An Overview of Rural Development Strategies for the Baltics

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An Overview of Rural Development Strategies for the Baltics

Abstract
Historically, the Baltic states of Lithuania, Latvia, and Estonia have been known primarily as agricultural countries. This description has determined the significance of all the changes and reforms that have been undertaken in the agrarian sector, including both the production and social spheres. The current agricultural reform is not a completely unexpected new development; it was prepared and shaped as a result of almost two centuries of changes in the countryside.

Keywords
Agriculture, Rural Sociology, Economic Development

Disciplines
Agricultural and Resource Economics | Agriculture | Growth and Development | Regional Economics | Rural Sociology

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Aivars Tabuns, and Arturas Kazlauskas
Introduction by Natalija Kazlauskiene

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INTRODUCTION

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The papers in this collection cover a wide range of issues and problems related to agrarian reforms, social and structural changes, and associated government programs in the Baltic states. This section summarizes each of the issues addressed in the following papers.

Historically, the Baltic states of Lithuania, Latvia, and Estonia have been known primarily as agricultural countries. This description has determined the significance of all the changes and reforms that have been undertaken in the agrarian sector, including both the production and social spheres. The current agricultural reform is not a completely unexpected new development; it was prepared and shaped as a result of almost two centuries of changes in the countryside.

The implementation of a series of agrarian reforms during the past two centuries has formed a type of farming that was based on family farms that conducted mainly small-scale operations before World War II. The incorporation of the former independent Baltic countries into the Soviet Union and the forced collectivization of agriculture, accompanied by a massive deportation of the most capable and successful farmers, created an inadequate farming system that has to be dealt with by the current agrarian reform. Agrarian policy implemented during the Soviet period caused numerous problems that have resulted in a decline of the rural population, liquidation of the traditional homestead system, changes in infrastructure, social reorganization, and a loss of property rights. A historical overview of previous agrarian reforms provides a good basis for understanding the prereform situation and serves as a starting point for the latest agrarian reform.

The emphasis of current agrarian reform in all three Baltic countries is centered on the restoration of private or family farming, which would give an equal chance to all farming forms to exist and allow competition to determine the most efficient form. Family farming has traditional roots in the Baltic countries, so the idea of reestablishing family farming was understood and welcomed by the rural population. However, 50 years of experience working on state and collective farms and memories of family farming provide a somewhat confusing understanding of family
farming in today's economic environment. The experiences of other European countries can be very valuable in creating a modern farming system. Valuable insights can be gained from the achievements as well as the mistakes of others on the long road of family farm development. The experience of European and other countries shows the evolution in farming forms and farm size. It also provides evidence of a growing tendency toward part-time farming, especially in countries with poor soils and climatic conditions similar to those in the Baltic countries. This means that reformers must think about pluriactivity in rural areas when formulating rural development plans. Pluriactivity not only provides additional income to rural households, but it also helps to create additional jobs and makes the choice of agricultural and related rural activities more attractive to the younger generation.

The Baltic states of Lithuania, Latvia, and Estonia started their agrarian reforms at the same time, each seeking to achieve similar goals. There are many similarities in the design of the reforms; however, each country has chosen an individual approach corresponding to its own needs and particular situation. A detailed overview of agrarian reforms in the Baltics is presented in Meyers et al. 1992. In all three countries agrarian reform includes restitution of property rights to former owners of land and agricultural assets, privatization of the property from state and collective farms, establishment of different forms of farm operations, liberalization of pricing and trade policies, creation of government intervention mechanisms, democratization of management, reform of education, establishing a training and advisory system, and changing the local municipality role and functions.

The transition process in agriculture is especially complicated and painful because it affects almost one-third of the population and introduces changes not only in farm operations, but in the very lifestyle of rural people. The significant migration process from rural to urban areas during the past few decades has changed the age structure of the rural population by increasing the share of retired people, which has in turn contributed to increased social, health, psychological, income, and other related problems in rural areas. On the other hand, the restitution of property rights for former owners and their children and grandchildren brings representatives of the younger generation to the countryside and introduces them to peculiar problems of rural areas, such as transportation, social services, education, and day-care concerns. The changing age and social structure of the "old" countryside creates many different reactions and approaches in different groups of the rural population while dealing with the problems created by the transition.

Generally, every change anticipates that some problems will arise on the way to its implementation. The great changes occurring in the countryside are not an exception. After a
complete package of laws regulating agrarian reform was adopted, it became obvious that some factors either had not been taken into account or were not given proper attention. Changes in management, organizational structure, and ownership rights inevitably cause changes in the lifestyle of rural people. At present there are personal conflicts, tension, and distrust caused by changing circumstances that were not particular to the countryside in the past. In many cases, rural residents appear not to be psychologically prepared for the reform. Restitution of property rights and the privatization of agricultural assets has “programmed” some of the conflicts.

Another important problem that has become evident during the course of the reform is that in the past a pattern of collective decision making and risk taking had been developed; therefore, no one was held responsible for failures in economic performance. With the reform progressing rapidly, the rural population, mainly elderly people, has to make serious decisions about the form of farming, investment, the production mix, management, marketing, and other factors. Many rural people are facing these challenges and responsibilities for the first time in their lives and are not prepared to evaluate the complexity of the situation in the countryside. Uncertainty about the near future makes them passive, and they are often pessimistic about a positive outcome from the changes during the current agrarian reform.

Agricultural reforms and structural changes in the countryside have affected all groups of the rural population, particularly women. Prior to the reform, women traditionally spent much of their leisure time working in subsidiary plots, taking care of children and elderly family members, and performing their housekeeping duties. This lack of free time was to some extent compensated by higher rural income compared with urban income. But it could not hide women-related problems or make them less real. Before the reform started, many large state and collective farms were forced to deal with a situation where many rural women of all age groups were migrating to the cities. This was mainly caused by a poor choice of professional occupations for women, a huge burden of work at home, and poor social conditions. Traditionally, women were primarily engaged in production activities that required little professional skill and hence were lower paid. These jobs were usually manual, low-mechanized operations in crop or livestock production. Other professional activities for women included cultural and social services maintained and provided to the local population by collective and state farms. These activities consisted of health care services, retail marketing, and work at educational and cultural institutions. Only an insignificant number of rural women were involved in decision making, management, and administration. As a result, representatives of the
younger female generation did not view the countryside as their place of residence and agriculture as their main professional activity.

In the course of agrarian reform, there have been important changes in many areas that affect women. Before the reform, the majority of state and collective farms provided assistance to the rural population in a number of forms including land cultivation of personal plots, fodder for livestock, heating oil and firewood for private houses, construction of housing and roads, and electricity and means of communication. People knew where to go and to whom to address their problems even if these problems were not always resolved in the best way. In addition, large farms were responsible for organization, maintenance, and improvement of social and cultural services on the territory of the farm. With the reorganization of state and collective farms, this assistance to the rural population has diminished and in many cases no longer exists. This made many people feel insecure. It also put an additional burden on women, since they were mainly responsible for work done in the household. Conversely, the shift of responsibilities for social services from state and collective farms to local municipalities as well as the privatization of facilities that provide communal services resulted in a reduction of the number of people employed. This contributed to growing rural unemployment, especially among women, because they were heavily involved in providing consumer services in rural areas. These factors draw much more attention to the problems of rural women, requiring them to be viewed more seriously and to be resolved in the course of the reform.

The process of agrarian reform involves renegotiation and evolution of farm-municipal relations. Local municipalities are becoming heavily involved in rural programs pertaining to settlement development, rural education and cultural activity planning, extension, construction, and maintenance of rural social infrastructure facilities. What is happening, in practice, is that rural inhabitants have much higher expectations for municipalities to provide certain kinds of assistance than the municipalities are willing to take upon themselves or are actually able to financially afford from their restricted budgets. New functions and responsibilities require that people have additional skills in order to participate in the decision making process, to undertake and evaluate complex current and future developments in the region for which the municipality is responsible, and to set investment priorities. The burden of these new functions and responsibilities often makes municipal officials feel inadequate, and indicates a lack of professional training. Special leadership training programs dealing with problems at different management levels have to be designed and carried out for administrators.
5

In the course of agrarian reform, municipalities have to operate in close contact with different regional and local institutions and organizations, private farmers, administrators of former state and collective farms, newly emerging cooperative agricultural enterprises, and rural inhabitants in general. It is extremely important to find the optimal form of such a relationship in order to benefit all the parties involved.

The socialist form of cooperative farming proved to be inefficient and provided little or no incentives to agricultural producers to work more and achieve better results. Current changes provide such incentives but agricultural producers find themselves in a poor business environment and lack basic practical knowledge. Necessary steps have to be taken to reorganize teaching, develop training systems, and establish extension services.

The education system has to undergo a serious reorganization that will affect all levels. The current system of funding does not correspond to the changing conditions in the economic and social development of the countryside. With the disintegration of large state and collective farms, the number of students in classes will decrease if elementary schools are reestablished in small, remote villages. This will require the local municipalities to provide schools with teaching materials, recruit teachers, maintain school buildings, and provide other related services. Presently, the network of schools has not been developed uniformly throughout the countries. During the current severe fuel shortages and rapid price increases for gasoline, the public transportation system is under extreme financial pressure. The breakdown of collective and state farms, as well as the financial difficulties they are facing, has caused problems with student transportation from remote villages to central settlements where the main schools were traditionally located during the Soviet period. For the same reasons, extracurricular activities are hard to organize. Since old homesteads are being reestablished in locations off main roads and far from central settlements in many regions, transportation to schools will become more problematic.

Another problem is related to special training for farmers. The old system was designed to provide very specific knowledge necessary to conduct specialized operations, such as milk equipment operator or tractor driver. The move to reestablish private farming imposes new requirements on agricultural producers. In the changing situation they have to have general knowledge of farm management, farm economics, and the basics of livestock and crop production. Evolving needs will have to shape farmers' educational programs. Together with basic knowledge, farmers have to be provided with technology developments and recommendations on different aspects of farming. The important role of a training system should be dedicated to rural community leadership programs.
During the transition process certain groups of the rural and urban population, including disabled people, retired people, students, young families, and families with a low per capita income level raising several children, now find themselves in an extremely difficult situation. The old system of social security designed and implemented during the Soviet period was not adequate for the changing social values and economic restructuring during the transition process. A new, more comprehensive and internationally recognized social safety net has to replace the old one. The main goal of new social security programs is to partially offset the hardships of a population going through the transition to a market economy. All three countries are currently working on shaping future safety net systems, and each is applying a slightly different approach. However, the main common developments started in 1991 with the formation of independent social-security budgets. Contributors to the budgets are employers, employees, private producers (including farmers), and others. Benefits from social security include various types of pensions, sick leave, maternity and child care benefits, funeral support, unemployment benefits, and payments for medical treatment. Medical insurance programs are not yet well-established, but all related expenses are mainly financed by the state in Latvia and Lithuania. This situation has to be changed significantly, since governments are considering privatization concepts for the health care system and the introduction of private medical insurance.

Growing inflation during the transition period requires the introduction of special income support programs. Now governments guarantee a minimum standard of living and income level that are periodically determined and officially announced for the purpose of adjusting social benefits and minimal wages and hourly payments. The new social security systems have already been introduced by governments, but the social safety net is still in the process of formation. Research has to be conducted to evaluate and predict structural changes in the composition of the population, economic growth, unemployment and the creation of new jobs, professional retraining of unemployed, and other areas.

The economic and political goals of agrarian reform can be better achieved by taking into consideration the expectations and attitudes of the rural population as well as the economic factors involved.
AGRARIAN REFORM IN THE BALTIC STATES BETWEEN THE WORLD WARS: THE HISTORICAL CONTEXT

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During the past two centuries, a succession of agrarian reforms in the area now occupied by Estonia, Latvia, and Lithuania affected the fortunes of all other generations of farmers. In the early 19th century when they began, the reforms involved two principal actors, the state and owners of large estates. After the mid-century point a third actor, the peasant owner-cultivator, joined the drama. By the second half of the 20th century the estate owners had dropped out, leaving only the state and the owners-cultivators. This short historical overview is meant to demonstrate how agrarian reform has been a persistent theme in recent Baltic history and to review in greater detail the reforms between the two World Wars. These reforms are important because of their structural similarities to current reforms in the renewed Baltic countries.

In the mid-17th century a large part of present-day Baltic territory was part of the Swedish Empire. The Swedish Vasa dynasty sought to enlarge direct royal control—in a reform termed reduction of estates—over a large proportion of the privately held serf estates in the province of Livland, thus bringing about a power struggle between the State and the landholding nobility (Dunstorf 1962).

Instead of reaching that far into the past, however, we shall start in the early 19th century when the entire Baltic region had become part of the Russian Empire, and use as the first of this more recent series the reforms between 1816 and 1834 (Svabe 1958). These reforms only affected the Baltic territory that in the 19th century was organized in the so-called Baltic provinces of Kurland, Livland, and Estland (namely, present-day Estonia and about two-thirds of present-day Latvia). The principal intention of these reforms was serf emancipation, not land reform. To gain the support of the serf-owning nobility for the reform, however, the Crown had to transfer all ownership rights to land to the estate holders, mostly members of the Baltic nobilities. The peasantry lost their tenuous use rights over the arable land they farmed, and for the next 25 years or so, on the basis of contractual agreements, paid for the right to farm their land with labor rents. Ownership of rural land
remained vested either in the state (since the Crown owned a large proportion of the estates), in the
Church (which held a portion), and of most importance in the Baltic landed nobility, who did not
farm the land themselves. This reform, although bringing personal freedom to the peasant-
cultivators, foreclosed their ownership rights. In this reform, therefore, effective control passed
mostly to the estate-owning upper classes.

Peasants Become Owners of Land

The second set of reforms, about 25 years later, had several different elements. In the Baltic
provinces proper (Kurland, Estland, Livland), starting in the 1850s and continuing into the 1860s, the
reform legislation approved by the provincial diets permitted peasants to start buying their holdings
outright (Svabe 1958).

The situation in Lithuania and the eastern sectors of current-day Latvia (Latgale) was
different, however, because even though these territories were not part of the Baltic provinces they
were directly affected by the general Imperial emancipation of serfs of 1861 and other reforms during
those years. In Lithuania and Latgale, emancipated serfs were allowed to acquire land (indeed, were
allocated land to buy), but they had to bind themselves to redemption agreements that lasted as long
as 49 years. In Lithuania, absolute control by the nobility over estates had been curtailed by the
Crown even earlier in its reaction to the Polish uprising of 1830, and these restrictions were renewed
and strengthened after another uprising of 1863 (Simutis 1942).

Similar long-term redemption agreements also came into being in the Baltic provinces proper.
Yet after 1860, in spite of various obstacles and difficulties, the acquisition of land by Baltic peasants
proceeded rapidly until, by the end of the century, there was a large group of small-holding free
farmers. State-initiated reforms thus benefitted the peasantry, transforming many of them into
owners-cultivators. But from the point of view of the rural Baltic population, these reforms did not go
far enough. Because of substantial rural population growth and the release of insufficient land for
sale, there was a steady increase in the rural population of the absolutely landless and of agricultural
wage laborers with marginal incomes. By the beginning of World War I, about 50 percent of all
agricultural land was still held by the Imperial government, large private estates, or the Church.

The third set of reforms began immediately after World War I when the three Baltic states
became independent. Estonia began its reforms in 1991, Latvia in 1920, and Lithuania in 1922. Two
general observations need to be made before looking at the interwar reforms in detail. First, these
Baltic reforms (as well as their 19th century precursors) clearly belong to the mainstream tradition of
Eastern European reform because they were initiated by the state. Although government-initiated agrarian reform has not been unusual in Western Europe during the 20th century, in earlier times there were many instances, such as the enclosure movement in England, where the initiative was taken by individual estate owners. In Western Europe governments acted only when pressures from below became unavoidable; but in the East, national governments from the Enlightenment period onward started modernization processes and guided them after they were started. Although earlier Baltic reforms did not operate with well-defined strategies, implementing a reform always embodied the belief that the government was the only agency that could do the job responsibly and well. Powellson describes this contrast:

The farther west we go in Europe, the more the agrarian reforms were undertaken by consultation and negotiation among plural social groups, including the peasantry; the more the peasantry bargained from strength (its capacity in agriculture); the more the reforms were done piecemeal, over centuries. The farther east we go, the more the agrarian reforms were undertaken by the monarch, in consultation with the nobility when he could not avoid that; the more the peasantry was excluded from discussion and decision; and the more encompassing the reforms, whose progenitors envisaged total social change within their lifetimes (1988, 131-32).

Second, although agrarian reform in the Baltics always began with economic calculations, the process itself and the new structures it created were saturated with politics. Often, this political focus made little sense in terms of economic rationality but was necessary if reform was to make any headway at all. In the Baltics, the friction is evident from the beginning in the conflict between estate owners, who insisted that large-scale agricultural enterprises were economically the most viable; and the individual Baltic peasants, for whom the desire to possess land overrode all other considerations, including the question of viable unit size.

Few reform decisions could be made in terms of pure economic strategies because such decisions all flowed from recently redistributed power or had the effect of redistributing power. The Baltic area was not unusual in this respect, of course. Elias Tuma, the economic historian of agrarian reform, in his survey Twenty-Six Centuries of Agrarian Reform: A Comparative Analysis, noted that “though the objectives of reform are varied, the primary ones are usually political regardless of who initiates reform. The reformers use reform to win support of specific groups, to create or restore political stability, to legitimize their own political positions, or to create what they consider to be democracy” (1965, 233).
Reforms of the 1920s: A Closer Look

The Baltic agrarian reforms of the 1920s are excellent case studies of how economic and political calculations were intertwined. To begin with, in all three countries the possibility of wide-scale agrarian reform appeared relatively quickly, as a consequence of unexpected national independence that was a byproduct of the dramatic collapse of the Russian Empire and the weak position of its successor Bolshevik government. Few Balts were prepared for this eventuality, so they had no long-term economic strategies. Shortly after the proclamations of independence in the three countries, the new governments had to deal with the land question quickly. Many rural people, especially the landless and marginally employed in Latvia, clearly were attracted to promises of land made by the Russian and Latvian Bolsheviks.

Moreover, an overwhelming proportion of the owners of large estates in the three new countries belonged to the traditional upper orders (Germans, Russians, Poles). To have these subpopulations—now minority nationalities in the new states—controlling about one-half of all agricultural properties when large numbers of the Estonian, Latvian, and Lithuanian populations remained landless would have been political suicide. Concerns about possible decreases in productivity had to take second place to the political need of legitimacy for the new governments, a need underlined by the weight of numbers. The proportion of those occupied in agriculture (of all people with occupations) was in the 1920s 66 percent in Latvia, 67 percent in Estonia, and 76 percent in Lithuania (League #3).

The procedures worked out in the early phase of reform were embodied in the three reform laws, and the enactment process involved expropriation, compensation, and redistribution. The expropriation step transferred targeted land from its previous owners to State Land Funds: this amounted to 4.7 million acres in Estonia, 9.2 million acres in Latvia, and 1.7 million acres in Lithuania. Most of this land came from privately held large estates—83 percent in Estonia, 81 percent in Latvia—the elimination of which was an explicit goal of these relatively radicle reforms (League #4).

Compensation for expropriated land was dealt with differently in each country. In Estonia, a special law was enacted to provide compensation in the form of state bonds redeemable before 55 years at an annual interest rate of 2.44 percent; however, by 1938 compensation had been paid for only 53 percent of the land confiscated in the reform period. In Lithuania, compensation was paid in government bonds redeemable within 30 years. These bonds had an annual interest rate of 3 percent, but by the end of the 1930s, total compensation payments were only a fraction of the owed sum. The
Latvian provisional government voted in 1922 on the most radical answer to the question of compensation. Although right-of-center parties proposed payment calculated in 1920 market prices, the center and left parties opposed compensation and this position won by three votes. The new parliament took up the question again in 1924, with the same results. Although Baltic German landowners took their grievance to the League of Nations, they had no success there and the expropriated land in Latvia thus remained uncompensated (Aizsilnieks 1968). The government, however, took on the responsibility of paying off debts on the confiscated land.

Even before the politically explosive issues of expropriation and compensation were settle, the redistribution of expropriated land has started because getting land into the hands of the landless and small holders quickly was a political necessity. The ability of the new governments to reward those who had suffered before and after World War I was an important test of legitimacy, especially since the parties of the left stood ready with harsh criticism about the bourgeois nature of an inactive government.

The processes of identifying potential recipients and the kinds of land they were entitled to was complex. Broadly speaking, in all three countries certain categories of people—those who had served in the national armies of the new states, for example—were to receive preferential treatment, and then those who could demonstrate that they had been and were landless.

Beyond these groups were people who could demonstrate that the land they already farmed was insufficient for their families and households. The land that was not redistributed to individuals would be assigned to various public uses by the national or local governments. The subcategories differed somewhat in each country, but the intentions were all the same: to reward those who had demonstrated loyalty to the new states by joining their fledgling military forces, to initiate a solution to the problem of landlessness, to demonstrate that the new governments could act on behalf of their citizens, and to provide the governments with a residual pool of land to use to demonstrate its continuing solicitude for general public welfare. Although the agrarian reforms were taking place in a very important sector of the economy, their political meaning was at least as important as their economic ramifications.

The redistribution of holdings reached its peak in the mid-1920s in all three countries and continued at a slower pace throughout the whole interwar period. By the end of the 1930s, in Estonia, about 96,000 households had been created by agrarian reform or had derived direct advantage from it; alternately, the estimate is that approximately 400,000 people, or one-third of the whole Estonian population, benefitted directly by the reform. In Latvia, approximately 143,000
holdings (or about 52 percent of the total number of holdings listed in the 1935 census) were either newly created or supplemented by the reform. In Lithuania, it is estimated that more than 45,000 new farms were created by the reform and more than 200,000 people, including new settlers and their families, were provided with regular occupations and permanent homes (Rei 1972).

Table 1 breaks down by size the holdings in each of the Baltic states in the interwar years, but at different times in the reform process of each. The figures for each country should not be interpreted as reflecting the permanent state of things, but rather as a snapshot of a moment in the reform process. The main thrust of the process, the intended result of the reform measures, was a severe reduction of the concentration of land ownership, and that goal was accomplished in all three countries. In Lithuania, for example, the large estates—1,149 before World War I, with an average size of about 5,200 acres—disappeared as a characteristic of rural society, to be replaced by a system in which the number of “large” farms numbered only 443, and these averaged about 247 acres (Suzdielis 1970). In Latvia and Estonia there were similar reduction of prewar “large” units.

Table 1. Proportional distribution of farms by size

<table>
<thead>
<tr>
<th>Size category</th>
<th>Acres</th>
<th>Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lithuania 1930</td>
<td>2.5-12.5</td>
<td>18.6</td>
</tr>
<tr>
<td>Total number of farms 287,380</td>
<td>12.5-25.0</td>
<td>27.2</td>
</tr>
<tr>
<td></td>
<td>25.0-37.5</td>
<td>20.7</td>
</tr>
<tr>
<td></td>
<td>37.5-50.0</td>
<td>11.5</td>
</tr>
<tr>
<td></td>
<td>50.0-75.0</td>
<td>11.8</td>
</tr>
<tr>
<td></td>
<td>75.0-125.0</td>
<td>7.2</td>
</tr>
<tr>
<td></td>
<td>120.0-250.0 and over</td>
<td>2.8</td>
</tr>
<tr>
<td>Latvia 1935</td>
<td>to 12.35</td>
<td>28.5</td>
</tr>
<tr>
<td>Total number of farms 275,698</td>
<td>12.35-24.71</td>
<td>16.0</td>
</tr>
<tr>
<td></td>
<td>24.71-49.42</td>
<td>28.2</td>
</tr>
<tr>
<td></td>
<td>49.42-74.13</td>
<td>21.7</td>
</tr>
<tr>
<td></td>
<td>74.13-247.1</td>
<td>5.2</td>
</tr>
<tr>
<td></td>
<td>over 247.1</td>
<td>0.4</td>
</tr>
<tr>
<td>Estonia 1939</td>
<td>1-12.35</td>
<td>16.0</td>
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<tr>
<td>Total number of farms 139,984</td>
<td>12.36-24.71</td>
<td>17.1</td>
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<tr>
<td></td>
<td>24.71-74.13</td>
<td>46.9</td>
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<tr>
<td></td>
<td>74.13-123.55</td>
<td>15.5</td>
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<td>123.55-147.1</td>
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<td></td>
<td>over 247.1</td>
<td>0.3</td>
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This general restructuring, however, was accompanied from the very beginning by less dramatic processes that began to reconcentrate ownership, because not all those to whom land had been granted wanted to own it or to farm it. In Latvia, for example, the selling of granted land by nonfarmers began almost immediately, and reached quite significant proportions. About 43 percent (607) of the holdings granted to decorated war veterans were sold by them, presumably to farmers whose existing land adjoined theirs; 30 percent (580) of the holdings were allocated to families of veterans killed in the War; and 25 percent (6,247) of the holdings were granted to war veterans. Not surprisingly, the groups least likely to get rid of their granted holdings were those who had received additions to their existing farm (3 percent or 812). New farmers who decided they would not succeed with their new farms was 19 percent or 10,814 holdings. To repeat, although the distribution of holdings by size in Table 1 illustrates the dominant characteristic of land holding in the interwar years, processes of change were already in motion that in time would have reduced further the number of holdings in the smallest categories. With respect to the larger holdings, the tradition of cooperatives was strong in the Baltic countries and might have worked to diminish the problems of unproductive small holders (League #9).

What would have happened in the long run—perhaps during the next 50 years—of the reformed Baltic land systems is of course anyone’s guess, because the changes initiated through the reform of the 1920s came to a halt with World War II and the subsequent collectivization period under Soviet rule. The reforms evidently did not hurt the typical diet of the Baltic rural population, and may have improved it (League #26). It is entirely possible that processes to reconcentrate ownership would have continued, giving rise to new, large, privately owned farms. Baltic economists, both academics and policy makers, of the interwar period had noted that the large proportion of small holdings was creating general problems: small holders could not easily introduce farm machinery, their small plots led to inefficient use of agricultural labor, and they quickly went into relatively deep debt and thereafter had to rely on the government to bail them out (League #5). But Dovring (1965, p. 261) is generally optimistic in speculating that “...had independence continued, it is likely that [in Estonia and Latvia] the farm wage workers would increasingly have been attracted to urban employment, and with large urban markets to supply, the reform farms would have remained viable for another period of time on the basis of partial mechanization.”
Reforms During the Soviet Period

Collectivization, the fourth set of reforms in the series, reversed entirely the direction of the interwar reforms, and took place primarily during the late 1940s. By this time, the Baltic lands had been invaded by Soviet troops in June and were incorporated into the Soviet Union later in 1940. The German occupation lasted from 1941 to 1945, and Soviet rule resumed after World War II. The new governments of the republics—allegedly the vanguard of the work class—had nationalized all land in 1940, and the collectivization process after World War II now intended to replace the owner- cultivator with the state and its planning apparatus as the agency that determines agricultural production. Although the creation of large cultivation units (collective and state farms) proceeded very slowly at first, the deportation to Siberia in 1949-50 of approximately 300,000 farmers who were expected to resist speeded the process (Misiiunas and Taagepera 1982). By the end of 1950, only 11 percent of individual farms in Lithuania remained uncollectivized, and that proportion stood at 4 percent in Latvia and 8 percent in Estonia.

The fifth set of reforms, initiated in the late 1980s, consists of privatization, a process that is continuing at this writing. Its intention is to eventually return most agricultural land to private ownership, even while preserving the most successful of the large-scale productive units. As much as is possible, decisions within each productive unit are to be in the hands of the owners- cultivators. The survival of these units depends upon these decisions that must be made in order to operate in a free market. Because the laws governing privatization are being refined as the process transpires, it is too early to speak of outcomes. But ownership rights under the current reforms, toward the owner- cultivator, are repeating the pattern that the Baltic farmer witnessed twice in the past two hundred years.
FAMILY FARMING: LESSONS FOR EASTERN EUROPE

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The family farming system of Western Europe provides the opportunity to draw some lessons for the newly established agrarian movement in Eastern Europe. The diverse cultural, historical, and geographical backgrounds of the European regions prohibit precise measurement but broad observations can be made from the available evidence and from the collective experience to date. Moreover, it is in the spirit of the Single European Act of 1992-93 that a number of generalizations about West European farm structures can be made. In large part, these are based on the data and analysis from the Arkleton Trust research project on Rural Change and Pluriactivity, undertaken from 1987 to 1992, supported by the European Commission and the 12 participating countries.

The West European family farming system has evolved over a long period of time and has diverse origins. These range from enclosure movements and feudal land tenures to various land reform movements. The complex historical backgrounds of all the variations of family farming have directly influenced the farming structures within which agriculture operates today. Another influence is the physiographic and climatic conditions that vary enormously from high uplands to fertile plains and from maritime to Mediterranean weather conditions. From these varied physical conditions and social origins there has developed over time the integrating effects of the market, the capitalization effects of technology, and the controlling effects of government policy. The main outcome has been the economic and social unit called the family farm.

Traditionally, the family farm has been considered from two perspectives: as an economic unit responsible for agricultural production and as a social unit where the means of production are concentrated and socially reproduced. Attention to the family farm as a unit of economic production has been steadfast. Less attention has been paid to the family farm as a social unit and even less to concepts combining the two in relation to the surrounding locale, referred to here as the local labor market. It is by examining the family farm in Western Europe as a combined economic and social
unit, in the context of the local conditions, that permits the following observations, which I hope will be useful in planning and various “agrarian transitions” in the East European nations.

Two Trends

West European family farming is a mature system. From its evolution, we can draw some important observations around three common themes: farm structural change, the social reorganization within families, and the changing nature of local labor markets.

First of all, farms differentiate into large and small structures over time. This central tendency to differentiate over time into a relatively dichotomized farming structure occurs as the result, and often in spite of, economic and structures policy, demographic and social change, and the constraints of physiographic conditions. The paths to differentiation are many and are influenced by inheritance systems on the one hand and market conditions on the other.

A basic finding from the Arkleton Trust Research project is that there appear to be at least three types of family farming conditions across Western Europe:

- Engagers—farm households committing fully their resources to commercial farming;
- Stable Producers—medium-sized farms and households who are not actively investing in agriculture or “productivist” behavior, nor downsizing; and
- Disengagers—households that are actively downsizing their involvement in farming.

Although the majority of “exits” from farming occur in the disengager group, they are by no means all from this category. Many people cease farming (on a commercial basis) but do not leave the farm or the land. Neither is it entirely consistent that disengagers and stable producers occupy small farms, although there is a tendency for engagers to be on large units.

A subcomponent of this theme is the survival of the small farm. In most farming systems there persists a small farming sector, whether in the form of allotments, small holdings, fragmented units, or simply small farms. Explanations for such enduring features in a market system where policymakers have often declared them redundant, ranges from labor theory (providing a hired labor pool for local capitalistic farms), political theory (“landing the peasantry” for political reasons), to social theory (there are pathological reasons and needs that bond people with land). For whatever reason, small farms tend to persist in most farming systems.

These results suggest that farming still has significant social as well as economic motives. Differentiation into “large producers” and “others” (land holders) is based on business size criteria and the commitment to commercial farming. It is evident that over time, despite incentives to remain
consistent, family farms become differentiated and reflect the needs, outlook, and abilities of the family rather than the physical assets of the farm.

At the same time, pluriactivity continues to grow in significance. It is evident that pluriactivity—multiple job holding among farm family members—has been a feature of farming life for many generations and only its function and intensity have changed over time.

From the Arkleton Trust survey of 6,500 farm households in 1987 we know that 44 percent had at least one member with off-farm work. This increased to 48 percent by 1991. Where on-farm (nonconventional farming) activities are included, the figures rise to 57 percent and 60 percent. Such households are considered pluriactive. There is considerable regional variation in this trend (Brun and Fuller 1991). The range of factors influencing the propensity of farm families to undertake nonagricultural activity include: farm conditions, gender, household composition, and stage in family cycle. In general, farm women have increased their participation in nonagricultural activity, especially on farms where agricultural income is stable. Labor market conditions are vital influences on the nature, frequency, and quality of off-farm job opportunities.

Policy Observations

The policy implications of these two long-term trends are many. First of all, it is essential to recognize that family farming systems are dynamic and that they change over time in response to both internal and external conditions. To understand this dynamic and to target policy instruments, it is useful to divide the family farming system into two essential components:

- The farm—the physical entity—the productive function; and
- The farm family—the labor and management system with all its attendant social functions.

Change and policy can affect the two components (and subcomponents) separately, but the two are inextricably tied together in most farming systems and need to be considered as interdependent.

Succession and Farm Structures

From a growing number of research observations, it is evident that “farm turnover” is a critical moment in farm life. The question of who will succeed, and how, may last a long time and can have deleterious effects on farming decisions and investments. It reflects and affects confidence and outlook and is a major concern in the mature stage of the household cycle. The fact that succession is the single most crucial event affecting land mobility suggests that policy intervention in this event would have an important impact on farming structures.
Pluriactivity and Farm Household Income

The second policy observation concerns the rising significance of pluriactivity. Pluriactivity reflects the diversification of farm family incomes and the need for farm people to find useful work that is compatible with farming and farm life. Maintaining people on farms, if that is the objective, might best be achieved by rural employment strategies rather than through market or price policy. Certainly it will be less demanding on the public purse. Employment policies for rural regions require knowledge of rural systems, small business development, and self-employment and entrepreneurial skills development. The best approach here is through community development rather than a sector approach.

In summary, it can be said that family farming is a robust and flexible structure for the production of agricultural goods and for maintaining a rural way of life. Over time, however, despite most incentives to the contrary, family farming structures become differentiated and pluriactivity rises as an integral element of the system. Over time therefore, policy needs to pay attention not only to production that is increasingly concentrated on fewer farms, but to farm diversification and employment policies that control production and provide suitable alternatives for those no longer fully engaged in the business of farming.
STRATEGIES FOR REFORMING RURAL SOCIETY IN ESTONIA

Ivar Raig
Agricultural Economist and Member of Estonian Parliament

The history of the Estonians as a nation is the history of its rural population. Estonian peasants have not always lived well, but they have never lost faith in a better future. The Estonian farmer was set free of estate serfdom decades ago and ought to be set free now from the lack of political, economic, and social rights he has endured during the last 50 years. We must appreciate our farmers who have not stopped cultivating the land under such difficult conditions.

Rural society in the Republic of Estonia revolves around agriculture, forestry, and fishery, which historically have been the main activities of Estonians. The work of many generations has created the fertile soil as a national treasure. Estonia lies to the south of the northern edge of the grain-growing region where conditions permit the raising of main food and feed crops with relatively stable yield. Precipitation ensures favorable conditions for the development of pasture-based cattle feeding. Agricultural products are in constant demand on the domestic market, guaranteeing stability for agriculture. The rural population is mostly Estonians; that is, the original population of the country, which is more supportive to undergoing transition to market economy.

Estonian agriculture was operating under a centrally-planned economy in the last five decades, where the volume of production was of great importance and the efficient use of resources was not given enough attention. The yield from main crops has been practically at the same level during the last 15 years although the use of resources per hectare of land increased significantly. Advantages of large-scale collective and state farms in efficient use of machinery and buildings do not produce the expected economic effect due to the increase in the cost of energy and losses. As the result of such inefficient resource use and management in agriculture, the quality of groundwater and the environment have deteriorated.

The material basis, production, profit of Estonian agriculture, development of rural communities, and food supplies for the population have been made dependent on imported agricultural inputs, 90 percent of which came from the former Soviet Union. The cost of agricultural imports
(excluding concentrated fodder) was approximately U.S. $1 billion in 1990. The value of Estonian agricultural production was only U.S. $450 to $550 million, while agricultural exports together with timber were only U.S. $30 million. In 1991, imports of agricultural inputs from the former Soviet Union decreased considerably. It does not seem reasonable to restore imports of fodder grain, fuels, metals, and machinery to the previous levels. Even more, they will continue to decrease and Estonia will have to pay for them at world market prices in convertible currency.

The Structure of the Agrarian Reform

The main sociopolitical task of the agrarian reform is to reestablish and develop the farmer’s social status. Being a peasant is neither a trade nor a profession; it means having a specific position both in society’s social-economic structure and an accompanying way of life.

The agrarian reform includes:

- Restitution of ownership rights to the former owners and restoration or compensation of their nationalized property;
- Privatization of the property of collective and state farms;
- Transfer of the administrative functions of social development and social infrastructure under the administration of municipalities;
- Introduction of entrepreneurship forms based on private ownership;
- Implementation of new technologies;
- Liberalization of trade;
- Formation of the democratic-political structures; and
- Reform of the educational system.

Privatization of state and collective farms will be carried out uniformly. Priorities will be given to former owners of the collective property and their legal heirs, and also to current agricultural producers. Income from privatization will be used to develop the local districts. Privatization does not aim to increase budget revenues through taxes or property redemption, because this results in increased agricultural expenses and higher prices the state has to compensate for in the end.

If it is impossible to return the same plot of land to its former owner, it will be substituted or compensated for. The government also supports the integral use of existing properties and the development of agricultural entrepreneurship with favorable credits.
In the course of agrarian and management reform the structure of local administrations (municipalities) will be formed in accordance with the existing socioeconomic districts. The infrastructure and property of the social sphere will be turned over to municipalities.

Entrepreneurship based on private ownership substitutes self-regulation for public administration. The organizational structure of agriculture will be transformed and decentralized by owners according to what is expedient. Private entrepreneurship, being guided by profit, sets as criteria economic expediency and efficient management. Under free competition, the management of agriculture will pass to those people who have better skills and knowledge.

Because land is the greatest wealth in Estonia, land prices should be rather high, including those for agricultural land. In order to keep the tax burden of people engaged in agricultural production reasonable, the income tax should not be high for agricultural producers. In order to form a new political structure in the country it is necessary to introduce temporary government subsidies. In the future, Estonia wishes to join the General Agreements on Tariffs and Trade (GATT) and other free trade agreements and to further integrate into the European Community.

It is necessary to guarantee by means of legislation and inspection protection of the human environment, as well as to guarantee social and financial aid to those rural people who lose their jobs at the time of reforms and whose living conditions deteriorate and who are not able to cope with them. It is necessary to introduce advanced training, retraining, and extension activities with the assistance of foreign countries.

The Legalization of Private Ownership and Privatization in Agriculture

The most important steps taken for restitution of private ownership in Estonia are those discussed here.

In constitutional amendments adopted in Estonia on June 16, 1988, which marked a major effort toward the development of Estonian sovereignty, private ownership (including mixed ownership) was recognized as one of the constituent parts of the country's economy, and the state's protection was pledged. At the same time, it was the first step in the legalization of private ownership in the former Soviet Union.

In the spring of 1988, the setting up and restoring of family farms began in Estonia. In December 1988, the Central Union of Estonian Farmers was organized to protect the interests of new farmers. On December 6, 1989, the Farm Law was adopted to regulate the establishment of farms and their activities, and granted legal guarantees to family farming and its development. According to
the Farm Law, some of the expenses necessary to set up a farm had to be covered by the state, and some of the necessary inputs had to be allocated to farm owners by collective and state farms. The land (generally up to 50 hectares of arable land and more in some cases) would be given to farm owners free in perpetuity, with the right to bequeath it. The farms being set up would, in their first years, be exempt from taxes.

On February 20, 1989, the Estonian government issued a decree On Procedures to Restore Property and Compensate for Loss to the Victims of Mass Repressions, to restore property or provide compensation for the property to victims of Stalinist mass repressions of the 1940s and 1950s. The decree is currently being implemented.

The first stage of agrarian reform began with the adoption of the Farm Act by the Estonian Supreme Council in November 1989. At the beginning of 1990 the first 1,000 family farms were registered in Estonia. By the beginning of 1991 the number of farms was 4,000, and as of April 1992 there were 6,820 family farms in Estonia. They had 175,708 hectares of land (about 76,400 hectares of arable land) with an average of 26 hectares per farm (11.2 hectares of arable land).

On June 13, 1990, the Estonian parliament (Supreme Council) adopted the Ownership Law that, during Estonia's transition period, serves as a legal basis for restitution or compensation of illegally expropriated property to its former owners or their legal heirs. According to the Ownership Law the amount of private property obtained in ways permitted by the law is not limited. The citizens possess, manage, and use it independently. The Ownership Law also establishes general rules for property belonging to foreign states, and their citizens and organization, in the Republic of Estonia. In November 1991, the Estonian government passed a Resolution on the Administrative Reform and on the Measures for Guaranteeing the Realization of the Property and Land Reforms.

In December 1991 the Land Reform Law established the priorities for distributing land. In March a law on Agricultural Property Reform was adopted for the restructuring of the Soviet-type collective farms (Kolkhozes) and state farms (Sovkhozes). The laws on land price, land tax, and bankruptcy were also adopted. They opened the way for radical land reform, which turns most land and property into privately owned farms.

The second and main stage of the agrarian reform is to begin at the end of 1992, after all real farm and land owners have been registered. According to the Land Reform Law the deadline for land applicants was March 15, 1992. Therefore, the number of farms were to start increasing rapidly in the fall of 1992.
State Regulation in Agriculture

Seeking to integrate into the European and world economy, Estonian agriculture must be oriented towards adopting world market prices and world standards of quality.

The activity of the state in the agricultural sector during the transition period is aimed at carrying out the following tasks.

- Develop the system necessary to provide staple foodstuffs for the population.
- Ensure state purchases of agricultural products necessary for commodity exchanges.
- Provide jobs and livelihood for the rural population.
- Create an environmental protection system.
- Use regional policy to guarantee incentives to ensure that rural life sustains its population at “pure” levels.
- Preserve and improve land as a national resource, taking into consideration the prospective growth of world population and changes in the food market accompanying the decrease of arable land.
- Guarantee the essential needs of the population in the case of natural, political, or social catastrophes.

Some Social Problems

The human factor is the strongest social factor influencing agricultural production. However, it is not correct to treat workers as a labor resource with physical and intellectual properties. Resources are passive in nature; they do not act but are used. They do not change their jobs but are placed from one position to another, and are not expected to be active, to participate in management, or to demonstrate creative initiative. Their duty is to be obedient.

The abilities, needs, and interests of workers are so different in reality that it is impossible to estimate them comprehensively. The physical, intellectual, working, and other potential latent in people can change (develop or decline) due to political, economic, social, and psychological conditions so quickly that their treatment as a “resource potential,” not to speak of “economic potential,” makes no sense, at least for the purposes of managing social processes. Comprehensive estimates of resource potential have some use only for comparative analyses, where the labor force is reduced to its characteristic parameters (e.g., education, wages, and other quantifiable factors).

The reduced demographic activity of the Estonian rural population is to a certain extent caused by women’s higher work load in large-scale production and their deteriorating health. Infant mortality is also relatively high in rural areas.
The health of rural dwellers can be estimated on the basis of average life expectancy. In Estonia the average life expectancy of the rural population is three years shorter than that of the urban population. That of men is even four to six years shorter than that of their counterparts in towns. The main causes of death are cardiovascular diseases. Their relatively high percentage in the country may be due to political stress factors. The relative importance of cardiovascular diseases as a cause of death in 1976-90 was 2 to 4.4 times higher among Estonian country dwellers than the total of rural and urban dwellers in Japan, France, the United States, and West Germany.

There are nearly 40,000 elderly people in the Estonian countryside who live alone. Moreover, numerous elderly couples also need some kind of help. Older people are often in poor health. They face difficulties in satisfying various elementary needs such as buying food, repairing their dwellings, and getting fuel for their homes.

At present, active measures are being taken to provide elderly people with efficient medical aid, including regular supervision by nurses, but again, rural people are not so well provided for as urban residents. In rural areas, providing medical services to aged people in their homes would be socially much more important and less expensive than building homes and nursing homes for the elderly.

No doubt, considerable material resources are needed to put any social policy into practice. Farms, enterprises, and organizations in rural areas have different abilities to allocate resources for social purposes: some have sufficient material and financial resources, others have no resources at all. Moreover, the situation does not depend on the actual results of work but on workers’ needs. Generally, in rural areas social problems are mainly handled by economic organizations and in towns by the state. It is necessary to change the very approach towards creating adequate social net systems both for rural and urban populations, emphasizing the needs to fill the gap between them.
THE ATTITUDES OF RURAL INHABITANTS TOWARDS AGRARIAN REFORM IN LITHUANIA

Saulius Budvytis
Lithuanian Rural Sociologist

Before the agrarian reform actually started, everybody anticipated that some problems would arise in its course. Some problems were expected to be solved as the reform progressed, while others were expected to resolve themselves. But the ideologists of the agrarian reform legislation did not expect these problems to affect the very course of the reform. At present, all laws on agrarian reform are in effect and it is obvious that some of the difficulties were underestimated.

Before the reform, the relationships among people in rural communities were more sincere, warm, and informal compared with those among urban residents. At present, there are many conflicts between the members of rural communities and distrust is growing. And what is most disappointing is that the majority of people are very pessimistic about the future.

There are two major reasons for the difficulties associated with the agrarian reform and the dissatisfaction of rural people. First, rural residents were psychologically unprepared for the reform, and second, conflicts were programmed into the goal of the reform itself.

The reform has two goals: first, to restore social justice by giving back or compensating for property that was nationalized in 1940; and second, to transform collective and state farms into more efficient units that are based on private property. This paper addresses changes rural people expect in agriculture (based on the results of research conducted by rural sociologists) and new problems caused by inconsistencies in new laws on agrarian reform.

Survey of Rural Population

In December 1990, before the agrarian reform started, and in September 1991, when all laws on agrarian reform were adopted, a group of rural sociologists from the Lithuanian Institute of Agrarian Economics (LIAE) investigated the attitudes of rural people toward the changes in agriculture and their expectations about their future after the reform. Only 9 percent of respondents expected their lives to change for the better in the near future. Forty-five percent thought their lives
would become worse. Answers to questions related to their future prospects provided similar results. Only 12 percent believed their lives would be better in the future; 24 percent believed they would be worse; 59 percent were not able to imagine how their lives would change; and 5 percent did not answer the question. Women, as well as men, were in general pessimistic about agrarian reform.

Twenty-seven percent of respondents agreed that reform was needed in agriculture, 36 percent said “no,” and 37 percent preferred smaller changes rather than radical ones. The answers to that question were closely related to the respondent’s education, position, and age and to the farm’s economic well-being. More respondents with higher education thought the reform was needed. People in higher positions were more likely to think that reform was necessary. Fewer respondents from economically strong farms thought the reform was needed. Unexpectedly, younger respondents hardly saw the need for the reform. Only 20 percent of the respondents under age 30 said that the reform was needed, and 40 percent said “no.” In the 41 to 50 age group, 38 percent of the respondents said “yes,” and 20 percent said “no.”

What forms of farming did they prefer as a result of the reform? Six percent preferred the family farm, 25 percent cited the small agricultural partnership, and 52 percent wanted the whole former farm to be reorganized into partnership. The remaining 8 percent thought about leaving agriculture for other activities.

In September 1991, the rural sociology group again asked people what form of farming they were going to choose. Five percent of the respondents preferred the family farm. So, during the year the number of people willing to start a family farm did not increase. In the economically strong farms, 61 percent of the respondents wanted the whole farm to be reorganized into one large partnership, and 8 percent wanted to start family farms. In economically weak farms, these two forms of farming were chosen by fewer respondents, with more people preferring to work in the smaller (those with 5 to 10 people) partnerships.

Older respondents preferred smaller enterprises whereas younger respondents were more oriented to the large-scale agricultural enterprises. Only 3 percent of those under 30 planned to become individual farmers. Similar results were obtained for other age groups: 5 percent of those 31 to 40, and 10 percent of those 41 to 50. Fifty-five percent of the people under 30 wished to work for a large-scale partnership; in other age groups that percentage was lower. One of 10 young people did not regard agriculture as their permanent occupation.

The survey also dealt with the form of farming people would recommend for their children. The question was meant to help us determine the general attitudes of respondents toward the forms of
farming, in spite of the current difficulties. Only 11 percent of people questioned chose the family farm, 25 percent chose small partnerships, and 33 percent chose large-scale partnerships. Eighteen percent of the respondents have a negative attitude toward farming as a profession.

In the December 1990 survey, 78 percent of the respondents were former landowners or their heirs. Only 14 percent said that it is necessary to compensate the former landowners for the land (although the majority of them were previously landowners themselves), 13 percent supported partial compensation, and the remainder said that compensation was not needed.

During 1990-91 four laws and many post-law acts were prepared and adopted, forming the legal basis for agrarian reform. But essential changes began to take place in agriculture in 1989 when a law on peasant farming was adopted. Under that law, people were allowed to get land for private farming and approximately 6,000 family farms were established. The land for family farms was free. The adoption of this law caused some problems. First, many urban residents wished to get land close to towns. Second, on the economically strong farms where the average size of agricultural land per person was comparatively small (3 to 5 hectares while the average in the republic was 11 hectares), the use of land was rather intensive, and the fact that it began to be allotted for family farms came into conflict with the interests of the other members of collective farms. There were many cases when the one who decided to start the family farm lived in the settlement and wanted to get land there. But the land around the settlement was primarily used for collective farmers' individual plots and pastures for their livestock.

**Problems and Possible Solutions**

Many problems and conflicts were caused by the Law on the Procedure and Conditions of the Restoration of the Right of Ownership to the Existing Real Property. In 1940, about 80 percent of the Lithuanian population lived in the countryside. The majority were landowners. Today, a majority of Lithuanian residents are former landowners or their descendants. According to LIAE data, about 80 percent of rural residents could restore their rights to the land. A problem with this process is that during the last 50 years, many people, for different reasons, moved away from the land they owned. On some former collective farms, about 80 percent of the inhabitants were not local people; that is, they moved to their place of residence between 1940 and 1991. According to the law, the same number of hectares could be restored in the place where they now lived, but usually former owners of this land wished to have the land restored to them rather than assigning it to current residents.
Another problem is that there are a number of descendants of one former landowner. For instance, my grandfather had 14 hectares. There are four descendants so each should get 3.5 hectares. But there are cases where 5 hectares have to be divided among eight descendants. People do not choose the option of compensation because they are afraid of inflation. Under the Law on Peasants' Farms, the average farm size was 20 hectares. It is projected that after land restitution (there are more than 300,000 applications), the average farm size will be 7 or 8 hectares. In this process, conflicts may arise between the former landowners and current residents on the same land, and among descendants themselves.

The Law on the Privatization of Property of Agricultural Enterprises also caused many problems. For example, in the territory of one former collective farm, three comparatively large partnerships were created. Twenty-three people took land for private farming, with each farm between 3 and 22 hectares. Under this law, farmers could buy machinery and cattle from the privatized collective farm in proportion to how much land they owned. Three tractors had to be shared among 23 farmers. All farmers are dependent on these three people who bought the tractors; this created many conflicts among the farmers. The same situation occurs in partnerships. Every member of the partnership has an individual plot of 3 to 5 hectares. Earlier, these plots were cultivated by the collective farm for free or for a symbolic fee. At present, that is not possible because of high fuel prices. Horses have become widely used again. When people distributed the horses kept on that farm, they got only one horse for every six or seven families. At present, the best neighbors become enemies because they cannot share the horses or the piece of machinery. In speaking with rural people, many of them claim that the countryside has never harbored so much hatred and anger.

It is difficult to predict how rural lifestyles and relationships will develop in the future. But I am optimistic because Lithuanian farmers, in all times and during all former reforms, quickly adapted to new requirements and conditions.
LITHUANIAN REFORM AND THE ROLE OF RURAL WOMEN

Vilija Budvytiene
Lithuanian Rural Sociologist

The main problem of rural women in Lithuania has been that their concerns have never been taken seriously and investigated separately. At present, with so many problems, it becomes difficult to address the specific problems of women in the Lithuanian countryside.

More than 80 percent of rural residents are married. Single people will either create a family or move to town. This paper focuses on married women living in a family because of the influence of the family on women's needs. Married women in Lithuania have traditionally had a job because it was impossible to maintain the family with the salary of only one spouse. Most also have individual family plots that take considerable time. Additional duties of housekeeping and caring for the children leave almost no time for personal interests or leisure.

In 1991, with assistance from our colleagues from Iowa State University, we began to interview different groups of rural women in the Lithuanian countryside. We conducted additional interviews during the spring and summer of 1992. To characterize rural lifestyles during the Soviet period and to evaluate the effects of agrarian reform, this paper draws upon these interviews as well as the data on Rural Residents' Interests (RRI) gathered by Lithuanian rural sociologists before the reform.

Characteristics of Rural Lifestyles Before Reform

Gender disproportion has, at times, been acute in the Lithuanian countryside. Many chiefs of collective farms would say that they lacked brides. I visited one farm where the director was busy arranging an agreement with Ukraine to “import” 15 women to keep young men in the countryside. Gender disproportion was one of the main reasons for migration from the countryside. The reasons contributing to gender disproportion included poor choice of professions for women in the countryside, and the huge burden of work at home because of poor social conditions. In 1990 there were 83 able-bodied women to 100 able-bodied men.
In 1989, of 600,000 able-bodied rural residents, 45 percent were women. Rural women made up 43 percent of all employed people in the countryside. Of the women who worked at collective and state farms, only 10 percent were managers or specialists, 33 percent were engaged in field cultivation, 45 percent in animal farming, 5 percent in subsidiary occupations, and 6 percent in social services.

The goal of the RRI research was to compare the real behavior of rural residents with their aspirations. That is, we gathered baseline data on their current activities and their preferred activities. We found that the real behavior of respondents was determined more by environmental conditions, what is available, than by personal attitudes. The living conditions are difficult—not enough developed services and no variety of choice.

The investigation separated the life of rural residents into two parts—activities at home and away from home. Their job was the main activity away from home. Traditionally women did the manual work that did not require skills in field cultivation or animal breeding. The main at-home activities were working in the individual plot, watching television, and reading. The time was usually spent in the family circle visiting relatives or shopping in town. Rural residents liked to attend theaters, movies, and other entertainment in their town or village; attend theater, concerts, museums, and exhibitions in other towns; engage in amateur artistic activities and cooking; travel; listen to music; and spend time in nature and with friends. We did not find statistically significant differences between genders. The only difference was hobbies—knitting and sewing for women and handicrafts and fixing the car for men.

Because most of the collective and state farms helped people in cultivating the individual plots, supplying fodder, and building houses so people had more spare time before reform, especially in the winter. Generally, the collective farms were relatively rich enterprises, able to support the development of social services.

Changes in Rural Lifestyles During the Agrarian Reform

Two aspects of agrarian reform greatly influenced the changes in rural lifestyles: (1) the replacement of large-scale farms by new, smaller partnerships and individual farms, and (2) the shift of responsibility for institution and maintenance of social services (earlier supported by collective and state farms) to the local municipalities.

One former collective farm we visited in June 1992 illustrates the process in Lithuania. The collective farm has split into three partnerships, and 32 people in that territory got back their land
through restitution for private farming. We interviewed one female farmer, a woman from the local municipality, and the chief of one partnership.

The farmer, age 54, still works as an elementary school teacher. She will retire in 1993. Her husband, a machine operator, retired in spring 1991. Their farm is 22 hectares (the largest farm in the territory of that municipality; the remainder are 3 to 10 hectares). Their two children are grown and live in town with their families. As the farmer put it, their “work day begins at 4:00 a.m. and lasts until midnight.” She neither has time to meet friends nor participate in any women’s movement. She does not have time to read books or watch television. The couple would be unable to complete the jobs on the farm if they were not assisted by their children’s families on the weekends. Every weekend, children return from town to help their parents farm.

This farmer’s motivation to start an individual farm was emotional—she got back her parents’ land—and not materially motivated. She would like to continue her parents’ farming traditions. At present, she does not earn any income from the farm and is not sure about the future. She hopes to get a pension after she retires, and that is her only “security” right now.

The economist at the local municipality considered this farmer as the most successful of the 20 in this municipality, who are mostly retired people. The average farm size is 2 to 3 hectares. The majority of farmers are unable to imagine or predict the future of their farms. This particular farmer was eager to take the land and was aware of possible problems. Others accepted the land because they were driven more by emotions and were not able to be objective about their farming capabilities. Most of these people are retired and have no one with whom to consult about how to farm.

The chief of the agricultural partnership revealed that the partnership is on the verge of bankruptcy. The average salary was 500 to 600 rubles per month, only one-third of the minimum standard of living. All members of the partnership have individual plots of 2 to 3 hectares. The partnership is not able to help people cultivate their land free of charge as they did previously because of the high price of fuel. People cannot afford to pay for such services because of high prices. Therefore, most of the work is done by hand or using horses. There is not enough time for anything except work for the partnership and on personal plots.

Recent developments in the agricultural sector and the general decline of the national economy and severe drought have caused a significant decrease in agricultural production. This strongly influences the level of employment in the agricultural sector. As a rule, women lose their jobs first because generally their skills are lower. They also have to do more work at home. Social services, such as cleaning, household repairs, sewing, and day-care have diminished because they have become
the responsibility of municipalities. The budgets of the local municipalities are less than those of former collective or state farms. With the decline in social services provided, women are losing jobs because mainly women were employed in providing these social services.

Summary

This transition period is very hard for women because of the threat of unemployment, diminishing social services, and an increasing burden of work at home. As economic problems increase, women’s problems receive little or no attention. Their problems could be approached by:

- Decentralizing the processing industry and establishing small processing units in rural communities;
- Supporting the entrepreneurship movement that started on Lithuanian collective farms more than 10 years ago;
- Creating more jobs in nonagricultural activities, such as handcrafts and production of consumer goods; and
- Reviving social services in the former collective and state farm facilities.

There is a comparatively good base for social services in the schools, kindergartens, dining rooms, and cultural houses. There is a base for solving problems of rural women in the Lithuanian countryside that only has to be revived.
EVOLVING FARM-MUNICIPAL RELATIONS IN LITHUANIA

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New laws permitting private farming are not sufficient to dismantle the system of large-scale state agricultural enterprises in Lithuania. Farmers question whether property rights are stable, if government commitments will be fulfilled, and whether others will take complementary actions. Municipal officials, relating to farmers in a new way and with new powers, also face uncertainty over their new roles and responsibilities. To allay these uncertainties requires developing new institutional structures and renegotiating long-standing administrative relationships.

This paper, based on interviews conducted between August 1991 and April 1992, focuses on how tensions between agricultural producers and municipal officials are being played out at the local level.

Conducting Research During Rapid Change

Conducting research in this period of flux in Lithuania poses some real limitations. Social data are limited in all the republics of the former Soviet Union and Lithuania is no exception. To increase the validity and utility of the research, a collaborative approach has been essential. We have been fortunate in being able to work with rural sociologists from the Lithuanian Institute of Agrarian Economics.

Our approach has been exploratory since little theory was available to guide us. We began with this objective: to analyze Lithuania’s rural transformation process from the perspective of rural people. Through our inquiries, we are simultaneously developing a theoretical understanding of what is observed.

We also began with assumptions. The first was that the transition would be shaped by decision making processes at several levels. Examining processes at each level would be need to reveal core issues. One level would be strategies and responses by individuals (both farmers and
officials) to the restructuring process. At a middle level would be group decisions and responses to restructuring by local and regional municipalities, and state and collective farms. Policies and laws shaping the economic transition would come from a third level, that of the central government.

We also assumed that until a new functioning institutional structure was in place, farmers and municipal officials would rely on old networks and existing relations with neighbors and partners for support and information. At the same time they would begin reacting to new, and perhaps unexpected, actions of the other parties.

A plurality of methods are needed to study and understand social life as social process. We conducted personal and group interviews with farmers (individual private farmers and directors of collective and state farms) from the north, south, west and east of the country. We also conducted interviews with representatives of local and regional municipalities in the Panevezys, Kedainiai, Ukmerge, and Trakai regions. These data were supplemented with interviews with key informants including economists and a geographer at the Lithuanian Institute of Agrarian Economics, the director of an agricultural school, and an animal husbandry specialist. The interviews were conducted in August and September 1991 and March and April 1992. In addition to our own personal observations and interviews, we analyzed policy documents, census and economic reports, and reviewed the result of social surveys conducted by our counterparts in 1989 and 1990.

We examined recently adopted laws related to farming. A significant move towards a market-oriented economy occurred in July 1989 when the Law on Peasant Farms of the Lithuanian SSR was issued. This law determined the economic, organizational, and social conditions for individual farming. On its basis state, cooperative, joint-stock, mixed agricultural enterprises as well as family farms all became legally accepted forms of agriculture in Lithuania (Kazlauskiene, Meyers, and Stephens 1991). March 11, 1990 was a day of political significance when Lithuania claimed independence. (Lithuania was formally recognized as an independent republic by more than 40 nations in August 1991.) Numerous political and economic reforms resulted from this struggle for independence.

In July 1990, a law was issued to allow people to have personal plots of 3 hectares instead of the original 0.5. At the end of 1991, a Law on Partnership outlined the regulations for stock ownership and limited or general obligations, but still no permissions to buy, sell, or inherit land were granted. Three important laws on land rights were adopted in 1991. The first, the Law on Restitution of Property to People Who Owned Land or Property in 1940 allowed people to reclaim land or property if they were going to cultivate or make use of it. The Law on Land Reform covered
issues related to sharing or privatizing land previously owned by the state. The third dealt with the privatization of agricultural enterprises.

New Roles and Activities of Regional and Local Municipal Officials

The fundamental changes taking place in all spheres of life in Lithuania were evident throughout the data collection process. Changes were being felt at all levels of administration: at the ministries, and at regional and local municipalities. The government had decided first to reduce the country's number of administrative regions so that the remaining ones would be fewer and larger. These larger regions were to be trusted with more financial and administrative leverage. To make necessary adjustments in the system of taxation, regional and local municipalities were asked to estimate the economic situation of their regions and to set priorities. In the future, they were to be given more leverage, but would also be tied to a budget stating how the allocated funds would be spent. The emphasis was to be placed on production rather than services.

When asked about the reorganization process and their past and present roles, municipal agents at regional and local levels seemed to regard as valuable the efforts of the new independent government to democratize and decentralize the administrative system. However, they also felt that while the government is busy attempting to change the whole institutional and personnel structure of government and the legal framework of social and economic activity, they at the regional and local level are very much left to their own devices. At the same time, they expressed a lack of confidence in their capabilities and experienced resistance to change initiated from the local level.

Although their own organizational structure has remained very much the same—they continue to function with deputies, who have been elected in local and regional elections, and who are the decision makers, and appointees who implement the decisions—many feel they lack information as well as the funds necessary to carry out their new responsibilities. "The organizational structure has not changed, but the responsibilities are more real now" is the reaction of the administrator of the regional municipality in Ukmerge interviewed in September 1991. "In the past our role was totally directed by the Communist Party and the central government. We could not decide anything ourselves. We were concerned about the problems in our area, but we couldn't do anything without permission from the top. Now we are tied to a budget of 40 million rubles per year. This year we had to evaluate the situation in our region. Presently, decisions are made by deputies but it is hard to decide on what sector to spend the money as all sectors have problems and need attention."
At the local municipality Seta in the Dedainiai region the agents feel unprepared for the new tasks at hand. The head of the rural district of the municipality interviewed in April 1992 said: "We are at a loss as we don't know how to solve our social problems, when there is no economic or financial basis for municipalities to solve their problems independently. The personnel should first be retrained, though independently." Many of the respondents did not think they were adequately prepared to carry out the new policies. At the regional municipality of Ukmerge, the administrator had received some training in Vilnius, but she did not find it very useful. She thought leadership training would be more helpful.

The privatization process, with its accompanying transfer of land and property, causes many problems for municipal officials. At Trakai, the head of the administrative board for the regional municipality, interviewed in April 1992, criticized the way things were going. He considered the role of the municipalities in the transfer process as not clearly defined (especially since some laws had not yet been issued). As a consequence, he thought decisions on land claims were made rather haphazardly. In this view, "The privatization was being carried out without any special methodology."

For the Seta local municipality, the transfer of communal property proved to be particularly hazardous. The chief of the rural district complained that nobody wanted to be responsible for public utilities because they were considered "unprofitable." Previously, they were financed by the collective farms in the area but now the inhabitants of Seta would have to maintain them. But neither the inhabitants or the area, nor the municipality, had the resources needed for this.

Changes in Farm-Municipal Relations

At the time of the study the relations and the extent of commitment between municipalities and the farms in their areas varied from region to region. The regional municipalities communicated with farmers mostly through deputies chosen to be territorial representatives. Organizations could send delegates to the regional municipality to raise some issue or file a complaint. People could also approach municipal agents directly, although this did not seem to occur very often.

Local municipal agents appeared to interact more frequently and more directly than before with farmers since various laws involving the privatization of land and agricultural enterprises and the restitution of property had been adopted, and in February 1992, a private farmers' support program was initiated.
The money from the support program was designated for constructing and maintaining roads in rural areas, installing electricity and telephone facilities, and providing loans for the construction of houses and barns. The support program would also provide loans to purchase agricultural machinery and pedigree animals and require ministries, departments, and committees to provide all the support necessary to enable private farmers to purchase fuel, machinery, fodder, seeds, and other inputs.

To ensure a gradual transfer of land and fixed assets, a new institutional structure was set up at four different levels. At the top level, a Central Privatization Commission coordinates all activities of privatization institutions and controls the process of privatization. The next level, the Commission for Agrarian Reform, is responsible for carrying out proposals on implementation of agrarian reforms. At the district level, a District Privatization Commission acts as a mediator between the government and local authorities. Finally, at the local level, the municipal Agrarian Reform Services (the smallest administrative units in charge of three or four farms) actually implements the reforms and thus bears the brunt of all the policy changes.

The municipal services have the status of a legal person and their employees, unlike those of other institutions, are full-time workers for the reform period. They are financed from the Central Agrarian Reform Fund. These organizations accept and process applications for land and honor claims. Once a claim is accepted, they provide claimants with certificates confirming land ownership rights. They also deal with applications for agricultural assets, organize auctions, share subscriptions, and reappraise unsold assets (OECD 1992).

The relationship between the remaining collective farms and the municipal governments varies from farm to farm. In Klasučių, for example, the chief of the collective farm interviewed in 1992 was disheartened by government criticism and perceptions of "thievery." He described the mood of the workers as depressed and feeling misunderstood. He was concerned about the growing power of the municipality to govern the reforms (especially through its decisions on land claims). He argued that most deputies were from towns, and not sympathetic to agricultural interests. He also pointed out that specially appointed commissions often decide while deputies only ratify. The municipality supported the school on the farm, and the farm in turn supported the municipality. Sentiment was expressed, though, that "sometimes money did not come back." They were paying more taxes to the state and local government than they received "services" in return.

In contrast, the director of the Rietavas state farm and agricultural school, interviewed in August 1991, was positive about its affiliation with the town in the area and relations with the
municipal government. The three farms in the area sold meat to the town and had their milk processed at the local milk processing plant.

In Antashava, the chief of a collective farm maintained that the municipal government in the area had very little influence and that the farm solved most problems by itself. At the Elmikinkai experimental station and experimental state farm near Kupiskis the director, interviewed in August 1991, indicated that the municipal government as yet had no influence at all. She said, "The municipality should take responsibilities in the future, but are at present only symbolic."

According to the local municipal government officials, their ties with the remaining collective and state farms had a rather personal character, something they sometimes regretted. The head of the executive body of the local municipality at Vepriai, interviewed in April 1992, explained this as follows: "At present the collective farm in our area is still wealthier and more powerful. Our relationship with the farm depends completely on personal contacts. Fortunately, we have a good relationship with the farm. The farm helps the municipality where it can. It provided all social service buildings. The moving force, however, is money. When they have a larger budget (more income from taxes), they will have more power to set their own priorities. Even if the relationship is good, the director of the collective farm is aware of the changes ahead. In the future, the municipality will be the one with more leverage."

When the communist regime was still in power, a chronic problem for the collective and state farms was to obtain the proper equipment, inputs (seeds, fertilizers and insecticides, spare parts), and farm services (repairs, storage, or transportation) at the right time and in the right amounts. The directors of these farms, therefore, devoted considerable energy to developing elaborate networks for solving such supply problems, especially since the Stalinist agricultural model featured the sales of such goods and services to the farms by large units that were usually urban based and far from the users. Many of these old networks have now disappeared and people cannot afford the labor to maintain networks that still exist.

The remaining collective farms, and beginning private farmers in particular, hope that regional and local governments will help solve their supply problems. What they desperately need are independently run outlets to provide them with reliable and accessible sources of inputs but, unfortunately, these depots are slow in coming. The municipal agents have enough "on their plate" already. In any case, they lack the funds and have to restrict themselves to dealing with land claims and property transfers and issues related to health care, cultural needs, education, sewer, and
electricity. Their assistance is limited to helping the new agricultural entrepreneurs to market their products or, as the Seta local municipal officials said, “to support them morally.”

Conclusions

After a long period of collectivized agriculture, new rural institutions are emerging in Lithuania. Long-standing relationships among regional and local governments and agricultural producers are being renegotiated.

New laws allowing private ownership of land and assets and the creation of the private farmers’ support program have provided some new opportunities for farmers, but conditions for farming have not yet improved. As Szelenyi (1988) found in Hungary, Lithuania’s new agricultural entrepreneurs lack investment capital. Other obstacles hinder their efforts: lack of machinery and building materials, credit, and infrastructure (Kazlauskiene 1990). Moreover, they distrust any new regime.

Without any special training, municipal officials must implement the new policies designed to facilitate Lithuania’s transition to a free market economy and to decide about land claims and public utility transfers. Instead of just obeying orders from above, regional and local officials are becoming participants in the transition process. Because of lack of funds and expertise, local officials are limited in what assistance they can provide to farmers.

The ties between municipalities and farmers, particularly at the local level, appear to be governed by three factors: size, personal contacts, and funds. New, small private farms seem more dependent on and expectant of local officials. Large former collective or state farms are still able to solve their own problems but report apprehension about the future and fear that land claims from people from outside the area will split up the collectively owned property.

We found more instances of working together than of competing, but also a growing recognition that things were changing. Actors at all levels report lack of funds, information, and trust. Municipal agents accuse the central government and its ministries of rigidity and lack of trust. In many instances, farm directors reported mistrust of the central government and were sensitive to accusations of “thievery.” Political democracy and privatization require ministries to take a more western-oriented policy-setting role and begin to trust the local level with more responsibilities and more funds.

The reformist leadership, having dismantled many of the existing vertical structures of the command-administrative system, now need to replace them with new horizontal structure, preferably
evolving from below. For now, the people of Lithuania are overwhelmed by the degree and range of changes taking place. People who are used to a particular way of organizing their social life feel alienated and insecure and fear losing control of their social worlds.

Neither a change of regime or government nor the decision to allow free trade are by themselves enough to create the entrepreneurial climate and institutions the farmers need. Old forms of redistribution remain operative because there are still few institutions to replace the directives of the cadres. Gradually, the old cadres will influence a substantially smaller portion of individual farmers and new, more democratic, distributive institutions will take root. Time is needed for the emerging structural void to be filled. Because it took time and effort to build this extensive vestige of communist power, it will take more time and more effort to break it down.
AGRICULTURAL EDUCATION AND TRAINING IN LATVIA:
CHANGES AND PROBLEMS

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For a time in the world, there were two social systems based on highly different concepts of social development. For Marxism, an opinion prevailed that society would advance to a certain and law-governed status entirely different from the status quo. On reaching this status, contradictions between individuals would be eliminated and the nature of the people would change fundamentally. The state was to be the body to help reach this ideal status in the shortest and most rational way. Individuals and local authorities would be given self-initiative rights only if this initiative were used to enforce and enhance the tenets of Marxism. The educational system was used as an instrument of the government to train citizens to accept the government’s control of their lives.

Proponents of another approach believed that society should be reformed only and in such a way that individuals could fulfill their needs to the maximum. The state would ensure a mechanism to help coordinate the interests of various groups. Educational institutions should help individuals fulfill their needs without disturbing the rights and achievements of others.

As was proved in practice, Marxism was not able to achieve the goals set for it. People did not want to, nor could they, give up their natural needs, and they destroyed this system. We must remember, however, that it is more complicated to reorganize the old structures than to destroy the system itself. Realization of Utopian ideas led to irrational production and social infrastructure. The lack of inner self-regulating mechanisms of the society created, in turn, conditions for progressing chaos.

At present, the Latvian educational system faces serious problems. Without rational production and social infrastructure, it is difficult to create an adequate educational system. For the time being it is not even clear what the economy of Latvia will look like tomorrow. This uncertainty disorients individuals and puts educational personnel in a complicated position.
The Educational Situation in Latvia

General education has two levels. Children from six to 14 years attend compulsory primary school. After that they can move on to three years of secondary education. There are three types of schools--elementary schools attended by children from six to nine; elementary schools where children complete a full primary course; and secondary schools where they may complete primary as well as secondary education. Secondary schools are most prevalent in towns and elementary schools are more common in rural areas. After completing elementary school, children may attend a secondary school, a trade school (where the length of training varies from one to three years), or a specialized secondary educational establishment (lasting from three to four years). The duration of higher education may range from four to five years.

Total government expenditure on education makes up 13.5 percent of the current state budget. Forty-seven percent of this sum is allocated to primary and secondary education, 25 percent to secondary specialized and trade education, and 20 percent to undergraduate education. The remaining 8 percent is spent for training clerks and officials and for other out-of-school activities. Eleven percent of the resources designated for education are spent to train all-level agricultural specialists.

Primary and secondary education is financed by the state with the help of target subsidies and donations received by the local authorities. District authorities in turn distribute these resources among schools in their territories. The state provides teachers' salaries through target subsidies. With the help of donations, most of the school maintenance and construction expenses are financed as well as the social budget taxes. The actual local expenditures for education are minimal. Local authorities must distribute these resources in the best possible way. Parents provide their children's meals and school materials.

At present, 70 percent of the resources designated for education--primarily school staff salaries and the taxes connected with them--come from the social budget. Other educational establishments and institutions, as well as children's out-of-school activities, are financed from the state budget. Four ministries are responsible for training specialists. The Ministries of Welfare, Culture, and Agriculture train specialists in their respective fields; the Ministry of Education trains the remaining specialists.

Staff salaries of budget institutions in Latvia are established according to the "pressed" Geneva scheme, designed to reduce salary differences and to bring higher salaries closer to the subsistence wage. As a result, the salary of the Prime Minister is, at present, only three times higher than that of a highly qualified teacher. However, it should be noted that average workers' wages in
industry are higher than teachers' salaries. At present, five teacher pay grades are established but, because the methods of evaluation are not specified, many salary disputes arise between school administrators and the teachers. A full load for a teacher is 21 lessons per week. This work is not differentiated for teachers of various subjects and this must be considered a drawback of the current pay system.

The teacher staff is assigned according to the number of grades in each school. Grades with fewer than five pupils should be combined but school management does not always do so. The average pupil to teacher ratio in Latvia is 10.7 to 1, but in rural districts and separate small schools it may be lower, reaching 4 to 1. These data are evidence of an expensive educational system that would be unaffordable by the standards of countries with better economic systems.

There are noticeable variations in this ratio between various rural regions of Latvia. Because teachers' salaries and related payments make up a large portion of educational expenditures (approximately 70 percent), teaching a pupil in one region may cost nearly twice as much as in another. The difference between teaching expenses in towns and in rural areas is even greater. In 33 percent of the primary rural schools there are fewer than 100 students, fewer than 70 in 15 percent and, in some schools, fewer than 40 students. As a result, approximately 30 percent of the classes in primary schools average 10 or fewer students.

There are a number of reasons for the existence of small schools and class sizes. First of all, the population density in Latvia is low (40.6 inhabitants per square kilometer). The average age of the population in the republic is also rather old (36.3 years); in the eastern regions of Latvia it even reaches 40.4 years. This explains the small number of students per square kilometer, and in several regions this number is two times lower than the average in the republic. It is also important to realize that, in the eastern regions of Latvia, the greatest part of the population lives in small villages (from 10 to 200 people) while in other regions the small-town and big-village structure is more developed and schools are better located.

The population is less homogeneous in eastern Latvia. In several districts, only one-half of the population is Latvian while other rural districts are almost homogeneous. These conditions are not favorable for the formation of big schools. This situation is further complicated by the bad network of roads with many not paved. Even closely located populated areas are often isolated from one another because of weather conditions.
Another essential factor preventing the formation of bigger schools is the lack of transportation for the rural population. Only one-third of Latvian families have private cars and this number is even smaller in rural areas.

The public transportation network is also in financial crisis at present. Supplies of gasoline are insufficient. There were some periods during the 1992 winter when gasoline was supplied only to the ambulances and emergency service cars. At present, the use of cars is significantly influenced by high gasoline prices. Generally, a one-month average teacher’s salary would buy only 140 liters of gasoline. Obviously, educational problems cannot be solved in isolation from other economic problems of the society.

**Youth Professional Education**

Because it is not clear what kind of specialists the society will need and how many, state financial resources are wasted. Professional unemployment is likely to increase. The educational system continues to train specialists for enterprises with out of date technology that are likely to close. Thus, the irrational structure of production continues to "shape" the labor market while at the same time disorienting the educational system. There is also an enormous inertia in the old system and stereotypes.

The training of agricultural specialists is complicated. Communist ideology regarded agriculture as a branch of industrial production with corresponding consequences: centralization, absence of autonomy, and narrow specialization. Although this form of industrialization was discredited in the West long ago, in the Eastern block even agricultural education was adjusted to this model. Agricultural specialists were trained to perform highly specialized functions. The organization of work did not stimulate people to acknowledge the meaning and objectives of their work.

Overcoming this inheritance is one of the most difficult tasks of the agrarian reform. People are not ready for independent work. It is going to be very difficult to change their mindset. At present, the educational system has no resources to retrain so many people. Because of these problems, educational campaigns need to be organized with the help of mass media. Significant financial resources and efficient training programs are necessary. At present, neither is available.

Young people are quick to recognize the irrationality of the current system for agricultural education. As a result, the prestige of the educational establishments has fallen as has the number of young people who would like to study at them.
The training of the most highly qualified agricultural specialists is also complicated. At present, agricultural specialists with higher education make up 9 percent of those employed in this field. This is a higher percentage compared with the share of agricultural specialists in any western country; these figures are evidence of too many specialists.

Their distribution among the rural districts of the republic is not homogeneous. In eastern Latvia there are 25 percent fewer than there are on the average in the republic. There are also few young specialists in this region. The reorganization of agricultural education is seriously hindered by political considerations connected with the unpopularity of the anticipated reforms in some influential political groups.

At the same time, there is an acute need for specialists with humanitarian education in the country, and a serious shortage of lawyers and service workers. Most young people get their education in the cities and a significant percentage of them do not return to the country. One-fourth of them are women. Because of the location of these educational establishments in the cities education is expensive for both the state and the students.

Disproportionate sex ratios are another problem Latvia faces, a problem that is related to the underdeveloped rural social infrastructure and mechanization of agriculture. As the demand for women workers decreases, the migration of women to the cities grows. In the 1980s, it exceeded the migration of men by two times, and that of the people of active working age by more than three times. The most difficult situation is in the regions with underdeveloped infrastructure. In the eastern regions, there are 764 women to 1,000 men between the ages of 25 and 29. This means that every fourth man has no possibility to start a family with a woman of his age.

The feminization of higher education establishments is a related phenomenon. Even at the University of Agriculture, about 40 percent of the students are women. Because education is free, some of these women view their studies as a way to delay the necessity of starting work. From a social point of view, it is an irrational and ineffective way to spend the government's money.

**Demographic Changes**

After insignificant increases in the birth rate in the 1980s, there was a rapid decline by the end of the decade. There were 42,100 children born in Latvia in 1987, but only 34,600 in 1991. In the first half of 1992, the birth rate fell 10 percent compared with the first half of 1991. Projections indicate that the birth rate will fall 25 percent in five years. The natural growth of population is
already negative this year for the first time since World War II. Emigration of the Russian-speaking population is also increasing.

These processes will have a direct impact on the educational system. The number of children starting school will fall in 1995 and this trend will continue. The existence of small schools will become even more problematic and the demand for teachers will also decline. The tension within the labor market will increase at the beginning of the next century when fewer people will retire and leave this market and more people will enter it. In the rural districts, this situation may become particularly acute. If, at the present moment, there are 120 young people for 100 pension-aged ones in the countryside, at the beginning of the next century this proportion will reach 190 to 100. It is obvious that the agrarian sector will not be able to absorb them.

At present, 15.5 percent of those of working age are employed in agriculture—one of the highest ratios in Europe and one that is not likely to be sustained in the future. The potential structural changes will affect production as well. As it is shown by practice, the educational system is not presently able to respond to the structural changes of production.

Economic changes have begun to alter former notions about education. The prestige of many professions and educational opportunities are changing. Soon, the number of young people willing to attend secondary schools is likely to decrease and young people are likely to enter the labor market at a younger age.

The predominance of physical and unskilled work in agriculture is still very high, along with the increased use of child labor in agriculture. Thus, their education suffers most often.

With more favorable economic conditions, rather than the current avalanche-like development scenario, these problems could be solved. The present situation does not encourage optimism. Thus, the need to rank priorities to avoid strategic mistakes is even more urgent.
SOCIAL SECURITY IN LITHUANIA

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Lithuanian Ministry of Social Security

The main goal of Lithuania’s social security is to protect the population in the period of growing economic instability and to maintain acceptable living standards.

At the beginning of 1992, Lithuania had 3,761,400 inhabitants. The population included 730,800 (19.5 percent) of pension age and 895,400 (23.9 percent) under 16 years. There were 906,000 recipients of social insurance pensions, including 677,000 receiving retirement pensions. The working age population totaled 2,120,200, of which 1,095,200 were males (see Figure 1). The female population totaled 52.6 percent. There were 1,172,100 (31.2 percent) rural population, and 2,589,300 (68.8 percent) urban population in Lithuania.

The contemporary demographic situation includes these categories:

- Population growth—only 15 live births per 1,000 people; natural increase in 1991 was 4.1;
- Increase in death rates—in 1980 there were 10.5 deaths per 1,000 population; in 1991, 10.9 deaths;
- Great difference between female and male average life expectancy—males 66.3 years; females 76.1 years;
- Growing share of old people in the whole population—in 1980 old age population made up 17.3 of the total population; in 1992 increased to 19.5 percent; and
- Approximately 1.8 million working and 1.9 million nonworking population.

State Social Security Fund

Lithuania now manages its social security problems independently after regaining its political independence from the USSR in 1990. Since 1991, the budget of state social security has functioned separately from the state budget. During 1991, the state social security fund disbursed more than 4 billion rubles to individuals and families through social insurance and unemployment programs.

The social security network is still in the formation process. The background for the system is provided by laws passed by the Lithuanian Parliament in 1991 and 1992. Actually, by summer 1992, The Income Warranty Act, Fundamental Social Security System Act, Social Insurance Act,
Employment Act, Collective Bargaining Act, Family Support Allowances Act, Employment Contract Act, Integration of Disabled People Act, Wage Rate Act, and Improvement of Old Age People Pensions Act were all in force. Laws concerning labor safety, labor conflicts, state labor inspections, state employees, and pensions are being formulated.

The social security net consists of different programs: social security, social assistance, and unemployment. Social security programs apply to employees, individuals with the same status, self-employed persons, and farmers. Benefits in this program are wage-related and are paid from the social insurance budget.

Social assistance programs are designed for poor and handicapped persons and families with low income levels. Social assistance is financed from state budget and municipal financial resources.

Unemployment programs are designed to pay unemployment benefits, to create new job facilities, to set up a retraining system, to fund various employment programs, and to create public works. Unemployment programs are financed from a special fund that is part of the social insurance budget.
Social Security System

The social security system is administered by the Ministry of Social Security, the State Social Insurance Board, and the Labor Offices Institution. All of them have networks of local offices that cover all cities and regions in Lithuania.

The main sources of income for the social insurance budget are compulsory contributions paid by employers, employees, owners, farmers, self-employed workers, and other insured persons. Also, the Social Insurance Board has income from its own activities. At the beginning of 1992, the following fixed state insurance contribution rates were determined:

- Enterprises, institutions, and organizations (employers) pay 30 percent of the wage fund;
- Self-employed, farmers, and self-insured people pay 23 percent of a declared amount of income that is not less than the official minimum wage level; and
- Employees pay 1 percent of their wages.

The difference between the contribution rate for employees and employers can be explained by the present economic crisis in the country, resulting in low wages and salaries. It is supposed that, in the future, contribution rates will be fixed at the same level for employees and employers.

Payments from the social security budget are designed for:

- State retirement, disability, survivors, and long service pensions;
- Sick leave, maternity and child care benefits, and funeral costs;
- Payments to the Employment Fund for unemployment insurance programs;
- Payments for medical treatment and preventive medicine; and
- Expenditures of the State Social Insurance Board.

There are no medical insurance programs in Lithuania and almost all costs of medical care are financed by the state. Medical treatment including hospitalization and medication are free to patients.

Sick pay is given to the insured person, who cannot work because of illness or trauma, from the first day of disability until recovery or until disability assessment. The amount of the benefit is 80 percent of the wage. If temporary disablement lasts more than 30 days, then beginning with the 31st day of disability, the size of the benefit increases to 100 percent of the wage.

In case of work-related injury or professional illness, the sick pay benefit is 100 percent of the wage. Benefits are paid by the enterprise from the charged social insurance resources. Maternity benefits are paid to insured women from the same social insurance funds by the enterprise or educational institution.
The State Social Insurance Board does not cover all social insurance programs. There are specific groups of employees who are paid pensions and benefits from the state budget: military servicemen, Internal Affairs and State Security Service personnel, disabled soldiers, and military service invalids and their families.

Payments from the municipal budget cover family assistance, social pensions for families with low income, maternity and child care benefits to nonworking mothers (including students), birth grants, benefits to adopted and foster children, start-up benefits to orphans when they leave the orphanage, and benefits to single mothers.

All persons residing in Lithuania have equal rights to social security if they have no different legal status resulting from effective laws and international agreements.

In order to protect the population’s income from inflation, the following social payments are related to the indexed minimum living standard:

- Minimum monthly wages and pay per hour;
- Minimum and maximum unemployment benefits;
- Child care benefits for working and studying women;
- Birth grants;
- Maternity benefits;
- Start-up benefits to orphans;
- Benefits to single mothers;
- Funeral support; and
- Scholarships for students and others.

All of these payments help to lessen social instability during the transition to a market economy under circumstances of increasing inflation.

**Income Support**

Since prices for most food and consumer commodities have increased significantly, it is important to provide income support for the population. In May 1992, the consumer price index was 17.1 compared with December 1990, the minimum retirement pension index was 19.3, and the maximum retirement pension index was 15.9.

The social security policy was focused on population groups with the lowest income levels: retired people, handicapped persons, and families with three or more children. On September 27, 1991, the minimum living standard was officially calculated and announced in Lithuania for the first
time. In accordance with the prices of January 1, 1991, the minimum living standard was set at 100 rubles per capita per month. In summer 1992 the minimum living standard was more than 1,200 rubles per capita per month. The minimum living standard and all social indicators (old age pensions, benefits, grants) have been changed seven times since fall 1991 (see Figures 2 and 3).

In May 1992, the levels of the primary social indicators were:

- Minimum retirement pension—1,547 rubles per month;
- Maximum retirement pension—2,100 rubles per month;
- Child birth subsidy—3,930 rubles per child; and
- Child care benefit—1,310 rubles per month for the first 1.5 years and 655 rubles per month for the next 1.5 years.

**Conclusion**

Lithuania has an expensive system for transferring income to old, young, and disabled people. For the income transfer mechanism to work effectively, it is necessary to improve the forecasting and analyzing capabilities of social insurance, including the ability to make short- and long-term projections of policy impacts on changes in policies, tax rates, and inflation. It is also important to improve the administration of the systems, including centralized recordkeeping and centralized control of tax collection and income clarification.

Currently the situation is very changeable. A large number of cases and problems have arisen that could not be predicted at the beginning of the economic reform and accompanying transition to a market economy. All these elements of change within the society require the social security system to be flexible and capable of responding to the needs of Lithuanians.
Figure 2. Number of Lithuanian social insurance pensioners, 1985 to 1991

Figure 3. Average Lithuanian pension benefits, 1985 to 1991
DATA SOURCES

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