

## WOLF LADEJINSKY: A PASSIONATE LAND REFORMER

### INTRODUCTION

Wolf Ladejinsky may be one of the most influential economists of the 20th century that most people have not heard of. His Wiki entry identifies him as American Georgist economist, although he himself has made no such claim. For the most part it is other writers who have ascribed him as a follower of Henry George. Others hail him as the man who took down the Japanese system of land tenure and as the instigator of the Taiwanese Economic Miracle. He also, brought about land reform programmes in South Korea. These reforms in Japan, Taiwan and South Korea created the material foundation for the stable path towards prosperity and democratic institutions. General Douglas MacArthur, Supreme Commander for the Allied Powers in the far east awarded him a Certificate of Achievement. The Japanese government gave him a plaque for his "great and lasting services," and the U.S. Agriculture Department gave him its "Superior Service Award." So, who was Wolf Ladejinsky?

### BACKGROUND

Wolf Isaac Ladejinsky was born in 1899 in Yekaterinopol, a small Jewish community in the Russian Ukraine in the 'Pale of Settlement'. His father was a successful business man in the timber and flour milling trade. And whereas, the members of the Jewish community were for the most part poor, if not on the verge of destitution, by contrast his family enjoyed some comfort. However, as a group the Jews were persecuted and all too frequently subject to pogroms. They only survived by a combination of strong community ties and their religious belief structure. A characteristic of the Jewish people is the value they place in education and those who achieve this are highly respected. Ladejinsky was one of the few that completed his secondary education in preparation for university. However, things were about to change for Ladejinsky and the rest of the Russian Nation and for the world beyond.

In early 1917 food riots broke out in St Petersburg. During the period of unrest that followed - the Bolsheviks, led by Vladimir Lenin, gained ground against other factions culminating in 'October Revolution' and the founding of the Soviet Union. In the turmoil the Ladejinsky family lost their properties, expropriated by the revolution. His brother lost his life in the civil war; it would seem that these events led the young Wolf to leave Ukraine in search of a better life in the west, specifically the United States. It was in 1922 that he entered the country of his adoption, together with a group of Jewish orphans who had been entrusted to his care for the journey. Whilst learning English he did a number of odd jobs to pay his way. Then in 1926 he gained entry on to Columbia University to study agriculture, graduating in 1928, after this he continued his studies, this time in economics and history. Whilst studying he publish his first work, 'Collectivisation of Agriculture in the Soviet Union'. Then following one of his professors, Rexford Tugwell who had been called to Washington by Franklin D.

Roosevelt, he joined the US Department of Agriculture. This marked the start of a career that would eventually see him travel extensively across Asia.

### THE WASHINGTON YEARS 1935-1945

He spent the first ten years of his time with the US Department of Agriculture in Washington producing reports of the economic status of agriculture across Asia. This was essential training for what was to come his way after the war. This was a desk job, later he would be known as 'the travelling economist' getting out and experiencing the issues first hand. He published some twenty-six articles covering Japan, USSR, India, Malaya, China, Korea, Taiwan, Ceylon, Thailand, Indonesia, Australia and the South Pacific Islands. His piece on the Collectivisation of Agriculture in the then USSR taught him of the political importance the peasantry. The Soviet leadership perception of the organic interdependence agriculture and industry in the country's economic development was something that Ladejinsky found of great value.

### COLLECTIVISATION OF AGRICULTURE IN THE USSR

Lenin was resolved to support the peasantry, but he did not believe that this is where the socialist revolution would take place, for Lenin and other Marxists the leading social forces in society are the proletariat and the bourgeoisie, i.e. the workers and the owners of the means of production, the capitalists. Lenin's understanding of the history of revolution had taught him that peasants are not the group that can establish a socialist regime, it is the workers. Once a socialist state is established, its then the need to win over the peasantry. The Soviet Union plan was to move to a programme of rapid industrialisation, however with no gold to trade they had to rely on agricultural exports. But in the rural areas the landed nobility, along with the capitalist had been expelled; farms become small and output fell. At the same time the state had depressed the price of agricultural products - the result was the new peasants kept the grain for their own consumption. So, on the one hand industry was moving towards a socialist model, whilst the village was reverting to a capitalist regime. The Soviet solution was to move to a large-scale collective farm model equipped with modern machinery. This was based upon the assumption that if large-scale facilities improve industrial output, then the same must hold be true for agriculture. Unfortunately, it was not to be. Despite some improvements of production events worked against the Soviet Union, the severe shortages of the early 1930s caused the Russian Famine of 1932-33, in which millions died. What Ladejinsky took from the study was 'what not to do' if he was ever in position to affect an agricultural policy.

### AGRICULTURAL PROBLEMS IN INDIA

The paper was written in 1939, it was to be a good grounding for his visit in 1950 the Indian Agricultural Planning Commission. In this paper he paints a rather bleak picture of agriculture and the plight of the tenant farmer. The issues were many and wide-

ranging poor irrigation, uncertain rain fall, small farms, poor farming practices and the illiterate peasant population making education difficult.

Farmers had to manage a deficit budget, having to pay rent and taxes up front, plus all the supplies need to cultivate a crop. It was common for them to resort the moneylenders, who charged high interest. The farmers were illiterate, they had little idea how interest works, never mind compound interest. In the ninth century, moneylenders themselves were funded by European merchants; this was the fuel used to draw the farmers into a cycle of indebtedness. In settlement of these debts the farmers land was handed over to the moneylender or if a tenant he becomes in effect a bonded slave. This eventually led to the 1875 Deccan Riots. Deccan is a region in the Indian state of Maharashtra. The rioters' specific purpose was to obtain and destroy the bonds, decrees, and other documents in the possession of the moneylenders. The riots spread across the region; in the end the Deccan Agriculturist Relief Act was passed in 1879. But the problem has not gone away, debt even in the twenty first century is still a major cause of stress and suicide among Indian farmers. In the 1930s it was estimated that 44% (36million) of the agricultural work force was superfluous, Ladejinsky commented that 'that in order to find even a partial outlet for these millions India must be industrialised'. Ladejinsky concludes; 'It is impossible to solve the indebtedness problem without providing for conditions that would make recourse to unproductive loans unnecessary; nor is it possible to introduce improved methods of cultivation without first reducing the ignorance and illiteracy so prevalent among the peasants. By the same token, a higher standard of living of the peasantry depends upon improved yields but in no small degree also upon basic changes in the iniquitous land tenure system.'

### JAPAN'S AGRICULTURAL CRISIS

This article was published in 1939 and described the crisis caused by the issue of high rents, interest charges, taxes and other factors contributing to the crisis in Japan. In Japan at the time the rural population living of the land was around 45%, as a comparison the number of UK agricultural workers represents 1.5% of the workforce (2023). Notwithstanding its importance, agriculture was in crisis; whilst Japanese industry was expanding and prospering. The crisis stems from the feudal concept that farmers should maintain a low standard of living. However, presently the agricultural economy is not even providing the minimum to meet the farmer's needs. A major issue is the geography of Japan - it provides a limited area of arable land; this is due to the mountainous topography. Added to this is the extremely small size of farms, unfair tenancy agreements, high taxes, large indebtedness and high interest rates. The fact is that six million farming families cultivate around 15 million acres of land. With equal distribution this equates to 2.5 acres per family; however, the reality is that good number of farmers cultivates less than

1.2 acres. A survey at the time showed that in 70% of the cases the rental was 50% of the crop. The landlord pays the land tax, whereas the tenant was liable for buying fertiliser, the farmhouse and barns, tools and seeds. He is also required to pay for other assessments and dues.

Ladejinsky also speculates that the farmers' unrest in 1930 led to the attempted assassination of Premier Hamaguchi. He goes on to hint, that the military became involved as other political and industrial figures were assassinated. His overall conclusion is that improvements are needed across the board, however, he reserves special warning 'by making a serious attempt to eradicate the evils of the existing tenancy system.'

The above is a small sample of the reports that Ladejinsky was producing during his time as a desk office in Washington.

### LAND REFORM SYNOPSIS

He did not write a book explaining his philosophy of land reform. However, he did present a paper describing his philosophy of Land Reform. It was presented at Conference on Productivity and Innovation in Agriculture in Underdeveloped Countries MIT 1964.

### THE PROBLEM

The principal features that characterise the tenant's plight are stagnating agricultural economies; scarce land, yet concentrated in few hands; low yields but high rents; poor farmers but expensive farms; too many people living on too little land and small holdings get smaller under rising pressure of population with no alternative occupations; inadequate tools, indebtedness and usury, malnutrition and illiteracy; keen competition among the peasants seeking scarce land in the hands of the relatively few who have it; absence of any chance for advancement within agriculture; little margin for risk-taking; and subsistence farming with a lack of dynamic or regenerative capacity.

These undeveloped nations are feudal in nature, in which the peasants have little or no control of land arrangements. Rack rent and insecurity of tenure are its hallmarks. Tenant farmers have been obliged to pay exorbitant rentals because of the compelling need for any kind of employment depresses wages and raises rents. Most rental agreements are oral and they can be abrogated at the whim of the landlord.

### THE IMMEDIATE SOLUTION – AGRARIAN REFORM

How this is done is a function of what political ideology is in power. To the Communist it is the promise to the peasant that they will be given land. To the non-Communist world it involves: who owns or does not own land, how it is used, who gets what out of the land, the productivity of the land, the rate of economic development, and, additionally, social status and political power. For this reason,



agrarian reform in the sense considered here encompasses all or most of the following elements: distribution of land among the landless; security of tenure and fair rents; and better methods of cultivation through technological improvements, adequate credit, cooperative marketing, and other measures. However, it must be stressed that not all these elements are of equal importance. The most important is land ownership. If this is absent, all else may prove ephemeral, including security of tenure and rent reduction-measures extremely difficult to enforce. This explains why in the final analysis the issue is one of 'land to the landless'. This is the real vehicle of security and opportunity upon which a more resourceful economy can be built.

## THE CONTENT OF AGRARIAN REFORM

In most instances the content of enabling reform legislation is twofold: security of tenure and rent reduction, and the redistribution of land among the tenants. In Asia, except Japan and Taiwan, great stress is laid on security of tenure and rent reduction, while in the Middle East and Latin America the stress is on land redistribution and the creation of peasant proprietorship. The approach depends upon the answer to this basic question: For whose benefit and for how large a group of beneficiaries is the reform designed? The Japanese and Taiwanese reforms reflect a thoroughly pro-tenant attitude. Hence, they emphasised ownership of land for the majority of tenants through the abolition of absentee ownership altogether and a low permissible retention of land (ceiling) for resident landlords, genuine security of tenure and low rentals for the remaining tenants, arbitrary and low valuation of land prices, easy repayment terms, and a type of enforcement in which the tenants play a major role in order to ensure a minimum of evasion of the principal provisions of the reform legislation.

These reforms involved drastic redistribution of property, income, political power, and social status at the expense of the landlords. This was the purpose of the reforms, the basic proposition being that half measures or attempts to satisfy both parties could not bring about conditions under which those who cultivate the land would enjoy the fruit of their labour. There was a strong security issue for the USA government at the end of the Second World War. They could see the rise of the communists in China and were concerned that if China did fall it might spread to Japan! So, the question was should they dismantle the Japanese war machine or build strong democracy to act as a bulwark against communist influences. They chose the latter. Land Reform was the key method of bring Japan out of Feudalism by liberating the peasants.

## LAND REFORM: A HISTORY IN THE FAR EAST

Land Reform as a policy had its beginnings in China via the speeches of Sun Yat-Sen. He was a statesman, physician and political philosopher. Sun, the first president of the Republic of China was the most famous Chinese revolutionary of the modern era. He is called the "The Father of the Nation" in the present-day Republic of China (Taiwan) and the "Forerunner of the Revolution" in the People's Republic of China for his instrumental role in the overthrowing of the Qing Dynasty during the 1911 revolution. He travelled extensively, often to escape capture and possible execution. Whilst in London he was kidnapped and taken to the Chinese Legation with the intention of returning him to China. However, he was released after 12 days by the combined efforts of the Foreign Office, The Times and James Cantlie, who was his former medical school tutor.

Sun espoused Three Principles of the People; these were:

- Nationalism – independence from foreign domination
- Democracy – rights of the people
- Communitarianism – people's livelihood or welfarism

During Sun's travels it would appear that he was introduced the ideas of Henry George and his 'single tax' solution. Sun articulated these ideas in his vision of land equalisation through 'taxing unearned increments from the sale of urban and suburban land, with a view to slowing down building speculation'. In Sun's version of Land Value Tax, landowners provided estimates of their land value, on which they would be taxed one percent by the state, with the understanding that the state would be able to purchase the land at its declared value. Chiang Kai-shek, who came after Sun Yat-Sen had a different view of Land Reform, he understood the political expediency of land redistribution. However, land reform during the Republican era under Chiang was markedly conservative. Land reform entailed purchasing of lands as they went on sale and organizing cooperatives that would allow renting land to the landless, but not the forced seizure of land from landowners and redistribution to landless as the Communists had enacted in the Jiangxi Province.

## LADJINSKY IN JAPAN

In 1945 he was assigned to General Douglas MacArthur's SCAP (Supreme Commander Allied Powers) staff in Tokyo. Ladejinsky became part of a larger endeavour led by MacArthur to dramatically change Japan from a society ruled by an Emperor God supported by a system known as 'Kazoku' (peerage, not dissimilar to the British landed nobility) into a US style democratic society. In April 1951 MacArthur declared:

*"The Japanese people since the war have undergone the greatest reformation recorded in modern history. With a commendable will, eagerness to learn, and marked capacity to understand, they have from the ashes left in war's wake erected in Japan an edifice dedicated to the supremacy of individual liberty and personal dignity, and in the ensuing process there has been created a truly representative government committed to the advance of political morality, freedom of economic enterprise, and social justice."*

In the process of achieving this transformation, MacArthur encouraged trade unions, allowed the Japanese Communist Party to partake in elections, invited Roger Baldwin an FBI suspected communist to educate the Japanese about civil rights and liberties and at the same time cultivated a relationship with the emperor which allowed him to rule Japan via a compliant Divine Emperor. Ladejinsky's role was to bring the downtrodden farmers into this cultural revolution and make them partners in this new democracy.

Ladejinsky reported that 47% of the population worked on the land and provided 85% of the country's food. Of these 28% owned no land, 40% owned some land and resorted to renting additional land the remaining 32% owned their farm. Despite the importance of farming, it was not profitable due to the scarcity of arable land. In Japan arable land is limited by the topology and the fertility, which at best is poor. To offset the poor fertility supplements would be added to the soil, this came at a cost, which often meant farmers took out loans. These loans came at very high interest rates. There was no free land and little





scope to significantly increase the area of Japan's arable land. Furthermore, the opportunity to move from agricultural to industrial employment did not then exist. The result of all these factors was poverty for a great many farming families.

In Japan cultivated land was approximately 15,000,000 acres, about 16% of the land area of Japan. Compare this with around 40% for France, Germany and Italy, whilst Britain only cultivated 22% of the total land area. Of necessity farms were small to accommodate the peasant population; some less than one acre – the average was 2.4 acres. Land ownership was also highly unequal, with the top 3% of Landlords owning around 50% of land worked by tenants. As a class landlords had been identified as a group that were supportive of the Japanese military misadventures, across the Pacific, into China, Philippines down as far south as Indonesia. SCAP gave the directive that the Landlords should be punished, whilst the peasant farmers should be encouraged to be active citizens supportive of the new government. To achieve this a programme of land redistribution would be implemented. This would require compulsory purchase of land from a significant number of landlords and then offered to incumbent farmers on reasonable terms. In support of this other tenant farmers would be given assistance to agree a secure lease, with ongoing protections.

The first priority was to calculate the purchase price of land so that landlords could be compensated. However, using the existing rent as a guide to price was dismissed on the grounds that presently a rack rent is been charged, this would inflate the price. Instead, a standard price model was applied. Details of this are sketchy, but in essence it attempted to reveal the actual 'Economic Rent of Land' and from there to calculate a purchase price to offer to the tenant. However, this price was varied to make the offer palatable for the tenant. Following these event Japan experienced high inflation, which was of great benefit to the new owners as the monetary debt was reduced to a mere trifle! Unfortunately, some ex-landlords experienced real hardship, which resulted in them suing the government for compensation. This was eventually settled in 1965 by the pay out of government bonds as recompense.

In 2017 a paper was published by Talan B. Iscan detailing the long-term effect of the post war land reforms on, not only Japan, but Taiwan and South Korea as well. It found that in all three countries it led to the industrialisation of their economies. The mechanism was twofold, firstly, agricultural productivity increased giving cultivators' higher incomes, which increased spending on non-farm goods. This is referred to as the 'Engel Effect' in which increased income is spent on goods rather than food. Secondly, the increased demand for goods along with falling food prices caused labour to be pulled into the industrial sector. In the literature this is referred to as the 'Baumol Effect'. As an aside, in his book 'Princes of Zen', Richard Werner describes how the Japanese Banks were directed to make loans to various sector of industry, this practice continued until the Western Neoclassical paradigm of minimal government interference and free markets took hold. The result was a surge in land prices peaking in the early 1990s followed by the inevitable collapse, which has scarred the Japanese economy even to this day.

In Part Two, Ladejinsky moves on to Taiwan, Vietnam and even The World Bank. 