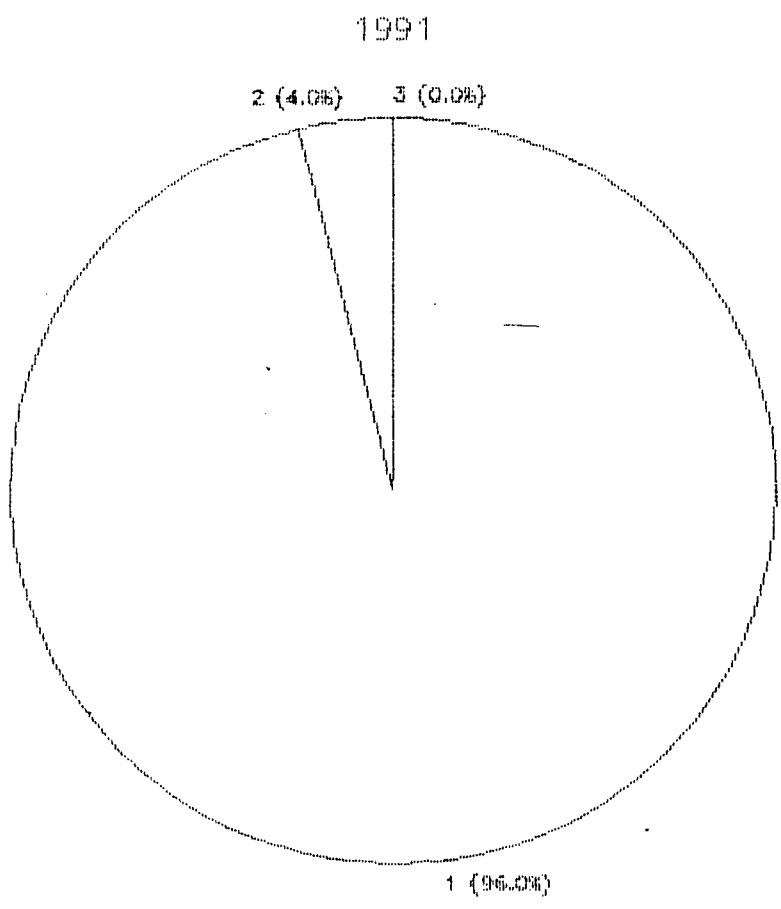
Development of Individual Farm Production

The collective and state farms are still the main land users and commodity producers. However, the agrarian reform did promote appreciable structural changes in agriculture. The role of private producers increased noticeably (see Figure 1).

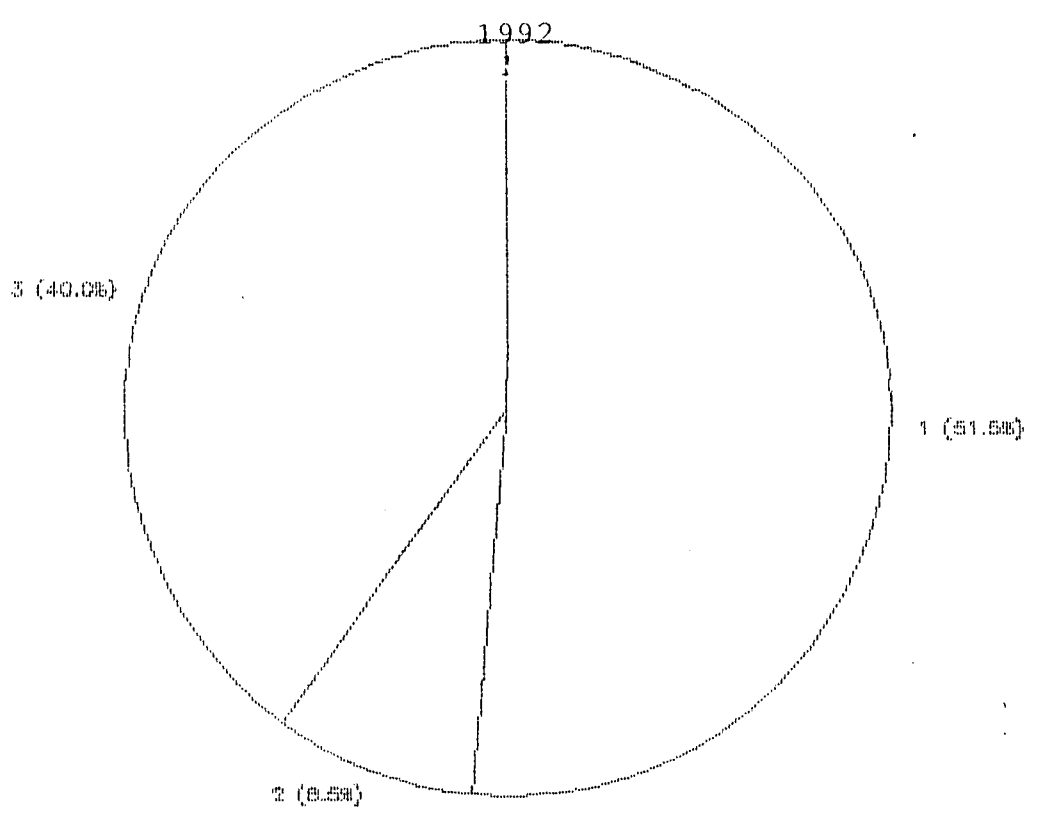
In 1992, 7.8 million families received 588000 hectares for gardens (40% of the private garden area in 1991). In the same year 80% of potatoes and 55% of vegetables were produced in the private sector yields are also better in this sector.

At present, there are 213800 farms in Russia which have been allotted 8 million hectares of land (2.5% of the

Figure 1 : Holding of Agricultural Land



Source : Tyagunenko Anna, Agrarian Reforms in Russia, Communist Economics Transformation, 5(4), P - 464.



country's entire agricultural land). Individual farmers' share in the overall volume of food production, according to the assessment of the Russian Ministry of Agriculture, amounted to 4.5% in 1992.⁸

The beginning of the year 1992 saw the highest rate of establishment of farms (17000 per month), then their growth slowed down (to 6000-9000 per month during the summer). In the autumn the rate picked up again to 10,000-12,000 per month (Figure 2).

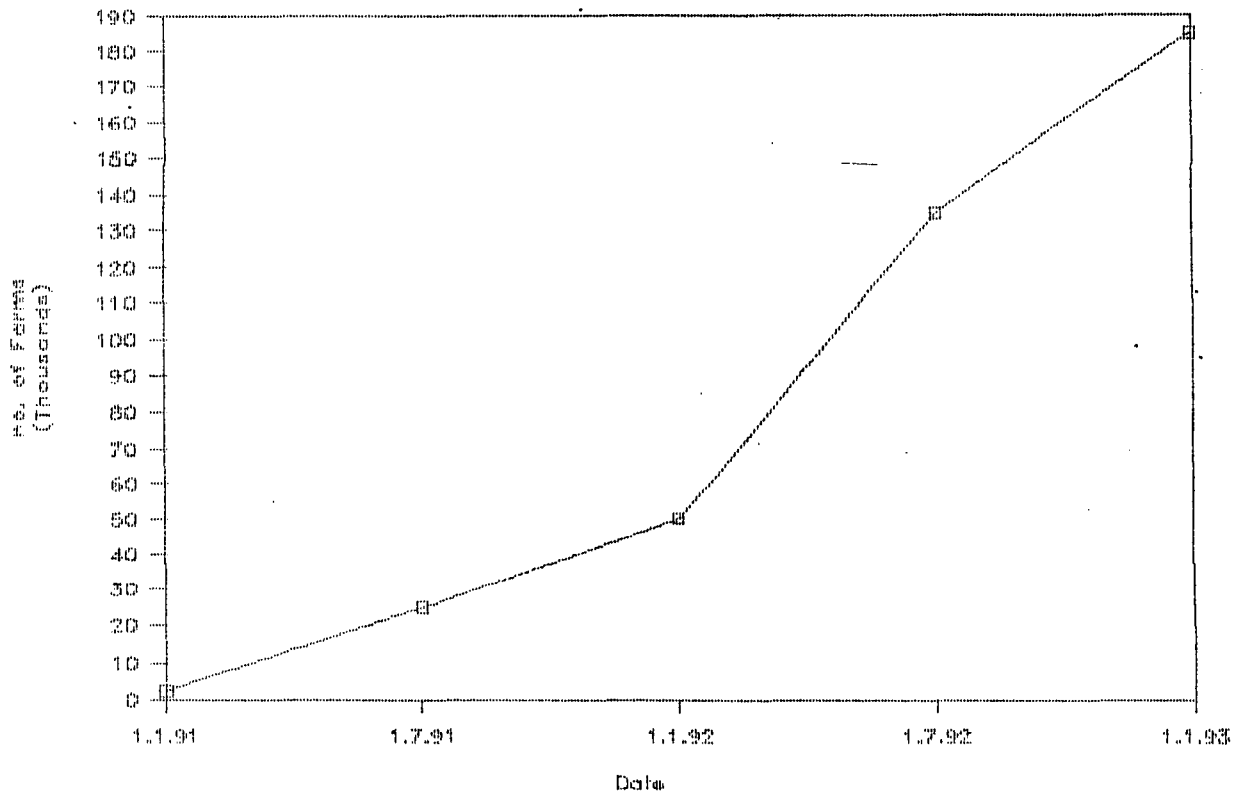
A major drawback of the individual farmers' sector now being formed is the shortage of land. Moreover, this factor is inherent in the land reform itself. The average share of land, according to the established regional norm (3 to 15 hectares depending on the region), is the result of division of the collective and state farms equally among all their workers.

Farmers, as a rule, received small plots, which in principle makes it impossible to organise efficient farm production or to count on the farms producing a high proportion of output for the market in the next few years.

The average size of a farm is 43 hectares. However, about half of the registered farms possess less than 20 hectares, whereas from 50 to 150 hectares are required for normal agricultural production oriented to small-scale commodity output, depending on the profile and soil and climatic conditions.

A study of 20,000 peasant farms showed that at present the most widespread type is a farm established on land

Figure 2: Increase in No. of Farms



Source : Tyagunenکو Anna, Agrarian Reforms in Russia, Communist Economics Transformation, 5(4), P - 464

allotted for life with subsequent hereditary possession and property rights (57% of the farmers' land has been given to them and 26% has become their property. About 17% of the land is rented by the farmers, almost half of this for a prolonged period (over five years).⁹

Most of the allotted land was acquired by farmers in the Samara region (90%), Kursk region (82%). Moscow, Chelyabinsk and Belgorodsky regions (52-60%). At the same time farmers in the Chuvash Republic rent 70% of the land allotted to them in the Republic of Tuva - 47% and in Omsk region - 46%.¹⁰

One negative aspect was the farmer's failure to use the allotted land for producing agricultural products. A part of the land even turned out to be unfit for the purpose.

Of the land allotted to them, farmers used 89% for its original purpose. Approximately 24% of the unused area was unfit for agriculture. 7% comprised waterlogged plots requiring drainage, and some plots were too remote. Lack of machinery was the reason why 19% of the land was not used for agricultural production, and 5% was used for seed production. During the past year 5100 farmers returned their plots. Since the beginning of the land reforms 37,300 hectares have been returned (only 6.2% of all the unused land.)¹¹

There is a discernible tendency among farmers to engage in livestock raising (16% of the arable land is taken up by fodder crops; the proportion of fodder crops in the

structure of grain crops is substantial). However, farmers are plagued by a shortage of stock. Individual farmers lag noticeably behind collective and state farms in the number of cattle per unit of land.

The financing of farms remains a considerable problem. According to AKKOR (Association of Farmers and Agricultural Cooperatives of Russia) data, one farm received on average 230000 rubles of credit at the favourable interest rate of 9-12%, which sufficed only for the spring field work. There is a total lack of funds for the initial equipment of two-thirds of the farmers.

As a result of the reorganisation of the collective and state farms, a part of the capital assets belonging to them became the property of former farm workers who have become farmers. This enhanced their funding, to a certain extent though it remains at an extremely low level.

The farmers bought a good part of their agricultural machinery (50-70%): the rest was rented or received free of charge. Thus, on average 100 farms have between them 55 tractors (48 at the beginning of the year), 23 lorries and 11 combine harvesters (17 and 9 at the beginning of the year respectively).¹²

At present, bearing in mind above all the level of skills and provision of capital, an extensive type of farming is being formed in the farmers' sector. Essentially, what is taking shape at present is a family system of farming, and multi-profile production on the population's subsidiary holdings.

In 1992, practically nothing was done to establish farmers' supply-and-sale cooperatives, or to organise concrete assistance with production for economically strong farms or to build up the service infrastructure.

There is essentially no system of state support for farmers. While certain elements of a temporary nature do exist, so far they do not warrant the claim that such a system is being formed. Actually farmers only received credits on favourable terms and were exempted from taxes for a period of five years. Farmers were required to deliver at least 25% of their crop of potatoes, vegetables and fruit for the formation of state food funds.

The rate of setting up of farms in the course of reorganisation of public sector agricultural enterprise increased by the end of the year. Further growth would be possible if a decision on the private ownership of land were adopted. At the same time, owing to the absence of a national system of valuation and control over the use of land, and objective data on registered assessment, the implementation of such a decision at present might result in a significant growth in the number of fictitious farms set up in order to secure property rights to plots of land free of charge and on favourable credit terms.

Creation of an Economic Mechanism

Up till now an integral and effective system of economic regulation of the managerial activity of commodity producers with various organisational and legal status has been practically non-existent in the agrarian sphere. One element in the creation of such a system was the easing of administrative pressure on producers. Thus, the decree of the President 'On the Formation of a State Food Fund for 1992' introduced minimum delivery quotas for all land owners and land users engaged in agricultural production. Based on the average annual production for the year 1986-90, these were 35% for sugar beet, potatoes, vegetables and fruit, 35%¹³ for grain, and 45% for milk, cattle and poultry.

A system of purchase on a contractual basis with payment at current market prices has been established. Refusal to deliver the quantities of produce contracted involves a penalty equal to the cost of the non-delivered produce at the current market prices in the given district.

However, the uncontrolled increase in prices in the course of the year resulted in effect in a dual disparity in prices in the agrarian sector: first, between the state purchase prices for agricultural products and the prices of means of production used in agriculture, and second, between crop production and livestock raising. For example, prices of industrial output rose by 50 to 100 times, but for agricultural production the rise was only five to 10 times, while in September 1992 average grain prices amounted to 70%

of the world average, whereas for meat they were 10 times
14
lower.

This had a particularly adverse effect on agriculture. Only two types of purchasing prices were employed. Most of the products of which obligatory deliveries to the state are required (grain, cattle, poultry, milk, sugar beet) must be sold at contractual prices, which continually lag behind the cost of production. Other products (fruit, vegetable, potatoes) are sold at agreed prices. This does not permit full use of the price mechanism to lessen the pressure on agricultural commodity producers, both from the monopolized purchasing organisation and the remaining monopolised service enterprises.

No solution acceptable to both the producers and the executive bodies of the state for establishing purchasing prices on obligatory grain deliveries has been found. At the end of summer 1992 purchase prices for grain amounted to 12000 roubles per ton. In October, as a consequence of the adoption of restrictive measures aimed at stabilising free retail prices of basic foodstuffs, average purchasing prices for grain from the 1992 harvest were established at 11,000
15
roubles per ton. Grain purchase prices for deliveries to the state were not based on current market prices or exchange quotations in the various regions, nor was the monopoly of the Grain Production Committee eliminated. Consequently, regulation of the grain market through mortgages, future and other operations could not be

introduced.

The price mechanism does not ensure that producers minimum outlays for production will be covered. The situation is particularly serious in livestock raising, where rising price have sharply increased the cost of production. The whole sector has become unprofitable.

Subsidies, however, only temporarily alleviate the situation. Funds were to be provided from the federal budget to subsidise the preferential interest rate on credit for agricultural producers. However, the systematic delay in payment of federal subsidies to the regions aggravated the financial situation.

Serious difficulties have also arisen in the sphere of long-term credit for producers owing to the general financial instability. The commercial banks actually do not extend credits for more than one year.

Various other obstacles appeared which impede the functioning and development of the agricultural sector as a whole. 1 January 1992 saw the introduction of payment for land on the basis of a land tax. Depending on the zone, it ranges from 10 to 144 rubles per hectare. The normative price of land has been established at 50 times the land tax in rubles per unit of land.¹⁶

The size of the land tax may largely be considered nominal, and does not reflect real use value of the land. At the same time, land rent, along with the formation of a system of market mechanisms in the agrarian sphere, should become one of the main sources of revenue for local budgets.

Part of the tax revenue should be disbursed in the form of subsidies to enterprises operating in unfavourable soil and climatic zones to enhance the quality of the land (for example, land improvement, land management works, timing of soil, etc.). In this way, the levelling of economic conditions of production on different quality land should be achieved. Moreover it should be borne in mind that over 50% of Russia's agricultural land is marshy, waterlogged, excessively acidic or contains saline elements. Some 127 million hectares have either been eroded or are in danger of becoming so. The land area polluted by industrial waste comprises 62 million hectares. Agricultural producers' incomes from these lands are inevitable low, regardless of their own efforts.

The system of tax benefits to producers requires more detailed elaboration. Thus, the Law on the Profit Tax on Enterprises and Organisations exempts enterprises from profit tax on the sale of their agricultural products. However, this exemption applies only to the output of basic unprocessed agricultural products (for example, milk, vegetables). This, to put it mildly, does not stimulate the organisation of the initial processing of crop and livestock products on collective and state farms.

In 1991 about one-third of central investment (65.8 billion roubles) was spent on agriculture. In 1992, 817.4 billion roubles were allocated to the sector. This includes subsidies for livestock raising of 162.6 billion,

compensation for fuel costs (73.4 billion), financing of social infrastructure (120 billion), interest rate subsidies (96.6 billion), aid to new farmers (54.1 billion) etc. Additional budgetary funds are envisaged for the upkeep of the social infrastructure and for investment.

Thus, the absence of a system and mechanism of state support for agricultural commodity producers in conditions of inflation and rising input prices eventually led to notable additional budgetary expenditure. Agricultural production remains a heavy burden for the federal budget.

Table 7

COST OF INPUTS USED BY THE AGRO-INDUSTRIAL COMPLEX (AIC)
(billion roubles)

	1991	1992			Price increase times
		Without VAT	With VAT (28%)	With account for suppliers price increase (25%)	
Vehicles & agricultural machinery	11.4	148.0	189.5	226.5	20
Livestock- raising equipment	2.0	175.0	22.4	26.9	13
Spares	4.2	77.0	98.6	118.0	28
Building materials	2.4	27.5	35.0	42.0	17
Household goods	0.8	11.4	14.6	17.4	22
Metal products	12.0	19.0	24.2	29.0	24
Containers & Packaging	1.9	25.5	32.6	39.0	20
Coal	0.3	1.7	1.5	1.8	13
Other products	2.7	23.8	30.5	36.4	13
Total	27.0	351.0	449.0	527.0	20

Source : Tyagunenko Anna, Agrarian Reforms in Russia,
Communist Economics Transformation, 5(4), P - 464

Material and Technical Equipment and the Basic Indices of Agricultural Development

In 1992 the conditions for reform of the agrarian sphere were complicated to say the least. The 1991 crisis grew deeper. The level of technical equipment of agro-industrial production remained at an extremely low level in comparison with the advanced countries. This is largely due to the monopoly enjoyed by producers of agricultural machinery.

The severest blow to agricultural producers was caused by the liberalisation of prices for material and technical inputs (see Table 7).

The state of the material and technical base of the public sector agricultural enterprises also deteriorated sharply.

Owing to the fodder shortage, coarse and green fodder supplies fell 30% below the required quantity. The drop in the numbers of cattle is continuing and in several regions it includes those of highly productive and calving age.

In the crop sector the situation according to preliminary results for 1992 was slightly more optimistic. The grain harvest amounted to almost 106.8 million tons in processed weight, which is 20% above the 1991 level. Grain yield reached 1720 kg. per hectare, which is 19% more than in 1991 and 85 kg. more than the 1986-90 annual average.¹⁸

However, the grain problem is not solved. A significant part of the wheat harvested is too low in quality to be suitable for food use and will go mainly for fodder. State

purchases of grain remain at a low level, up to 25 million tons. This is only half of Russia's requirements for producing flour and mixed feed. Moreover, many farms continue to hold back grain for barter operations with industrial regions or await more advantageous offer.¹⁹ Obligatory procurement were only 89% met.

In 1992 gross agricultural production declined by 8% in comparison with 1991. The decrease was caused by the drop in production in the public sector. Private producers increased their volume of production in comparison with 1991. In turn, the fall in the total volume of production in 1992 will result in the need for massive purchases of agricultural products abroad, as a rule, in exchange for irreplaceable mineral raw material resources. Against this background insolvency of commodity producers in agriculture will increase radically, with an inevitable further slump in the branches which supply resources for the agro-industrial complex.

The actual popularity of private property in the countryside and peasant farming is difficult to discern. While there are more surveys than ever, their results must be used with caution.

Rather than asking how many people favour private ownership or peasant farms, we should ask what kind of people, that is, who is favouring such developments. When viewed in such a manner, the following conclusions may be

drawn from recent Soviet surveys.

Urban dwellers are more prone to support land reform legislation, adopted by the RSFSR, than the rural citizenry. The corollary to the above is that there is significant rural opposition to private property. Rural residents are also more traditional and more likely to oppose the breakup of kolkhozy.

The survey by the Russian Agricultural Academy of Sciences found that attitudes towards the form of farming and private property vary according to age, with older respondents more in favour of social ownership of land, and this was true in both urban and rural localities. Moreover, the countryside in Russia, is quite old in terms of population age structure.

Owing to a number of factors- the historical legacy, the prevalent peasant political culture and the nature of the reforms themselves- it is difficult for different socio-economic groups to recognise how their interests will be advanced in the short-term by agrarian reform. The common perception is that in tabulating the 'winners and losers' in agricultural reform winners are badly outnumbered. The primary winner is 'the state', which stands to benefit from higher production, lower costs and the elimination of a number of subsidies. On the losing side, urban consumers and the pensioners stand to lose from higher prices, which are only partly compensated; central ministerial leaders wi

lose control over republics; rural party officials stand to lose control over farms (as well as face possible unemployment); and farm chairmen will see their influence diminish as farmers become more independent. At the same time successful reform would confront the average farm with the following: (1) the elimination of many subsidies as well as being charged land rent and for water consumption; (2) the loss of above-quota premiums, a reduction in the number of differentiated price zones and more uniform pricing for a number of products; (3) the loss of allocated inputs, replaced with competition for needed inputs to farm production; (4) a farm could be faced with foreign and domestic competition for market share.

Moreover, a successful reform would have several other consequences. First, over the longer term it would mean that if food production increased as expected, market prices could decline for the farmer. Secondly, the farmer himself faces being driven out of business if the system which protected him from foreign competition is abolished. Fourthly, the farmer would no longer have the security of knowing the state would underwrite any harvest failure. Fifthly, even if rural incomes increased, the available supply of consumer goods in rural areas would likely lag behind that in urban areas. Fifthly, weak agricultural areas and farms - most often found in the Russian non-black earth regions - simply could not compete in a true market environment. Areas like Kostroma oblast', where

agricultural output is relatively high-cost in comparison to more productive and efficient black earth regions of the south, would suffer social dislocations as the local economy attempted to make a transition away from agriculture and more towards tourism or outdoor sport. Lastly, even strong farms would find their production and profit potential constrained by the continued regulation of many food prices.²⁰

The progress in formation of peasant farms and in the dismantling of Kolkhoz and Sovkhoz - types of large state farms, has been less rounded and less pervasive. But considering the fact that the task of reorganisation of land ownership pattern is by no means an easy one, it would be a mistake to underestimate the importance of achievements so far. The envisaged changes pertain to a large land area and for this reason it is not difficult to predict that land related problems will continue to shape the socio-economic life of the region for many years to come.

Only a year or two ago there was great interest in private farming, but recently that interest is abated. Market prospects are poor, government subsidies are minimal and the banking system is not strong enough to support long term investments. Among many peasants a wait-and-see attitude prevails. There is more willingness to take out land on a contract basis, as opposed to owning it because ownership is often linked to cultivation obligations. Moreover the marketability of land is generally limited.

foreigner cannot buy it at all, and even domestic investors are constrained if they intend to create large estates or wish to discontinue cultivation. The cautious approach of lawmakers is explained by their concern about speculation, which might be very frequent under present circumstances, but at the same time, the politicians have to bear responsibility for the unwarranted negative consequences of the newly imposed restrictions. Land being the basic factor for the entire production process, the limitations imposed on the farming sector can backfire through their indirect impact on industry or the services sector.

Thus the land reform process that started with the leasing campaign under Gorbachev and continues under President Yeltsin has been facing certain formidable problems. The pace of reform has not been satisfactory but, what has been achieved is quite praiseworthy. For the first time in the history of Russia, the peasantry is developing a commercial sense in setting up market institutions in farming. A beginning has been made in creating an attitude to toil for profits. This raises a hope for achieving improved agricultural performance in the near future.

Footnotes :

1. Izvestiya, 14th Feb, 1989.
2. Wegren Stephen, Dilemmas of Agrarian Reform in the Soviet Union, Soviet Studies, Vol 44, No.1, 1992 p-16.
3. News Notes, Soviet Geography, Vol XXXII; NO.9, November 1991.
4. News Notes,
5. News Notes,
6. Anna Tygunenko, 'Agrarian Reforms in Russia', Communist Economies and Economic Transformation, Vol-5, No.4, 1993, p-464.
7. Anna Tygunenko, op. cit., p-464.
8. ibid.
9. ibid.
10. ibid.
11. Economic survey of Europe, 1992-93, ECE, Geneva, a U Publication.
12. Anna Tygunenko, op.cib., p-465.
13. ibid.
14. Pavlov the forthcoming price reforms in his speech to the fifth session of the USSR Supreme Soviet. See Izvestiya, Feb. 1991.
15. SWB by BBC, Weekly Economic Report, Part I, Former USSR Dec. 14.
16. Anna Tygunenko, Op.cit., p-467.
17. ibid.
18. Anna Tygunenko, Op.cit., p-470.
19. This discussion is based on the different news items which appeared in the current Digest of Post Soviet Press in 1993
20. For a detailed discussion see Wegren Stephen Op.cit., P-21.

CONCLUSION

We have examined the process of creation of private property in land and the destatisation of agricultural processes in order to obtain a new set of production conditions in agriculture in Russia. By now, it is clear that the nature of land relations determines in large measure the country's agrarian system and the state of its food supply. Land relations are in turn determined by land ownership.

The concept of land ownership as visualised during the current land reforms are diametrically opposed to the one that was conceived after the October Revolution and during the Collectivisation drive - in the present phase, private ownership is being favoured, while earlier, collective ownership was thought to be the basis of socialised production.

Those favouring the abolition of collective farms are fond of citing parallels with the Stolypin reforms of the early 20th century. Just as the Stolypin reforms created a set of institutions to give peasants an incentive to leave the mir (village commune) and create a private farm, today's reforms have created a new set of political and legal institutions that put an emphasis on land tenure outside the collective or state farm for the first time since 1928. Similar to the Stolypin reforms, the current reform measures assume that by giving peasants the opportunity to buy land and to use it as they wish to 'enrich themselves', the stat

can motivate ambitious peasants to establish private farms and increase overall agricultural production. The question here is -will the current reforms have the same positive impact on rural production, not to mention create a similar social transformation?

But if we are to draw historical parallels, the analog of the collective farm is not the commune, which was characterised by subsistence production, but landed estates, which were large farms and suppliers of commodity output. The estates were destroyed not by the Stolypin reform but by the October Revolution, causing colossal damage to agriculture which was not corrected even during the years of NEP: While the average annual commodity output of grain crops in 1909-13 was 1,018 million poods [One pood = 16.38kg], in 1923-27, the country received two times less commodity grain, i.e. 514 million poods. The total eradication of collective farms is fraught with even greater losses if only because their share in the production of commodity output is higher than that of estate farms: if the latter, together with the Tsar's family and monasteries, disposed of over 41.4 percent of agricultural land and provided 22 percent of the commodity grain, collective farms, possessing 30 percent of agricultural land, provides about 40 per cent of total commodity output. (about 50 per cent in crop production and about one - third in animal husbandry).

Another important point must be kept in mind - at the time the estate farms were destroyed, there were about 20 million peasant farms in existence that supplied 78% of the commodity grain (50 percent was supplied by prosperous peasant farms or Kulaks); at the present time, there are no such farms and it takes time to create them.

As we know, the Stolypin reform, considering that there would not be enough land for everyone when communal land was divided, provided for the mass resettlement of peasants to free lands on the other side of the Volga. Today's advocates of the division of the land however, carefully avoid this question, even though it is applicable to many regions.

After noting these differences between the Stolypin Reforms and the current land reforms, we can view these reforms in a better light. The legislations passed in this regard over the past seven years have not worked properly mainly because there is no mechanism for their realization. At the same time, the various contradictions in these laws hamper the creation of the necessary working mechanism. The factor that makes it absolutely essential to develop a correct theoretical understanding of the problem.

It was a general belief among the scholars, including the developers of the '500-day' programme that the agrarian sector was more prepared for the market than other spheres of the economy on the apparent assumption that the market mechanism can be introduced here more quickly, in full

volume, and in all spheres. This conclusion was based on the incorrect analogies drawn from Western economies. I call them incorrect analogies because the conditions in Western agriculture and Soviet agriculture are so vastly different that it is incorrect to draw conclusions for one from the conditions prevailing in the other. The fact that even some three years after the beginning of the reform process, agriculture remains in a state of crisis, is a pointer towards how difficult it is to introduce a wholly new market oriented system in agriculture.

When we talk of entry of land into market we are talking about rent relations because it is the payment for land that expresses real economic relations between the land owners and land users with respect to its possession, use and disposition. A natural need arises for the identification of different forms of rent. Before I make concluding remarks on the land reform process in Russia, I would like to go into a theoretical discussion of the rent relations.

The slogan "Land should belong to those who work on it" was advanced in the process of historical development, but was not put into practice in course of agrarian reforms after the October Revolution due to the uncritical perception of Marxist theory of land rent. The interpretation of rent and its extrapolation to a planned economy by modern researchers are limited to the Sixth section of vol.3 of K. Marx's 'Capital': "The Conversion of

Surplus Profit into Land Rent." In general, the logic of three volumes of "Capital" suggests the existence of two aspects of rent that are connected with one another by the unity of the essence of a market economy: at the microlevel (sixth section of vol 3 of Capital) and at the macrolevel (Chapter 21, vol.2 of Capital; chapter 49, vol.8 of Capital).

An economic system that is based on state ownership and planned economic development does not essentially need a price of land and hence separation of rent, in particular at the macrolevel. The transition to a market economy means the restoration of the true essence of rent in the organic unity of its two aspects: at the microlevel and at the macrolevel. Rent relations at the microlevel are restored through the introduction of buying, selling, leasing and mortgaging land, which means that this process should simultaneously be accompanied by destatisation and privatization in the sphere of land utilisation.

Karl Marx's theory of absolute rent has been a point of severe criticism. Lenin had adopted this abstract theory as a guide to the Social - Democratic agrarian program and to the party agrarian policy on the nationalisation of land in the course of October Revolution. This theory of Karl Marx connected absolute rent with private property and with the organic structure of capital in agriculture being lower than in industry.

According to Marxist theory, the organic structure of capital is lower in agriculture than in industry because of agriculture's technical backwardness. Since a larger quantity of labour power is applied because of the technical lag, a larger mass of surplus value is thereby created for an equal amount of capital. The influx of capital from other branches that could ultimately lead to the equalization of the profit norm in agriculture with the national economic level is impossible because of the existence of private ownership of land. Hence the entire excess surplus value that is created owing to the low organic structure of capital is retained in the branch and goes into the landowner's pocket.

But if we apply this theory to present relations, it does not fit at all. Here, as they say, everything is the other way round. The organic structure of capital in the agriculture of capitalist countries is substantially higher than in the leading branches of industry. Consequently, the level of the technical equipment of labor is also higher here. Land ownership, contrary to Marx's theory, is by no means a barrier to the penetration of agriculture by capital. Private land ownership is no hindrance to agrobusiness. A businessman does not by any means have to become a landowner to penetrate agriculture. He does so successfully without altering the form of ownership; he subordinates farmers and landowners to himself through the system of economic relations. What is more, in the agrarian

sphere as a whole, there is no excess over average profit that Marx called absolute rent. To the contrary, the state usually subsidizes farmers from the state budget in order to ensure that they will realize average profit on their capital. Subsidies in individual countries comprise an appreciable, often predominant, part of farmers' total incomes, of the value of the branch's gross output (in 1986, they comprised 36 per cent of the value of gross agricultural output in the USA; in Canada 56; Japan, 7, South Korea, 59 percent etc.)

Russia is freeing itself of many theoretical chains that have fettered the implementation of radical changes in economic relations corresponding to objective economic laws and plain common sense.

In spite of the success achieved during these years, there have been difficulties as well. Contrary to the hopes of many ordinary citizens and scientists, the dimensions of the crisis are growing with the expansion of the market and property. There is no end to the crisis in sight. That the worst is to come is evidenced in particular by the grain procurement crisis, which has brought the country to the brink of starvation and financial catastrophe.

The colossal failure of the Russian economic reform points toward the exceptional complexity and perhaps the general unresolvability of the task of reforming a command economy. We are dealing with what V. Busygin called the

institutional trap. And as a result, we are confronted with what is possibly an unresolvable task: the task of "building capitalism" virtually from scratch in an extremely short time. In any event, world practice has never had to deal with the privatisation of an enormous state sector, embracing practically the entire economy. The attempt to solve this problem with a 'cavalry charge', e.g., through the free transfer of property rights to citizens, is fraught with the creation of even less effective economic system than their predecessors.

We should point to one misunderstanding here: The opinion that the mere replacement of state ownership by private ownership will automatically and immediately lead to its increased level of effectiveness is totally unfounded and does not correspond to the reality; the technical level of the private enterprises that are being created today in place of state enterprises is often much lower. Only such changes in the forms of property should be made that lead to a more efficient production, if not immediately then quite soon. The private enterprises that are presently being created are speculative enterprises that parasitize on the difference in prices in the planned and private economy, in world and domestic prices. This activity is economically destructive and does not create viable private sector.

In addition to the objective difficulties of reforming a command economy, the enormous reform strategy is the most

important source of the economic crisis. While during the first years of Perestroika the Soviet economy suffered from the error of the mechanical merging of two economic mechanisms (the command economy and the market economy), which stripped both of them of their strong sides, in the post communist era it suffered from the error of attempting to force a transition to a market economy. The transition to a fundamentally new type of economic mechanism cannot in general be made effective in a short period of time. It takes a long time for new economic forms and ownership forms to mature and grow strong. At the same time, it is dangerous to destroy old methods of management before the new ones are mature because this is fraught with a prolonged economic crisis.

The ideas and the algorithm of an evolutionary (as distinct from a revolutionary) transition to a market economy were developed by the distinguished Hungarian economist, Kornai, by American economists P. Murrell and R. McKinnon, Hungarian economist Z. Kelen and a number of Russian economists (Golev, Komlev, Fedorov, and certain others). Not everything here has been elaborated, and there are important differences in details, but it nevertheless seems that these authors are proposing the correct direction in the reform of economic mechanism. They envisage, first, a long period of coexistence of the state and private sectors each of which lives according to its own special internal laws. This will exclude the state sector's parasitizing on

the private sector, as was the case during NEP, and the exploitation of the state sector by the private sector, as has been the case in Russia in recent years. Each sector must accordingly have a special system of prices and money and its own banking system. The transition from a command economy to a market economy will be made as the private sector matures, as it becomes more efficient than the state sector, and will be of a voluntary nature. The state must protect the private sector, but moderately. The state sector and the command economy will ensure stability; the market sector will promote dynamism.

Finally, an effective economy cannot exist without effective state authority, corruption among officials can pose grave difficulties. Private property left to itself gives impetus to unchecked gain, inter alia at the expense of others, and to flagrant inequality. The corresponding legal regulation, the corresponding tax, financial-credit and antimonopoly policy, the system of state-orders and of scientific-technical and social programs, the activity of various funds, trade unions and other institutions all these should constitute a safeguard against the aggressive, socially dangerous aspirations of the "chastnik" (private trader) and give them a social orientation. It turns out that private and social interests can be combined under certain conditions and the state has to play a major role in providing those conditions.

Last, but not the least, Russian economy which had been

a victim of ideologization of economic relations during the Soviet phases, must learn from the past to realise the need to deideologize economic relations. In the Soviet Union, estate farms were destroyed and peasants were forced to join collective farms not because this increased the effectiveness of production and not because the majority of peasants did not want to farm independently but because collective farms appeared preferable from the standpoint of the dominant ideology. In precisely the same way, the abolition of collective farms regardless of how this will influence the effectiveness of production and without regard to the feeling of collective farmers will not be deideologization but ideologization (only another kind) of economic relations. It should be recognised that any form of management is not an end in itself but only a means of increasing the effectiveness of production. Just as general socialization solely on the grounds that it eliminated private property was a mistake, so is the total restoration on the grounds that it eliminate socialised forms of management.

About the land reform process, I can only say that much has been accomplished in the past few years. An unprecedented food crisis is being surmounted. An array of long overdue reforms have been launched. But much remains to be done.

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