

# **Land Reform and Rural Poverty Reduction: Comparing State-Led and Market-Led Approaches**

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# **Land Reform and Rural Poverty Reduction: Comparing State-Led and Market-Led Approaches**

By Zachary Couch

**Abstract:** Persistent rural poverty continues to pose a significant problem for development in the 21<sup>st</sup> century. Despite the general consensus that a more equitable distribution of land is needed in order to rapidly reduce poverty, there is no agreement on which method is best for achieving this goal. The purpose of this thesis is to determine which approach to land reform – state-led or market-led – is more likely to reduce poverty levels by comparing the outcomes of past and recent land policies. The author argues that, whereas market-led strategies have failed to demonstrate any benefits for the poor in terms of transferring wealth or securing access to land, state-led land reforms based on the expropriation and redistribution of private property have managed to significantly reduce poverty relatively quickly.

April 30, 2010

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# **Chapter 1: Confronting the Crisis**

## **1.1 Land and Rural Poverty**

Despite recent evidence which suggests a modest improvement in the conditions of a few of the World's less developed countries (LDCs), the highest incidence of extreme poverty continues to be found in rural areas in the Global South. (United Nations 2008: 5) The 2008 World Development Report on Agriculture published by the World Bank puts the number of rural poor living below US\$2 a day at 2.1 billion, nearly 1/3 of the Earth's population. (World Bank 2007: 1) The persistence of rural poverty represents a significant challenge for meeting the United Nation's Millennium Development Goals (MDGs), especially MDG 1; the eradication of extreme poverty and hunger. If the driving principle behind these global commitments is "to spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty" then we have an obligation to look more closely at the causes of rural poverty and to seriously consider alternative solutions.

In agriculture-based economies, where farming continues to be the main economic activity, understanding issues regarding access to, and control of, land are crucial for understanding rural poverty because it is the most important factor in agricultural production. In the 21<sup>st</sup> century, insecure access to land is the main problem facing the rural poor. (Barracrough 2001: 26, Borras and McKinley 2006) In most LDCs, the majority of landless and land poor are forced to eke out an existence on subsistence plots or compete for low-paying, insecure agricultural jobs. They often live alongside

wealthy landowners or corporate agribusinesses that control huge tracts of land and massive estates which dominate rural areas. This extreme inequality in the distribution of land has been identified as a major, if not the primary, cause of rural poverty. (Barraclough 2001: 26, Deininger 2004: 19, El-Ghonemy 1990: 152, Borras and Franco 2008: 1)

Basically, the concentration of land in the hands of a few individuals translates into political privileges and economic powers which allow owners to shape social conditions to their advantage. (El-Ghonemy 1990: 153) Furthermore, the inefficient use of land and labour that comes with a highly inequitable distribution of productive resources limits the ability of the agricultural sector to contribute to national development goals, let alone international ones. In fact, the myriad problems associated with a highly unequal distribution of land have led most experts to conclude that without redistributive measures it is highly unlikely that the MDGs will be achieved. (Kay 2006: 489) Even the World Bank recognizes that, “Where extreme inequality in land distribution and underutilization of vast tracts of productive land co-exist with deep rural poverty, a case for redistributive measures to increase access to land by the poor can be made, both politically and from an economic perspective.” (Deininger 2004: xl) And so, in the words of noted political economist, Henry Bernstein, “After a hiatus of some decades redistributive land reform is now ‘back on the agenda’ – that is, on the agenda of (neo-liberal) development policy as well as that of the left.” (Bernstein 2008: 10) Unfortunately, while there seems to be consensus on the need for land reform, there is no agreement on what kind is most effective.

Neo-liberal literature claims that state-led reform has been mostly unsuccessful in reducing poverty, while critics of market-led led reform point to the dismal record of the World Bank's attempts at redistribution. From the 1940s to the 1980s, state-led land reform was commonly used to correct for the economic and social ills associated with high concentrations of land. Redistributing society's productive resources was considered essential for gaining the popular vote, preventing rural unrest, eliminating colonial and semi-feudal tenancy relations, and introducing new technologies and farming practices. State-led reforms even enjoyed the support of the international community and the funding that went with it. Unfortunately, while some countries managed to completely eliminate land based rural poverty through comprehensive agrarian reform, the political and financial commitment proved difficult to maintain for many others. Bureaucratic inefficiencies, clientelism and corruption undermined the effectiveness of centrally administered redistribution and eventually, the massive costs associated with carrying out land and agricultural reform, coupled with population growth and steadily declining international terms of trade in agriculture caused state-led reform to lose its reputation as a viable tool for development.

The ascendancy of the neo-liberal development paradigm in the 1980s, with its emphasis on market forces and smaller government, effectively ended the era of state-led land reform. (El-Ghonemy 2001: 105) Critics argued that state intervention in the operation of land and agricultural markets had caused distortions which discouraged investment and prevented land transfers to more efficient farmers. It was decided that LDCs should instead focus their efforts on establishing and enforcing a modern, Western-

style private property rights regime in order to activate land markets and promote investment. It was thought that offering landowners full-market value for their property would encourage them to sell-off unwanted and excess property. Despite initial optimism and a considerable amount of technical and financial support market-led land reforms have had little, if any, effect on levels of rural poverty. The limited number of transactions in open markets has resulted in an insignificant transfer of land to the poor, and in some cases has even benefited the already wealthy.

The disappointing performance of market-led schemes has recently led to a shift in World Bank policy which now recommends that development efforts in LDCs center on tenancy reform and activating rental markets. (World Bank 2007: 141) It is argued that long-term leases provide the poor with secure access to land and acts as a “step-ladder” towards property ownership. Rental arrangements not only benefit landowners but also offer the landless opportunities to build-up farming skills and save money in order to buy land in open markets. It is maintained that these and other “market-friendly” reforms should be exhausted before resorting to state-led expropriation. (Deininger 2004: 130, 152)

However, there is no precedent which would lead development practitioners to accept the argument that tenure reform alone can be used as a successful strategy for reducing rural poverty. In fact, history suggests that land redistribution, not tenancy reform, generally precedes economic growth. It has been shown that countries with a more egalitarian distribution of land demonstrate higher levels of economic growth and a more equitable distribution of income than those with inequitable property regimes. (El-



Ghonemy 1990: 291, Borras 2003: 123) And because it fails to significantly alter society's shares of landed property, tenure reform has been described by rural economist, Michael Lipton, as one of the two "great evasions" of land redistribution. (*qtd in* Borras 2007: 27) Rural development specialist, Peter Rosset, has come to the conclusion that the World Bank's *Land Policies for Growth and Poverty Reduction*, with its emphasis on rental markets, is primarily directed at former Soviet states and developing countries, such as Vietnam, rather than the poorest nations of the World. (Rosset 2004)

Given that tenancy reform cannot be considered a useful tool for rapid poverty reduction, the question remains then: "Which approach to land reform – state led or market-led – is more likely to succeed in reducing rural poverty?" The purpose of this study is to compare and contrast the outcomes of past state-led reforms with current market-led land approaches in order to determine which strategy is most successful at reducing rural poverty.

My hypothesis is that state-led land reform based on expropriation and redistribution has a much greater potential to significantly reduce rural poverty than current market-led schemes. Rapid poverty reduction requires the transfer of large amounts of land and wealth to as many of the rural poor as possible. Reforms that are dependent on transactions in the marketplace are unlikely realize either economically efficient or socially equitable outcomes when multiple market failures and high transaction costs combine with the pre-existing asymmetries of power between landed elites and the rural poor. Not only does the great social and political importance of owning land in LDCs mean that there are few economic incentives that will convince

property owners to voluntarily part with their land but awarding full-market value to landowners prevents any significant transfer of wealth from the rich to the poor. Conversely, the ability of the state to expropriate private property at below-market prices means that it can transfer larger quantities of land to a greater number of beneficiaries, in a timely fashion, and at relatively low cost. Ultimately, despite some of the less desirable outcomes of past reforms, a state-led approach to land redistribution is the best option for LDCs seeking to reduce rural poverty in the 21<sup>st</sup> century.

## **1.2 Methodology**

In order to prove my hypothesis, I intend to look at the outcomes of various state and market-led reforms that have been carried in different parts of the World over the past 70 years. The goal is to identify the common features of land reform strategies that have managed to radically reduce poverty. There are two major obstacles to overcome in this undertaking. The first is that land reform cuts across multiple units and levels of analysis. Redistribution potentially affects individuals, families, villages, corporations, regions, cultures, and gender as well as national and international agricultural production structures and consumption patterns. However, the primary purpose of this study is to determine whether or not the state or the market has the ability to act as the main agent of development. Understanding the effects each has had on the well-being of rural households as well as national economies is of central interest to this argument. Secondly, although the literature on land and agrarian reform spans many decades and includes a large body of statistics, there is no adequate theory by which to guide and evaluate land reform. (Tuma 1965: 3) A direct causal relationship between land reform

and rural poverty reduction based on a specific set of indicators has been difficult to establish due to methodological variations between studies as well as a shortage of reliable data from pre and post reform periods. (Kay 1998: 11, 23; Besley and Burgess 2000: 391; Deininger 2004: 37) Ultimately, assessing the performance of land reform, even in the case of specific country studies, is problematic because intervening factors such as macro-economic policies and environmental conditions vary significantly over time. As a result, the relationship between land reform and poverty reduction has generally been assumed rather than empirically demonstrated. (Borras, Kay and Akram-Lodhi 2007: 18; Sobhan 1993: 77) Therefore, this paper emphasizes the strong relationship between the concentration of land and levels of rural poverty rather than specific policy prescriptions.

This study is largely qualitative and empirical in nature and any quantitative data is taken from secondary sources. A more comprehensive treatment of the issues would require carefully researching and deconstructing various data sets in order to understand their underlying biases and is beyond the scope of this paper. In order to avoid becoming bogged down in the complexities of economic modelling and the debates over the accuracy of aggregated measures, I have chosen to concentrate my analysis on broad topics that are typically associated with land reforms and poverty reduction. These are limited to general trends in employment, income, food and shelter. Additionally, I have chosen to avoid using either the term poverty alleviation, a strategy which lessens the impact of poverty but does not address its causes, as well as poverty elimination, which is long-term objective that lies beyond the scope of land reform alone to achieve. Poverty

reduction as it is used here refers to a lessening of the incidence of extreme poverty in terms of nutrition, livelihoods and shelter. Again, while a number of other indicators might be considered in a more detailed study, a lack of reliable long-term statistics means that this paper will focus mainly on empirical evidence concerning the overall well-being of rural households.

The majority of the resources used to develop this thesis came in the form of published books, academic papers, governmental and non-governmental reports, evaluations and project assessments, online news services, and peer-reviewed journal articles. My argument for state-led reform is based primarily on *The Political Economy of Rural Poverty: The case for land reform* authored by Mohamad Riad El-Ghonemy and Rehman Sobhan's *Agrarian Reform and Social Transformation: Preconditions for Development*. Their extensive studies of past state-led reforms supplied me with the key components of my analytical framework. Critiques of state-led reform were provided by a range of authors but the most comprehensive treatment of the issue comes from Klaus Deininger of the World Bank. He, along with others, not only provided this study with compelling arguments against state-led reform but, as the primary architect of the World Bank's market-led approach, his body of work forms the vanguard of the neo-liberal alternative. Key texts include the *World Development Report 2008: Agriculture for Development* as well as *Land Policies for Growth and Poverty Reduction: A World Bank Policy Research Report* published in 2003. The critical analysis of market-led reforms presented in this paper is drawn from a number of recent publications in well-known, peer-reviewed development journals including *Third World Quarterly*, *The Journal of*

*Peasant Studies* and *The Journal of Agrarian Change*, as well as from development agencies and research centers such as the Food and Agriculture Organization of the United Nations (FAO) and the Institute of Social Studies (ISS), in The Hague. The majority of the critical components in this paper are drawn from the works of Saturnino Borrás Jr, who, along with a cohort of contemporaries, challenge the World Bank's claim that market-led reform is a strategy that can benefit the rural poor. Because they were most accessible, the texts used in this study were acquired primarily through the Saint Mary's and Dalhousie University integrated library service NOVANET, in Halifax, Canada, while additional material was acquired via the internet.

#### *Development and the Millennium Development Goals*

Settling on one interpretation of the term "development" is notoriously problematic. The past few decades have produced numerous definitions which often reflect ideological and cultural biases. Most of these definitions focus on economic growth as the engine for development and rely primarily on sets of aggregated economic indicators, such as the Gross Domestic Product (GDP) or per capita income, for determining outcomes. While these measures are helpful in some respects, they fail to capture the multiple objectives of contemporary development. For our purposes, we will adopt the UN's understanding of development which comes to us from the work of Amartya Sen, Paul Streeten, and Mahbub ul-Haq. They argue that the improvement of human welfare, of which income is only one factor, is the essence of development. (Martinussen 1997: 37) A focus on human well-being is more consistent with the modern perception that the project of development is comprised of more than simply

economic growth but must also expand and enlarge people's choices and abilities. In a broad sense then, this study will look at how land reform affects human development in terms of employment, income as well as human capacity building. In a more narrow sense, land reform must be understood for its ability to maximize tenure security for the rural poor, as opposed to a neo-liberal concept of development which is concerned with marketability or transferability of property rights. (Assies 2009: 586) Adopting a concept that emphasizes the security of livelihoods, food, and shelter provides this study with a more flexible approach to development that takes into account the adverse effects that land markets can have for the poor and most vulnerable groups.(Assies 2009: 526)

The UN's Millennium Development Goals are the articulated global commitments to reduce and eventually eliminate poverty, hunger and disease. They are grounded in the idea that human progress is measured by the ability of mankind to raise the standard of living of all its members. They are not simply part of a utopian fantasy to be dismissed as impossible to achieve but are associated with the advancement of the species as a whole. The reason I have chosen MDG 1: eradication of extreme poverty and hunger, is because these social and economic goals are the most consistent with the overall objectives of land reform. A recent report by the FAO summarizes the great potential for land reform to fight poverty as well as the unfortunate oversight committed by development agencies in failing to support redistributive policies.

Land provides a source of income, livelihood, food security, cultural identity, and shelter, as well as being a fundamental asset for the economic empowerment of the poor and a safety net in times of hardship. Secure rights to land and greater equity in land access are important for poverty reduction, and of great relevance to the attainment

of the Millennium Development Goals, notably MDG 1, Eradicating poverty and hunger. Despite this, the associated targets and indicators do not make explicit the linkages and processes that land reforms contribute to this goal. (FAO 2006)

Regardless of the fact that the 2015 deadline is no longer considered to be a reasonable goal, arguments for rapid reductions in rural poverty still hold.

### *Land Reform and Redistribution*

Historically, land reform has not necessarily improved the well-being of the poor but has, at times, benefited already wealthy landowners. For example, the British Enclosures carried during the 18<sup>th</sup> and 19<sup>th</sup> century dispossessed rural inhabitants from the land and facilitated the concentration of real property into the hands of economically powerful individuals. However, any land reform initiative which aims to reduce rural poverty must be assessed for its ability to transfer wealth and real property from landowners to the poorest rural inhabitants. Therefore, for the purpose of this study I have chosen to adopt Saturnino Borras' position that,

To be truly redistributive, a land reform must secure, with respect to a pre-existing agrarian structure, a change in ownership of and/or control over land resources wherein such a change flows strictly from the landed to the landless and land-poor classes, or from rich landlords to poor peasants and rural workers. (Borras 2007: 22)

If the outcomes of any given land reform do not reflect this operational definition then it must be questioned as a viable strategy for poverty reduction.

The terms "land reform" and "agricultural/agrarian reform" are sometimes used synonymously, as they are generally understood for their effects on social relations to land and agricultural production as a whole. However, this study is concerned primarily

with land reform as a policy used to change the existing distribution of land ownership in any given country. (Borras, Kay and Akram-Lodhi 2007: 4) That is to say, it is a strategy for re-organizing society's shares in landed property rights. (Borras and Franco 2008: 1) It can be considered part of a short-term strategy for poverty reduction that deals primarily with the effects of transferring property rights or powers from one group to another. However, land reform also influences the agricultural sector and must be situated within a broader context of agricultural reform. (Borras, Kay and Akram-Lodhi 2007: 4) While a number of macro-economic policies are considered to be an important aspect of agricultural (agrarian) reform, this study focuses primarily on the kinds of post-transfer support services needed for a small-scale agricultural sector to contribute to long-term development goals.

#### *Confiscation, Colonization and Expropriation*

Three main strategies have generally been open to governments undertaking land reform; confiscation, colonization or resettlement, and expropriation. Two of these are can no longer be seriously considered as viable options. Confiscation is the forced appropriation of property by the state without any compensation to the existing owner. While this strategy can lead to redistribution in the fullest sense of the word, it is too extreme a measure to defend here as a development policy. It is a radical approach to land reform often associated closely with massive political upheaval and has generally involved a significant degree of violence and/or murder. Not only are the social forces needed to carry out a policy of confiscation rarely found in LDCs today but the legal threshold for confiscation is extremely difficult to overcome. The law generally restricts



its use to cases of highly illegal or treasonous activities. Furthermore, there is little hope of attracting international aid for land reform programmes based on the confiscation of private property. Foreign interests generally balk at the notion that their holdings can be seized at all, let alone without some form of compensation. The long term investment problems it creates are far more acute than those associated with expropriation which has, at various times in the past, enjoyed the support of international donor agencies.

Colonization or resettlement is a policy geared towards the expansion of agriculture on undeveloped frontier lands. This strategy was widely used up until the late 1980s by many countries seeking revitalize their farming sector by settling the landless and land poor in new communities on previously uncultivated public lands. It was hoped that by making use of these lands, LDCs could create a new farming sector without disturbing the existing structure of production. However, the results in terms of poverty reduction were generally disappointing. In fact, colonization has been described by Lipton as the other of the two “great evasions” of land reform. (*qtd in* Borras 2007: 27) While there is evidence of some poverty reduction following resettlement on the most accessible lands, most countries found the process to be prohibitively expensive. Constructing farming communities from scratch required a level of financial commitment that was simply unsustainable. Partial or incomplete projects often resulted in isolated communities and suffered from high rates of abandonment. In many cases colonization benefited already wealthy landowners and international agribusinesses that were able to annex vast areas of public land at the state’s expense. Additionally, critics argued that because it does not alter pre-existing distributions of wealth and power, resettlement was

used by politicians to demobilize social movements and avoid conflict with landowners. (Borras 2007: 27, Kay 2004: 397) Finally, because it generally involves massive deforestation and encroachment on indigenous, environmentally sensitive or marginal lands many question the sustainability of this strategy. Given the ecological, political and financial constraints facing most LDCs colonization can no longer be considered a viable option for poverty reduction. (World Bank 2007: 267)

Expropriation offers LDCs the best option for state-led land reform in the 21<sup>st</sup> century. Basically, expropriation is a legal power used by the state to dispossess an individual of private property without their personal consent, provided it is done for a public purpose and that “fair” or “just” compensation given to the owner. It has been, and continues to be, used by governments all over the World to correct for a number of social ills which arise from misuse and abuse of land and property. When used judiciously, expropriation preserves democratic principles, promotes good governance and is provided for in law. Despite these advantages, international donor agencies are reluctant to champion the use of expropriation. The reason is due to a misunderstanding, or a misrepresentation, of the relationship between the state and private property. Therefore, clarifying some issues regarding modern private property regimes will be needed in order to understand the justification for expropriation. As we shall see, the right of an individual to exclusively “own” land rests on very shaky ground.

### **1.3 Chapter Overview**

Following this introduction is Chapter 2 which outlines my main argument for state-led land reform based on expropriation. First, I briefly examine the institution of

private property in order to draw attention to the problems that arise when it is applied to land. The purpose here is to not only undermine the defence of private property rights to land but to also provide an example of justified state intervention. The second part of this chapter introduces the reader to the four core elements of land reform that have the greatest impact on rural poverty outcomes. The objective is to illustrate the way in which scope, pace, compensation, and post-transfer services all determine the success or failure of any pro-poor land reform.

Chapter 3 looks at the two competing approaches to poverty and land reform considered in this study; state-led and market-led. Special attention is given to the way each understands the source of and solution to rural poverty. The objective here is to compare and contrast the market-led approach to rural poverty which is based on economic efficiency with the state-led approach that considers economic, social, political and historical dimensions of rural poverty.

Chapter 4 compares the two eras of modern land reform which are generally associated with the subjects of this study. This section examines the outcomes of various state-led reforms carried out from 1945 to 1980 as well as some of the market-led strategies of the late 20<sup>th</sup> and early 21<sup>st</sup> century. The main focus of this section is on the way different strategies balance economic efficiency with social equity.

Chapter 5 considers the implications that this argument has for the organization of agricultural production. Not only do I present the case for small-scale farming but I also justify the expropriation of large-scale, productive operations on the basis that they contribute little to the Millennium Development Goals and are, in fact, one of the main

causes of rural poverty. I then conclude with a summary of the findings as well as some recommendations being careful to draw attention to main difficulties that are likely to be encountered for land reform today.

## **Chapter 2: Analytical Framework**

My argument for state-led land reform based on expropriation is advanced on two fronts. First, I intend to demonstrate (a) the problems with, and limits to, the application of private property rights to land, and (b) the right of the state expropriate land in the interest of the public good. Second, I intend to show that there are fundamental characteristics of successful land reform which necessarily imply state participation. When combined, the two sections are used to justify state-led land reform both legally and politically as well as on technical grounds.

### **2.1 Private Property, Land and Expropriation**

Private property rights as they are applied to land generate conflict between the state and society. Whether it is a poor French peasant attacking tax collectors in the 18<sup>th</sup> century (Cavalcanti and Piccone 1975: 76) or a wealthy Bolivian cattle rancher shooting at government property assessors in the 21<sup>st</sup> century, (Romero 2008) expropriations or “takings” are almost always met with resistance from landowners. And many would argue, “Rightly so!” One of the benefits of robust and well defined private property rights is that they ensure the security and protection of the individual from arbitrary state power as well as from the actions of others. The Italian philosopher and socialist Antonio Gramsci once noted that, among peasant, “the right of ownership has acquired a religious sense” and that it was almost as if landed property “were the family itself, the original nucleus of social organization and the intimate essence of the human aggregate.” (Cavalcanti and Piccone 1975: 79) In fact, the idea of individualized ownership of land

has become so entwined with Western concepts of “life, liberty and the pursuit of happiness” that any attack on private property is considered to be an attack on the fundamental freedoms of the individual. Because the expropriation of property runs counter to Western morality as well as Western economic interests, the case for state-led reform becomes especially difficult. (Bronfenbrenner 1955: 213)

However, the degree to which private property rights to land are defended in neo-liberal development literature is entirely unwarranted. As 19<sup>th</sup> century political economist and philosopher, John Stuart Mill argued, “When the ‘sacredness of property’ is talked of, it should always be remembered that this sacredness does not belong in the same degree to landed property.” (*qtd in* Martin 1981: 28) This section will make it clear that the right to own land is not fundamental but is actually “an historical category which remains only so long as the social conditions which support it remain.” (Cavalcanti and Piccone 1975: 79)

### *Land as Private Property*

First, it must be understood that in modern society individuals do not actually “own land” but possess a number of powers which defines the various relationships that exist between themselves, their property and the rest of society. Full ownership is reserved for the state only, which at all times retains control over the physical territory within its borders. This authority usually manifests itself in the form of property taxes, zoning laws, and other institutional regulations which makes demands on, or restricts the freedoms of, those who possess property rights. However, another expression of the state’s sovereignty over landed property manifests itself in the power of expropriation,

meaning the ability to take private property without consent, provided that it is done for public reasons and that some form of compensation is given to the deprived party. It is important to note that even John Locke, the father of modern property rights, was adamant in his opinion that “the lives and property of citizens in any political society are definitely subject to governmental control for the ‘publick good.’” (Wood 1984: 19) According to Locke, and many of his contemporaries, the state has a duty, above all else, to preserve the body politic. So long as it acts within the rule of law and with the consent of the duly elected legislature, the government can legitimately deprive an individual of their property. This power is often referred to as “eminent domain” and is primarily used to facilitate the construction of public infrastructure, to preserve access to public spaces, and for the special needs of the military. But as we shall see below, it can also be used to break up large land holdings when they are seen to be an obstacle to the well-being of others, or when they generate significant social losses.

Second, the defining characteristics of modern, individualized private property rights are that they are exclusive, in that they allow the owner to prevent claims from other individuals, and they are alienable, meaning that the owner can transfer their rights to another party. However, the idea that an individual can make such a claim to land has been contested on a number of grounds. For instance, the theory of private property was originally premised on a principle of labour, meaning that any right of possession flowed from the efforts of the individual. Adam Smith and John Stuart Mill pointed to the obvious distinction between movable property, such as manufactured goods, where “In them, nature does nothing; man does all,” (Smith 1993: 217) and land, “which no man

could lay claim to have created.” (*qtd in* Martin 1981: 28) Clearly, because no human activity was involved in making land, the principle of labour was not applicable. However, economic interests at the time demanded that property laws be structured to afford the owner with as much freedom as possible. Both Locke and Smith argued for private ownership of land on the basis that the profit motive would provide the greatest incentive for individuals to make their property productive. In fact, the association between private property and productivity was so strong that it prompted agriculturalist Arthur Young to declare that, “The magic of property turns sand into gold.” (*qtd in* McEwen: 1) Between the 17<sup>th</sup> and 19<sup>th</sup> centuries a series of legal institutions were introduced in Europe to ensure that property owners could use their land in any way they saw fit while allowing them to exclude all others from the products and profits of their investment, even if their actions happened to destroy the livelihoods those who inhabited the countryside. The state was charged with a duty to protect the right of the landowner, not to interfere with it. In the words of Polanyi, “A blind faith in spontaneous progress had taken hold of people’s minds and with the fanaticism of sectarians the most enlightened pressed forward for boundless and unequalled change in society. The effects on the lives of people were awful beyond description.” (Polanyi 1956: 76)

The atrocities committed by the state and the landed elites in the name of private property prompted a number social commentators and intellectuals to developed an alternative theory of ownership. “Property is theft,” protested the French philosopher Pierre-Joseph Proudhon in 1840 in response to the plight of the rural poor and the accumulation of land and wealth by new capitalist landowners. (*qtd in* McEwen: 1) This



sentiment would be echoed by Karl Marx when he argued that private property was a bourgeois institution designed to dispossess peasants from the land in order to extract surpluses in the form of economic rents and to create a large reserve army of wage labourers required by industrialists. (Bernstein 2006: 2) His powerful ideas informed many of the attitudes about collective land ownership that defined socialist agricultural production throughout the next century. Writing at the same time, influential American political economist Henry George spoke out against the privatization of land which he described as a “bold, bare and enormous wrong like that of chattel slavery.” (George 1912: Book VII) For George and many others, it was clear that the “remedy for the unjust and unequal distribution of wealth apparent in modern civilization, and for all the evils which flow from it” was to make land common property. (George 1912: Book VI) What is important to note here is that the idea that land could be the exclusive domain of one person has never enjoyed universal acceptance. In fact, the idea of land as a public resource belonging to all citizens would be taken up as a rally cry for most of the land reforms carried out in the 20<sup>th</sup> century.

### *Land as a Commodity*

In the early 20<sup>th</sup> century, Karl Polanyi commented that “What we call land is an element of nature inextricably interwoven with man’s institutions. To isolate it and form a market out of it was perhaps the weirdest of all undertakings of our ancestors.” (Polanyi 1957: 178) He was referring to the inherent problem of applying private property rights to land which, unlike other forms of property, does not qualify as a commodity in the traditional sense but is unique in its status as one of three “fictional commodities”, the

other two being labour and money. (Polanyi 1957: 72) They are fictional in that they possess few or none of the characteristics which can be applied to most commodities that make them exchangeable in society. In the case of land, it is neither physically transferable nor is it reproducible. However, it is deemed necessary in a capitalist society that all factors of production, including land, “be subject to supply and demand, that is, to be dealt with as commodities, as goods produced for sale” in order that they end up with the most efficient owners. (Polanyi 1957: 130) To this end, titles and deeds are used in order to identify land owners and transfer property rights between parties in a land or real estate market.

But as American philosopher John Rawls points out, while private property rights to land might be necessary, “those rights are not basic.” (*qtd in* Munzer 1990: 235) They are not subject to the same level of protection that is given to other forms of property. While public reasons exist for private rights to land, “if those reasons lose their force, the thing would be unjust.” (Martin 1981: 28) Basically, what this means is that a private property regime is defensible, “only to the extent that the system prevents alienation, exploitation, severe problems of production, and great differences in economic power.” (Munzer 1990: 213) Otherwise, that property regime generates more losses to society than benefits. Even the World Bank concedes that the rights to land are never unrestricted but are limited by the need to have the rights holder contribute to the broader public good or face expropriation. (Deininger 2004: 29-30) In rural LDCs, where the concentration of land is the main cause of extreme poverty and where landowners

contribute very little to the public good, the individual's right to land is the first to break down.

Sadly, the perceived sanctity of private property continues to prevent far-reaching land reforms from being implemented. In a recent interview with the Director of Bolivia's National Agrarian Reform Institute, Juan de Dios Fernandez stated that,

A central pillar of a country's constitutionality is guaranteeing legal security. If you have a property that was acquired either rightfully or wrongly, and which is larger than 5,000 hectares, I can't take it from you retroactively. That would be an attack on the owner and we would be breaking the property rules of this society. (*qtd in Chavez 2009*)

While political restraint may have prompted such a comment, it captures the misplaced reverence towards property rights which so often obstructs meaningful redistribution. Such an attitude is particularly unfortunate given that many of the landed elites in LDCs emerged out of previous neo-liberal and authoritarian reforms built upon the acquisition of land often without legitimate right or title. (Van Schaick 2008) It is crucial to understand that the right of the state to expropriate for the public good, the contested status of land as private property, and the lack of social conditions needed to support exclusive ownership of land sets the legal and political bar for state-led redistribution much lower than is often presented in neo-liberal literature.

However, any argument for expropriation raises a serious problem. Allowing the state to interfere with private property means risking abuses of power and can result in perverse redistribution. This occurs when property is either taken from the poorest in society and transferred to the wealthy or when access to public land is restricted by

legislation. (Borras and Franco 2008: 4) For example, when governments determine that the dislocation of farming communities for industrial development is in the best interests of the public, there is a negative effect on the rural poor. This is currently the situation in various regions of India and China. (Deininger 2004: 174) Another problem occurs when eminent domain is used for “environmental” reasons. Peasant groups in Africa are becoming increasingly concerned with the creation of national nature reserves which, while they encourage tourism, prohibit the rural poor from accessing public lands which may have supported a number of livelihoods. (Moyo 2007: 357) On the surface these actions seem consistent with the arguments given here, expropriation for the public good. However, in the words of Polanyi, “If the immediate effect of a change is deleterious, then, until proof to the contrary, the final effect is deleterious.” (Polanyi 1957: 38) All efforts must be made to promote land reform that ensures the continued well-being for the most vulnerable in society. Therefore, a series of democratic checks and balances coupled with oversight by an independent watchdog can provide some protection against the abuses of the state. Where governments are accountable to the public it is less likely that officials could pass legislation which would lead to widespread suffering.

However, the question remains then: Under what conditions should the power of eminent domain be used? Who decides what constitutes “the public good”? Any society that allows for the free transfer of property rights must accept some level of inequality, (Munzer 1990: 191) but just how much is that? Unfortunately, there is no simple method for determining when to pursue a programme of expropriation. Many have attempted to

justify its use based on a discourse that focuses (a) on the social function of land or (b) on fundamental human rights. However, both approaches cause problems for land reform.

### *Social Function of Land*

Drawing inspiration from the Mexican Constitution of 1917, which enabled some of the most dramatic and far-reaching land reforms of the 20<sup>th</sup> century, many LDCs have included legal provisions which state that land must serve a social function or may be subject to expropriation. (Hylton and Thomson 2007: 138) (Deininger 2004: 29) In a very general sense, the social function of land in any country is to provide food and livelihood for its citizens. (Perez and Echevarria 2001: 265) The idea that land should serve a social function is a powerful tool for proponents of redistributive land reform and has served as a useful node for peasant groups to organize around. Even the World Bank agrees that if landed properties fail to meet a minimal standard of use the government has the right to expropriate and redistribute. (Deininger 2004: 30) However, over the years the meaning of “social function” has been fiercely contested. (El-Ghonemy 2001: 118) Most landowners argue that any productive land is sacred and claim that large, cultivated estates fulfill their social function because they contribute to the national economy and help to secure foreign exchange. (Lapp 2004: 145) Many contend that to destroy such wealth through redistribution would unnecessarily impoverish the countryside. Furthermore, the criteria for determining the “social function” of land have often been manipulated by landed interests. During the 1980s, the definition of “productive land” in Brazil was expanded to include land which was in the process of “becoming rationally utilized” meaning that if any property was being developed for agricultural production, it

could not be targeted for expropriation. (Lapp 2004: 148) Just as in the past when, “the simple expedient of driving a single furrow across the field would save the offending lord from a penalty” (Polanyi 1956: 36) landowners today are able to make it appear that they are using land productively and save themselves from redistribution. Ultimately, relying on the “social function” of land provides landowners with too many opportunities to evade reforms.

### *Basic Right to Land*

Given the situation, some might argue that a more forceful position based on a fundamental “right to land” might prove to be advantageous. In India, during the 1940s and 1950s, the Constitution once ensured that all citizens had such a right. While this provision was initially meant to help secure better access to land it became used by landowners to successfully challenge the ability of the legislatures to implement land reforms on the basis that it violated the Constitution. (Nayak: 1) And so, a discourse of a fundamental right to land creates a significant legal obstacle for redistribution. Furthermore, adopting such a position is inconsistent with the above argument which undermines an individual’s right to “own” land.

A more tenable argument for redistribution can be advanced on grounds that access to land is the best means to achieve the more widely accepted basic human rights, such as the right to shelter, secure livelihood, or food security. (Assies 2009: 574) Contemporary theories of social justice hold that all societies able to do so are obligated to provide a minimum amount of property required for a decent human life in society meaning that certain basic needs are met and that the development of certain basic

capabilities is ensured. (Munzer 1990: 244) And while the argument here has been against the idea of a positive right to land it does suggest that an individual has a right to not be excluded from owning property. As John Stuart Mill has argued, “to be born into the world and to find all nature’s gifts previously engrossed and no place left for the newcomer” is an unbearable social evil. (Martin 1981: 28) Adopting such a position not only undermines property regimes which marginalize the rural poor and indigenous groups but also charges the state with creating conditions for an individual to exercise their right. Highly concentrated land holdings can be targeted for expropriation on the basis that they violate the right of the individual to participate in land ownership without resorting to legislative measures that run up against any supposed “right to land.” In the end, justifying expropriation along the lines of social function or human rights is not only highly contentious but is, in fact, entirely unnecessary.

#### *Expropriation as a Public Action*

One of the most illustrative examples of when the state ought to interfere with private property rights to land comes to us from the case of Hawaii Housing Authority v. Midkiff. In 1967, concerns were raised by public officials over the concentration of property in the hands of a few individuals. They were primarily members of the former aristocracy who had retained 47% of total properties leaving only 4.5% for the public (48.5% State owned). (Munzer 1990: 461) These elites enjoyed a near monopoly on land and the unearned income from high rents on long-term leases that comes with market power. The Hawaii legislature concluded that this situation had led to a shortage of fee-simple residential land and that artificially high prices would lead to “a large population

of persons deprived of decent and healthful standards of life.” (Munzer 1990: 462) It was deemed to be in the “public interest” to force the landed oligarchy to sell many of their estates to existing tenants (at market prices). Many criticized this as an attempt by the US government to break the power and influence of the former aristocracy and challenged the constitutionality of the statute on the basis that eminent domain was not exercised in public interest but for private gain. (La Croix, Mak and Rose 1995: 1006) However, the decision survived numerous appeals and in 1984 the Supreme Court eventually deferred stating that “The Hawaii Legislature enacted its Land Reform Act not to benefit a particular class of identifiable individuals but to attack certain perceived evils of concentrated property ownership in Hawaii – a legitimate public purpose.” (*qtd in* Munzer 1990: 461) The measures had their intended effect and the leaseholds which constituted nearly 30% of all occupations in 1972, had declined to only 5% in 1991. (La Croix, Mak and Rose 1995: 1005)

It is true that in this example, compensation was set at near market value and paid by beneficiaries through a system of grants and low interest loans, similar to what is recommended by proponents for market-led reform. However, this is only defensible if there is a donor agency willing to provide the kind of financial support needed to drive redistributive land reform. For LDCs, it is out of the question. The example might also seem inappropriate for the reason that it concerns urban property in an advanced industrial country. Nevertheless, a number of important details of this case are germane to this study.



Contrary to recent World Bank recommendations, the state felt it necessary to reform an inequitable property regime without first resorting to tenure reform. The regulation of leases was not even attempted nor was it deemed necessary. The elimination of highly unfair tenancy arrangements through redistribution was given primacy over rights of property. Additionally, the action is notable in the sense that it was initiated democratically and that the courts acquiesced to the wishes of the elected representatives. Judicial deference to the legislatures in LDCs is not always desirable given the ability of landed interests to dominate either branch but empirical evidence indicates that the courts are more likely to side with property than with the legislatures. In context of democratic land reform argued for here, the convention which preserves the supremacy of the electorate is obviously favoured. Furthermore, the state did not consider the development of public land to be an acceptable alternative. Ecological limits to urban expansion forced policy makers to make a decision on the basis of land scarcity, a reality that is faced by most LDCs today.

But the crucial thing to recognize is that, even without the mobilization of the peasantry, the immiseration of the countryside, or any of the violence which tends to accompany popular calls for land reform, the state saw fit to exercise its right to correct what was considered an obstacle to the well-being of its citizens. Whereas the World Bank only promotes expropriation in cases of “extreme inequality” this example proves that the situation does not have to become so desperate. In sum, the case of Hawaii Housing Authority v. Midkiff provides us with an excellent example of “land reform as a public action assigning specific role to land tenure to amend what are considered by the

state to be iniquitous practices against the public interests – practices which create conditions inhibiting rural development.” (El-Ghonemy 1990, 188) On the basis of this precedent alone we can see how state-led reform can play a more prominent role in development strategies.

## **2.2 The Four Pillars of Land Reform**

Whereas the last section justified expropriation both in theory and practice, the purpose of this section is to demonstrate the need for a state-led approach based on technical issues. The main focus here is on the four common features of any reform which have shown to significantly affect poverty outcomes; scope, pace, compensation structures, and post-transfer support. The purpose is to help clarify what is sometimes considered to be a tenuous relationship between land reform and poverty.

It has been pointed out that establishing a clear, linear relationship between land reform and poverty reduction has never been satisfactorily accomplished due to methodological problems and the many intervening variables associated with assessment over long periods of time. (Sobhan 1993: 77) It must be emphasized that land reform alone is not sufficient for long-term poverty reduction or rural development. The potential for reform to affect poverty levels has as much to do with the ability of the state to carry out complementary, post-reform programmes in such areas as health and education, marketing and extension services, and agricultural production in general, as it has with the initial redistribution itself. However, there is enough empirical evidence connecting a more equitable distribution of land with lower levels of rural poverty to provide this study with the main impetus for redistributive land reform.

First, the World Bank currently recognizes that a high level of inequality in the distribution of productive resources, such as land, significantly discourages economic growth. (Deininger 2004: 19) Where wealth is monopolized, the poor, who start off with little income, find it difficult to access credit in order to invest in income enhancing activities. Furthermore, inequality means that surpluses accrue to a few who are not always the most efficient investors. Second, it has been shown that, when accompanied by an improvement in the Gini coefficient, economic growth can almost double the amount of poverty reduction than growth which takes place in the presence of unchanged or worsening equality. (Asian Development Bank 2007, 8) This means that for any amount of growth to be effective in reducing poverty, equity must also be enhanced. Finally, in regards to land distribution specifically, El-Ghonemy has observed a strong, positive correlation between the variation in land concentration and the incidence of rural poverty. (El-Ghonemy 2001: 116) In his study of various state-led land reforms, he found that a 33% reduction in inequality resulted in approximately a 50% reduction in poverty levels. Despite the evidence, many land reforms are still not designed around this association between equity and poverty reduction. Nor are they adequately concerned with the way in which the four, mutually reinforcing pillars presented below influence poverty outcomes.

### *I. Scope*

The scope of any land reform is concerned with how much and whose land is being targeted, and to whom is it being redistributed. Looking at scope is important because, generally speaking, those reforms which transferred large amounts of land to a

large number of beneficiaries were more successful in reducing poverty quickly. (Borras, Kay and Akram-Lodhi 2007: 8; El-Ghonemy 1990: 282) Conversely, the unsatisfied “land hunger” of the poor that results from the inability of reforms to secure enough land to meet demand has been correlated with persistent rural poverty. (Sobhan 1993: 104) This link might seem somewhat intuitive but its importance has been overlooked (or underemphasized) by proponents of market-led reform.

While there is no widely accepted formula, El-Ghonemy found that land reforms which significantly reduced poverty managed to redistribute approximately 50% or more of the total cultivatable land to the poor. (El-Ghonemy 1990: 186) Furthermore, beneficiaries accounted for at least 2/3 of the total rural households and included between 2/3 and 100% of the landless and waged labour in any given area. (El-Ghonemy 1990: 186) Land reform that met these benchmarks he considered to be “complete” while those that fell below these numbers he classified as “partial.” While it is true that all land reforms are essentially partial in nature and never complete, describing reforms in this way is useful for the purpose of this paper.

El-Ghonemy’s study of productivity and equity between complete and partial land reform shows that the former performed better over longer periods, while the latter failed to demonstrate any significant gains. (El-Ghonemy 1990: 253) The reason is that complete reforms lead to more even development over time while partial land reforms end up dividing agricultural structures into two subsectors; reformed and non-reformed. (El-Ghonemy 1990: 256) This type of dualist agricultural sector, which is frequently

found in LDCs today, leads to inefficient use of land and labour as well as a highly unequal distribution of income.

Another problem with limited or partial land reforms is that they act as an “unvirtuous ratchet.” (Herring 2003: 59) By benefiting only a small numbers at a time, partial redistribution creates a class of rural farmers whose individual interests in maintaining a poor workforce eventually overtakes their collective interest in radical redistribution. Sobhan echoes this finding in a similar study when he concluded that the redistribution of large amounts of land to a wide number of beneficiaries was necessary in order to eliminate the process of differentiation which was responsible for dividing the peasant agricultural sector into a class of capitalist farmers and another of wage labourers. (Sobhan 1993: 138) What he refers to as “radical” land reform led to wider diffusion of new technology, more optimal utilization of domestic resources, both human and natural, and promoted the development of domestic markets. (Sobhan 1993: 4) The works of Cristobal Kay also point out that reforms which were successful at displacing landlords from power were typically wide in their scope. (Kay 1998: 17)

The scope of any land reform is determined by two factors; the kinds of tactics which makes land available for redistribution and the way in which beneficiaries are identified. With market-friendly models, which are geared towards creating incentives for landowners to voluntarily sell land, there is no method for determining the potential for reforms to generate enough supply to meet demand. The process is wholly dependent on the preference of the landowner to sell, a preference that is rarely demonstrated in rural LDCs. In the case of state-led models establishing land ceilings, meaning limits on

the size of properties one can own, is the most common method of determining how much land will be available for redistribution. Land holdings which exceed the ceiling are appropriated by the state and then later redistributed to the rural poor. State-led reforms that place restrictions on land sizes generally target the properties of wealthy, landed elites who control massive estates, many of which are uncultivated. While ceilings will vary between regions, depending on the quality of land available and the number of rural poor, the general goal is to set them at levels sufficiently low to make enough land available to the number of poor who need it, while simultaneously maintaining farms sizes which are adequate for small-scale production. Because a land ceiling can help determine a basic land-beneficiary ratio it can provide some indication of the potential for reforms to meet demand. If one accepts that there is a need to predict potential outcomes then the state-led approach would be more suitable than the market-led strategy which is unable to provide any such information.

The second part of scope is determining who is going to benefit from land reform. This is important because when most of the landless and land poor are identified as the primary beneficiaries, land reform has led to poverty reduction. However, where classes other than the poorest in society are advantaged by the selection process, poverty levels remained largely unaffected. In the case of past state-led reforms beneficiaries, more often than not, included existing tenants who worked on the estate and/or agricultural workers which lived nearby or in adjacent communities. Some programmes failed to include seasonal workers and land poor labourers and in these cases the ability of land

reform to reach many of the intended beneficiaries was limited. But for the most part state-led reforms were relatively effective in targeting the worst-off in society.

In the case of the market-based approach, there are few reasons to expect that the poor and marginalized will benefit. Because emphasis is generally placed on commercial viability, the process favours candidates with existing assets and farming skills. Unfortunately, most of the rural poor start out with few assets and limited education. If one of the objectives of land reform is to benefit the poorest in society then preference must be given to programmes designed to target beneficiaries on the basis of need rather than on existing assets. Additionally, in the 21<sup>st</sup> century the rural poor are increasingly made up of migrating, agricultural wage-labourers as opposed to tenants. As this trend continues, making land available to this class becomes a crucial feature of any land reform. Ultimately, what is important to understand about scope is that the redistributive effects of reform are greater where more land is expropriated and distributed to a larger portion of the rural population, especially the rural poor. (Kay 1998: 21)

## *II. Pace*

While scope answers how much and how many, pace determines the rate at which land is transferred from one group to another. This is significant because the more quickly the process is carried out, the more rapid the rate of poverty reduction. (Borras 2003: 120) If the process moves too slowly it becomes vulnerable to counter-reforms, disillusionment on the part of beneficiaries, lengthy legal challenges, etc. Additionally, as time goes on the agencies responsible for redistribution become more susceptible to corruption, rent-seeking and clientelism. The World Bank also warns that if interventions

are not implemented quickly and decisively, measures such as low land ceilings and rent controls will have negative long term effects in terms of land use and allocation. (Deininger 2004: 155) Furthermore, speedy transfers are necessary because most land reforms involve temporary disruptions in food production, which can easily spiral out of control. The more quickly the reforms are carried out, the faster agricultural production can resume. But most importantly, rapid implementation is needed in order to offset the effects that demographic pressures place on land. In the past, initial gains in redistribution were quickly lost to rural population growth which outstripped gains in efficiency and equity.

As with scope, there is no widely accepted formula for how long land reforms should take. Kay suggests that at least 30 years from the start of the land reform are needed to adequately assess the effects that redistribution has on rural poverty, (Kay 1998: 19) while El-Ghonemy estimates that approximately 15- 20 years are required to analyze the interaction between market forces, state services, and population growth. (El-Ghonemy 1990: 101) While the exact length of time needed to carry out redistribution will vary in each region, “the shorter the time in replacing old institutions with new order without uncertainty, the better, as any weakness or delay is bound to lead to strengthened resistance from the landed oligarchy.” (El-Ghonemy 1990: 180)

As far as state-led reform is concerned, pace is dependent primarily on the ability of government agencies to carry out the many functions required for successful redistribution and to generate and maintain a high degree of public awareness. Where the state has demonstrated high implementation capabilities and autonomy from the nation’s



landed interests, there has also been a corresponding increase in the rate of progress. (Martinussen 1997: 238, Borras 2003: 120) When combined with the large scale of state-led reforms, redistribution occurred relatively quickly. Additionally, keeping the general population, as well as those directly involved, informed about the process and benefits of land reform also help to maintain momentum. This requires public awareness campaigns in urban areas as well as legal services which provide timely information and advice about the rights of beneficiaries. (McEwen: 5, Deininger 2004: 57) Governments that made concerted attempts to promote land reform through media, city halls, village councils, etc., significantly reduced the number of problems they encountered during implementation.

Rapid and extensive redistribution also requires that efforts be co-ordinated between state agencies and grassroots organizations in order to help maintain momentum and provide resistance to counter-reforms. While the majority of state-led reforms have been initiated from above, their success has often been contingent on the level of support they enjoy on the ground. (Deere and Medeiros 2007: 105) Studies show that where peasant organizations and their allies have played a significant role in the implementation of land reform there is an associated increase in both the scope and pace of redistribution, with reforms sometimes being pushed even farther than intended. (Kay 1998: 17, Borras 2003: 118-9) Furthermore, governments that facilitated the organization of unions and cooperatives of various kinds helped to integrate the peasantry into the national economy, society and polity. (Kay 1998: 23) Conversely, attempts at land reform without high levels of popular participation have rarely succeeded in transferring much of a country's

land, or have done so very slowly. (Binswanger, Deininger and Feder 1993: 25) State-led strategies that were carried out primarily by government functionaries and technocrats often encountered implementation problems due to a lack of participation by the beneficiaries especially where peasant organizations came to regard government patronage as a hindrance.

In contrast to the relative speed of state-led reforms, market-led strategies suffer from three serious problems which prevent rapid transfers. First, because the process is entirely dependent on the landowner's preference to sell, proponents of market-led reform are unable to make claims that markets will transfer land at a predictable rate. In fact, there are reports of market-led programmes that have failed to produce a single land sale for nearly 30 years. (Rosset 2004) Second, the decentralized nature of market-led reforms exposes the process to elite capture. Many sources of public information in LDCs, such as television, radio stations, and new agencies, are often controlled by anti-reform elements and landed interests. This typically results in misinformation and can generate a number of political obstacles which can delay the process. Finally, there is simply little, or no, enthusiasm for market-led reform at the grassroots level. (Borras and McKinley 2006: 2) In fact, many peasant groups and critics charge that the market-led approach has been designed by, and in the interests of, the landowning class and not the poor. (Borras, Carranza and Franco 2007: 1562) This negative perception of market-led reform, especially from the beneficiaries, exposes this approach to failure. Ultimately, the need for land reform to transfer property rapidly and maintain autonomy from landed interests makes the market option less worthy of consideration.

### *III. Compensation*

Compensation is an essential feature of land reform. Looking at the structure of compensation is important because it determines not only what should be paid out to landowners for their property but also the financial obligations of the beneficiaries. This is an essential feature of any land reform because more than any other it affects the total cost of implementation as well as the extent and direction of wealth transfer. It is reasonable to proceed from an assumption that any land reform strategy claiming to be pro-poor must design compensation structures in such a way as to ensure the principle of redistribution is maximized. This means not only that a measurable amount of wealth and land must be transferred from the rich to the poor but that as much of the cost of the process must be shifted from the beneficiary to the state and the landed elites. It has generally been accepted that where beneficiaries are expected to pay full price for the transfer process, poverty is unlikely to be affected. (Binswanger, Deininger and Feder 1993: 77) What is important to understand is the way in which market-led and state-led compensations structures affect wealth transfers.

State-led reforms maximize wealth transfers from the rich to the poor in three ways. First, and most importantly, the state has the ability to set prices at below-market value. The special land courts and adjudicative bodies which make up the state-led process are mandated to represent the best interests of the state and society rather than those of private property. As such, they have the power to penalize owners for not utilizing land and force sales on terms favourable to the government and the poor. When determining compensation, it was common practice for most state-led strategies to set

prices either by estimating value streams based on land productivity or by tax declarations in order to prevent speculative inflation and artificially high pricing. These were excellent methods for determining compensation because they penalized landowners for not utilizing their property as well as those who under-reported land values in order to avoid paying property tax. (Deere and Medeiros 2007: 84) Additionally, setting prices on value streams meant that fallow or unproductive land could be appropriated for next to nothing while more accurate tax records that actually reflected investments and improvement translated to higher compensation to the owner and helped to reduce the problem of de-capitalization that often followed redistribution.

Second, a state-led process shifts the financial burden away from the poor and places it instead on the landowner and the government. While it is true that many state-led reforms of the past required beneficiaries to pay some part of the transfer costs, the low land prices and the favourable loan conditions made debts far more manageable. In fact, in some cases lands that were redistributed by the state had been fully paid within 10 years. (Deininger 2004: 145) The manageability of the debts incurred by beneficiaries of state-led reform makes this approach especially attractive in the 21<sup>st</sup> century.

Compensation structures associated with market-led reform works against the goals of redistribution in four ways. First, setting prices at full-market value means negligible or even reverse transfers of wealth from the rich to the poor. The main problem is that asymmetrical bargaining relations between the buyer and seller lead to artificially high land prices. (Akram-Lodhi 2007: 1440) These inflated costs unfairly enrich the landowner while the buyer is unnecessarily impoverished. The second

problem is that offering full-market value sends the wrong message to landowner by effectively rewarding them for hoarding land. In fact, the promise of high prices has been shown to act as an incentive for landowners to hold onto their best lands as well as encouraging them to make dubious claims to public or contested lands. Third, despite the fact that most loan structures are generous in terms of low-interest rates and long amortization periods, the burden of transfers at full-market value is shouldered by the beneficiary. It has been noted that expecting the beneficiary to pay full-market price has led to widespread default and non-recoverable loans. (Binswanger and Deininger 1999: 267, Medeiros 2007: 1506) In fact, nearly every market-led reform project that has been attempted has been forced to push back the repayment schedules. Ultimately, adopting a programme that requires the poorest segments of society to pay long-term loans at full-market value when they already exists and operate on the margins runs contrary to the entire project of poverty reduction, especially when social and economic equity is one of the main goals.

In the case of expropriation, it is recognized that an owner has suffered a loss at having their property taken, even if it is for the greater public good, and should be remunerated in some way in order to offset the demoralization costs. (Munzer 1990: 446) However, debates over how much compensation is fair, or whether or not expropriated land for reasons of social justice is even compensable, have never entirely been settled. On the one hand, the World Bank cautions that expropriation without fair compensation would not only have deleterious effects on the economy as a whole by destroying the wealth of landowners but might also generate a wave of restitution claims that would

create social conflict and political resistance that is difficult to overcome. (Deininger 2004: 157) According to Deininger governments who wish to avoid this problem should provide prompt payment of full-market value as compensation. (Deininger 2004: 174) Meanwhile, critics challenge the idea that owners should be compensated for economic losses when the government acts in its arbitral or mediating capacity. (Munzer 1990: 448) It is argued that in such instances, especially where a landlord is deprived of their unused property, the state should simply take the land and pay “only the shilling it was worth.” (Martin 1981: 23) These debates are certainly worth closer examination but are beyond the scope of this paper. In the end, a combination of public opinion and fiscal responsibility is more likely to resolve such issues than will theories of justice.

Regardless of how value is determined, as new incentives for land grabbing are generated by corporate agribusiness, the bio-fuel industry, and urban expansion, it makes more sense to adopt a strategy that allows for acquisitions at below-market values. It is crucial to recognize that compensation should never be paid for speculation in real estate as the idea of “fair” compensation simply does not apply to unrealized gains that are the product of land hoarding. (Bronfenbrenner 1955: 217) It should be kept in mind at all times that the goal of land redistribution is to transfer as much wealth and property from the landowner to the landless and land poor. In the end, the less paid out in compensation to landlords and the less the beneficiaries have to pay for the land, the greater will be the redistributive impact of land reform. (Kay 1998: 22)

#### *IV. Post-transfer support and extension services*

Equally as important as the first three put together is this final element. It must be remembered that while land reform is a necessary condition for rural development it is not a sufficient condition. (Borras 2003: 115, Kay 1998: 20) It is not enough to “simply give land to the peasants and then abandon them, and expect that all will be well” (Griffin, Khan and Ickowitz 2002: 285) or to “create a class of smallholders, leave them to defend themselves in the imperfect factor markets for capital and commodities, and then attribute their failure to do so to the diseconomies of minifundias.” (Sobhan 1993: 123) Land reform must be situated within the larger project of agricultural reform. For agricultural reform to reduce poverty it is necessary for the state to implement a series of supportive measures geared towards the needs of the beneficiaries. (Kay 2006: 475, World Bank 2007: 142) These are generally referred to as post-transfer support and extension services. The kinds of supports will vary from place to place but most successful models call for the provision of basic physical infrastructures and public goods that are essential for agricultural production and marketing as well as human capacity building. (Sobhan 1993: 84)

Frequently, tenants in LDCs rely on wealthy landowners for credit, inputs, water, extension services, etc. (Sobhan 1993: 76) Redistributive land reforms which alter social relations in the countryside sever that link. It is important that land reforms be designed in such a way so as to replace the economic functions of the existing actors. (Cousins and Scoones 2010: 41) State-led reforms in the past recognized that credit and input markets in most LDCs were not developed enough to provide reformed areas the services and

supplies they needed to succeed. Because it had an immediate interest in generating agricultural surplus in order to drive other sectors of the economy it was understood that the state would have to fill these roles. This situation encouraged a regime of favourable policies towards agriculture and rural development in general. (Sobhan 1993: 17)

Post-reform supports generally included different combinations of irrigation and electrification; public transportation; subsidized inputs including, fertilizer, seeds, farm tools, etc.; credit for investment; public storage facilities; agricultural research; macro-economic policies such as, protective tariffs, farm gate price supports, etc. (Sobhan 1993: 84) Obviously, such an undertaking required a significant financial and political commitment and some countries were only able to maintain these measures for short periods. However, it is clear that where the state provided massive direct and indirect support in both the input and output markets as well as in education and health, productivity increased and poverty was reduced dramatically and in some cases, eliminated completely. (Binswanger and Deininger 1999: 257, El-Ghonemy 2001: 113) Conversely, countries that were unable to commit such resources, or that failed to provide workers with complementary investment, training, and technical assistance were generally associated with very limited equity and efficiency benefits. (Binswanger and Deininger 1999: 257; Borras, Kay and Akram-Lodhi 2007: 8; El-Ghonemy 1990: 257; Sobhan 1993: 101)

In the market-led system, the private sector is charged with providing the bulk of these supports. The basic idea of this approach is to create dynamic employment and investment opportunities for former landowners as well as the rural poor while



simultaneously relieving the financial demands on the state. However, in many of the World Bank's pilot projects extension services were often too expensive for beneficiaries to afford, or were simply non-existent. Markets either failed to activate or former landowners, having been enriched by initial land sales, became re-entrenched in vital intermediary sectors. (Sobhan 1993: 136) The lack of competition allowed these middlemen to charge exorbitant prices for credit, water, seeds, fertilizer, transport, shipping, etc. High prices meant that the loans, which form one of key pillars of the market-led approach, were insufficient for both land purchase and productive investment. (Borras, Kay and Lahiff 2007: 1427) As a result, new farmers were unable to secure inputs in early stages of production and were often forced to default or sell-off their property. (Gauster and Isakson 2007: 1528) Ultimately, the unreliability of the markets during critical stages in post-transfer production makes the market-based approach unsound.

In sum, any argument for land reform proclaiming to benefit the poor must concern itself with the four elements presented here. A focus on scope helps to set targets that ensure the demand for land is mostly satisfied and prevents the emergence of a dualist farming sector. Pace is important in that it ensures a rapid transfer of wealth and expedites a return to normal production. Meanwhile, compensation structures need to be designed in ways that guarantees a significant transfer wealth from the rich to the poor. Finally, post-transfer supports and extension services are also required for the sustained reduction and eventual elimination of poverty. Because there is no existing example which would indicate otherwise, market-led strategies cannot claim that the supply of

land will meet demand, or that it can do so in a timely fashion. The compensation structure involves negligible transfers of wealth, and rural markets have no way of guaranteeing the provision of necessary post-reform services. Conversely, state-led redistribution has been shown to transfer large amounts of land relatively quickly and can do so precisely because it compensates owners at below-market values. Additionally, where rural markets are largely absent or non-functioning, the state is more capable at providing the necessary supports than the private sector. Furthermore, because the government has an immediate interest in the success of the agricultural sector it has an added incentive to make it productive. Ultimately, the fundamental nature of successful land reform based on these four core components necessarily requires state participation.

## **Chapter 3: Competing Approaches**

A lot of ink has been spilled over land issues in the past century with nearly every theory of development interpreting the cause and solution to rural poverty and landlessness differently. However, this study is concerned only with market-led reform and state-led reforms. This section looks at the debates and the critiques levelled at each in order to compare the neo-liberal model which focuses on economic efficiency with a structuralist approach which is more comprehensive in its understanding of rural poverty.

### **3.1 The State-led Land Approach**

State-led land reform centers on the role of the central administration as the primary agent for redistributing property rights. Basically, proponents for the state-led approach understand rural poverty as a structural phenomenon, a multidimensional problem comprised of economic, social, political, cultural and historical elements. (Kay 2006: 484, El-Ghonemy 2001: 107, Borras 2007: 24)

#### *Economic Problems*

Highly concentrated land contributes to rural poverty in a number of ways. First, those who control large estates in rural LDCs have monopsony power in local labour markets, meaning that they are “price-makers.” (Griffin, Khan and Ickowitz 2002: 285) Basically, where a landlord is dominant in any area, they effectively act as a single buyer facing many sellers of labour and are able to dictate for themselves favourable conditions in terms of low wages. In LDCs, where the rural reserve army of agricultural workers is large and employment opportunities are limited, the negotiating position of labour is very

weak. The absence of alternatives means that wage earners are forced to accept low-paying, insecure jobs or seek out new opportunities by migrating to cities or other communities. The effect is to depress incomes levels in both rural and urban areas as well as in the formal and informal sectors. Secondly, high levels of land concentration skew local land markets in favour of the owner of real property, who is said to exercise monopoly power. The artificial shortage created by hoarding land increases the value of property beyond its actual worth. This not only presents a significant obstacle for the poor seeking to purchase land but also adds to the personal wealth of landowners who are able to access credit from banks more easily and capture more surpluses in the form of high rents. The combination of depressed wages, inflated land prices and the accumulation of unearned income by the landed elite widens the gaps between the rich and the poor.

One of the purposes of land reform is to bring an end to monopoly and monopsony power which forms the core elements of the rural poverty trap in LDCs. (Griffin, Khan and Ickowitz 2002: 291) State-led land reforms based on redistribution will correct this situation in three ways. First, breaking up large estates helps to mitigate the speculative pressure that monopolies generate in local land markets. Where ownership is distributed more evenly, prices fall due to increased availability of property and lower price means that the poor have a better chance of acquiring land. Second, agricultural wages will improve because labour requirements increase on small, family-run farms. As the supply of agricultural workers in rural areas declines, wage levels rise. It has been acknowledged by the World Bank that increasing the take-home pay for farm

workers offers the greatest potential to lift millions out of poverty. (World Bank 2007: 211) Third, the income of tenants is immediately enhanced by the transfer of rents which no longer have to be surrendered to the landowner. (El-Ghonemy 2001: 113) This not only frees up a significant amount of wealth formally captured by the landed elites but also contributes to a more equitable distribution of income. The windfall can then be used to invest in production, to secure household food requirements and to stimulate local economies through increased domestic consumption.

Land reform in this sense is “an anti-monopoly policy manifesting the state’s authority to regulate productive forces while significantly reducing the concentration of wealth and power for the purpose of stabilization.” (El-Ghonemy 1990: 282) It is a well known fact that no monopolist gives up power voluntarily. (El-Ghonemy 1990: 286) Contrary to the “win-win” scenario described by proponents of market-led land reform, any process which actually transfers land and wealth from the rich to the poor disadvantages one party to benefit another. This means that conflict is inevitable and conflict in society requires the state to act in its capacity as arbiter.

### *Socio-Political Problems*

In addition to these economic problems, a number of social and political consequences come from a highly unequal distribution of land. It has been noted that “concentrations of economic power enable, and sometimes necessitate, concentrations of political power.” (Herring 2003: 71) In many LDCs, the social status conferred on those who own large properties often translates into political influence. As powerful economic actors, landowners either have better access to politicians or are themselves in positions

of political power. As a result, the interests of the landed elite often dominate government agendas and they tend to reap the benefits of agricultural policies aimed at reducing their costs. Meanwhile, “landlessness, in a reciprocal dynamic, enables dependency, political inequality, and sometimes subjugation.” (Herring 2003: 71) Often, because of their precarious position, the landless and land poor come to rely exclusively on wealthy landowners for their livelihoods and have been known to be controlled by rural elites in order to extract their political support. The ability of landowners to disproportionately affect policy decisions through the manipulation of the political system runs contrary to basic democratic principles promoted by international development agencies, such as the World Bank. As French notable Alexis de Tocqueville observed, “Nothing is more favourable to the reign of democracy than the division of land into small independent properties.” (*qtd in* Martin 1981: 17) Redistribution not only undermines the land-based political power of the elite but also encourages democratic participation by investing the poor with an interest in collective decision making. In the past, agrarian reform has had a significant impact on transforming subjects into citizens. (Herring 2003: 74) As Kay points out, many beneficiaries felt that only when they had been granted a land title had they become members of society. (Kay 1998: 23)

Social marginalization that stems from inequitable property regimes also figures largely in the case for redistribution. Cultural identities which are tied to the land and to farming are under constant threat by the expansion of giant plantations into indigenous spaces. Dislocation which follows dispossession weakens social cohesion in rural

communities and the resulting migration to urban areas contributes to the already dangerous levels of poverty in cities. Re-uniting the people to the land not only preserves the identities of indigenous and peasant groups it can also stem the flow of rural poor to urban centers and might even reverse migration patterns. (Sobhan 1993: 213)

Another problem is that the benefits of public spending diminish where concentrations of land prevail. (Deininger 2004: 20) Irrigation projects reach fewer individuals and subsidized inputs tend to advantage the largest owners. Additionally, investment in public education and health is wasted on the limited opportunities that result from modern, large-scale agriculture. Because landowners have an interest in maintaining a reserve army of cheap, unskilled labour, they often work against the development of dynamic labour markets. The type of work they do promote is not sufficient for realizing full human potential. It has been noted that,

Persons without access to productive resources often lack opportunities to develop their capacities, particularly the capacity for meaningful work. They are also more likely to lack self-esteem and to be resentful and hopeless than those who receive much gratuitous wealth. In the end, the costs fall upon society as a whole. (Munzer 1990: 216)

Ultimately, redistribution can mitigate these social losses and will help society realize better returns when it invests in health, education and infrastructure.

### *Historical Problems*

Another benefit of state-led reforms is that they are able to address the historical origins of rural poverty. The highly unequal relationships that exist between landowners and the rural poor are often the product of colonial legal regimes and legislation which facilitated the concentration of land by politically powerful elites while excluding other

members of society. In fact, for many countries in the South, the legacy of unequal land distribution and exploitative tenurial relations was itself often sufficient reason to initiate redistributive land reform following independence. Today, the claims by existing landowners to have acquired property legitimately continues to be compromised by a history of corruption, forced evictions, violence against tenants, clientelism, etc. (Bronfenbrenner 1955: 212) Redressing inequalities that are the product of historical injustice necessarily involves interference with local power structures which inherently generates conflict in society.

Ultimately, the purpose here is to demonstrate that, because of the many land-based power relationships that exist in rural areas, land redistribution must be understood as power redistribution. (Borras 2007: 22) Recognizing and eliminating not only the economic, but also the social and political power wielded by local elites through land reform is crucial for rapid poverty reduction. (Sobhan 1993: 86) A multidimensional approach to the problem means a more complete understanding of the causes of rural poverty and leads to more comprehensive solutions. Because it focuses on both economic efficiency as well as social equity, state-led reforms are better able to address a number of these issues simultaneously. The goal of state-led land reform is not simply limited to bringing about the rapid reduction of poverty through the redistribution of productive resources but also focuses on the development of beneficiaries' abilities in order to increase output. (El-Ghonemy 2001: 106, El-Ghonemy 1990: 287)



## *Critiques*

Most of the arguments against state-led land reform originate from the neo-liberal critique of past redistribution efforts and center primarily on issues of bureaucratic and economic inefficiency. One of the main contentions is that, while efficiency and equity are the two main objectives of land reform, the two are sometimes incompatible and often involve trade-offs between one and the other. (Binswanger, Deininger and Feder 1993: 63; Besley and Burgess 2000: 419)

First, Klaus Deininger and Hans Binswanger argue that state-led land reforms “were more successful in creating bureaucratic behemoths than redistributing land.” (Binswanger and Deininger 1999: 267) On this point there seems to be some consensus. There is evidence that many of the central administrations became costly, unwieldy and suffered from a number of inefficiencies. (Borras, Kay and Lahiff 2007: 1423) Red-tape and cumbersome procedures led to long wait times for both landowners and beneficiaries. Additionally, undertrained or underpaid employees exposed state-led reform to corruption and clientelism. Areas where state enforcement was weak were especially vulnerable to mismanagement with reports of violence against tenants, bribe-taking by official, and other indiscretions going unpunished. In these situations, landed elites were often able to use their social networks and political connections to ensure their own well-being while the poorest segments in society became further marginalized. (Martinussen 1997: 232) Furthermore, unclear land reform procedures left the door open for lengthy legal challenges by owners who challenged expropriation on technical grounds. It was

noted that in many cases sympathetic courts not only reversed redistribution but frequently awarded generous appeals. (Deininger 2004: 153)

Second, critics point out that many state-imposed restrictions and regulations prevented socially optimal land distribution and discouraged investment, resulting in inefficient land use. (Deininger 2004: 122) Deininger charges that the land ceilings which formed the core of state-led expropriation strategies were, for the most part, ineffective. (Deininger 2004: 121) Many were easily evaded with landowners selling to family members, bribing local officials or re-purposing their property so as not to qualify for reform. (Binswanger, Deininger and Feder 1993: 25) Some measures even provoked landlord violence against tenants as well as mass evictions in order to prevent future land claims. Some critics have pointed out that, rather than benefiting the poor, land ceilings in many cases helped medium-sized farmers to acquire more land. (Binswanger, Deininger and Feder 1993: 77) The sale of expropriated properties through public auction often advantaged relatively well-off landowners who were able to expand their landholdings. Others blame low ceilings for the expansion of a minifundist system which was neither self-sufficient nor commercially viable. (Sobhan 1993: 31) Meanwhile, sales restrictions and moratoriums designed to prevent the re-concentration of property were either avoided or simply encouraged the operation of black markets. Informal sales and rental arrangements were often insecure and involved much higher costs than would otherwise be available in functioning markets. Additionally, zoning and land use controls designed to ensure that beneficiaries farm the land were generally unenforceable, often ignored, and led to untilled areas or outright abandonment. These regulations are also

blamed for preventing owners from using land as collateral for bank loans. This, in turn, stifled productive investment in farming and led to anaemic agricultural growth in many LDCs. In the end, state interference with the operation of land markets is said to have distorted land prices and actually encouraged hoarding.

The selection process of state-led reform has also been criticized for being “supply-driven,” meaning that it first identifies lands for expropriation then looks for possible beneficiaries or identifies potential beneficiaries then looks for lands to be expropriated. (Borras 2003: 112) The problem this caused in the past was that, rather than uncultivated lands, often productive farms were subdivided and then redistributed. Properties were then handed over to individuals who simply applied for it rather than awarding those who needed or valued the land most. As these unskilled farmers exited the market or abandoned the land, transfers from small owners to medium and large farmers became more common. Additionally, their inability to become profitable affected their ability to pay back state loans and often resulted in large numbers of beneficiaries defaulting. Another problem was that politically connected individuals with little interest in farming were often able to acquire lands through state mechanisms. (Deininger 2004: 149) By either posing as candidates for reform or by simply bribing officials, non-poor individuals could find their way into land ownership. Ultimately, state-led reforms that stressed “redistribution before farm development project plans” led to inefficient farms which resulted in low agricultural output and even the re-concentration of land over time.

Finally, neo-liberal critics argue that the cost of both redistribution and the provision of post-transfer supports by the state placed too great a strain on the financial and political resources of most countries. (Borras 2003: 113) Binswanger and Deininger note that the agencies charged with responsibility of providing crucial services “proved to be corrupt, expensive and inefficient in responding to beneficiary demands.” (Binswanger and Deininger 1999: 267) In many cases, subsidized fertilizers, water use and other inputs that were meant to help increase productivity led to wasteful practices by beneficiaries. In others, the state was simply unable to procure the necessary inputs needed by a large sector of small-scale farmers. Additionally, the uneven distribution of credit, technology and services that came with an inefficient bureaucracy tended to benefit large-scale sector and led to a deepening dualism.

In sum, critics of state-led reform argue against making land a political issue and stress the importance of focusing “on results, not politics.” (World Bank 2006: 22) Deininger contends that many LDCs have initiated land reform in response to political pressure or to divert attention from other problems, rather than as a long term strategy for development. (Deininger 2004: 146-7) In fact, it has been observed that some reforms were adopted less to increase efficiency than to further the interests of dominant groups. (World Bank 2007: 139) Ultimately, the World Bank considers state-led reforms to no longer be viable due to significant political resistance and the conflict it generates in society. (Rosset 2004)

### 3.2 The Market-Led Land Approach

Market-led land reform comes to us primarily from the World Bank and the works of Klaus Deininger and Hans Binswanger. For over twenty years, their studies have embodied the neo-liberal understanding of why land-based rural poverty continues to present itself as an obstacle for development. Their approach to land reform is grounded in both neo-classical economic theory, which is focused on the economic behaviour of individuals and how markets distribute resources, and new institutional economics which is concerned primarily with explaining and reducing transaction costs. The World Bank strategy focuses almost exclusively on economic efficiency, improving productivity, and establishing institutions which facilitate the working of the land market. It is argued that “the ability to exchange land and to use it effectively is of great importance for poverty reduction, economic growth and private sector investment as well as for empowering the poor and ensuring good governance.” (Deininger 2004: 2) Additionally, it is claimed that market mechanisms are also equity enhancing and simply by focusing on encouraging the smooth operation of markets, LDCS can help overcome long standing problems of asset distribution and social exclusion. (*in* Borras 2003: 113)

#### *Economic Problem*

The World Bank frames the issue of landlessness and rural poverty as an economic problem caused primarily by the absence of an enforceable and coherent private property rights regime. (Deininger 2004: xviii) The insecurity and uncertainty that comes from the lack of legal institutions necessary for free-exchange in society generates high transaction costs, distorts investment incentives, and discourages

participation in land markets. This negatively affects agricultural productivity and income in three ways.

First, without clear property rights, land owners have less incentive to work hard or to make long-term investment decisions. (Deininger 2004: 38, World Bank 2007: 138) Basically, an individual who is not certain that they will be able to reap the rewards of their efforts will only be concerned with short-term economic activities. This means fewer permanent, productivity-enhancing land improvements and farming practices such as drainage, mulching, terracing or irrigation. Additionally, tenure insecurity also affects decisions regarding crop selection. Small-farm owners who are uncertain about their property rights tend to prefer low-value, domestic food crops such as wheat or corn, over high-value, labour-intensive export crops. Ultimately, the negative effect that a lack of tenure security has on incentive and investment limits the productivity and overall value of the agricultural sector at a household and national level.

Secondly, without secure and transferable titles banks are unable to accept property as collateral for the loans necessary for land purchase and investment. The resulting credit shortage often forces the poor to seek loans from wealthy landowners, or black market money lenders and exposes them to the dangers that come from peonage, usury and loss of land. (Deininger 2004: 144, World Bank 2007: 141) Additionally, the lack of bank credit means that existing landowners wishing to rid themselves of excess property are unlikely to get full-market value and so have little economic incentive to sell their land to the poor. The result is that land sales in LDCs are often conducted within classes. This means that wealthy landowners sell to other wealthy landowners while the

poor are effectively excluded from participating in land markets. In sum, credit markets imperfections caused by the absence of property rights are seen as one of the main causes of highly concentrated land.

Thirdly, insecure property rights, poor contract enforcement and the lack of a public land registry, all negatively affect the allocative function of land markets. (World Bank 2007: 91) Facilitating exchange in society is important because, according to neo-classical economic theory, efficient producers need to be able to acquire lands from inefficient farmers who wish to exit the market. However, without courts to ensure the execution of contracts sellers and buyers have no way of being certain that sales will be carried out. Additionally, the absence of public land records which tracks the value of property means that both buyers and sellers face very high levels of uncertainty. Incomplete market information that becomes capitalized into the “cost of using the price mechanism” is known as a “transaction cost.” (Ankarloo 2002: 13) Basically, where there is a high level of insecurity due to uncertainty in the marketplace, prices become inflated by transaction costs. High prices discourage exchange and prevent land from ending up with the most efficient owner. Furthermore, the absence of an up-to-date cadastre, or land registry, results in overlapping claims which leads to conflict in the countryside. (Deininger 2004: 28) In such cases, land owners are forced to expend capital on fences, sheds and other permanent fixtures in order to defend their property from outside claims. (Deininger 2004: 24) (Binswanger and Deininger 1999: 250) These expenses further deplete the amount of capital available for investment.

In the end, the lack of a clear, enforceable property rights regime complete with secure, transferable titles is responsible for; a lack of investment and incentive; credit market imperfections; high transaction costs; and discourages exchange in open markets, all of which adversely affect the profitability of small-scale farming as well as the performance of agriculture as a whole.

### *Economic Solution*

The neo-liberal solution is based on five pillars that focus on encouraging the development of land markets and enhancing individual work incentives. First, the strategy requires the establishment of a property regime based on the enforcement of individualized rights to land. Legal institutions such as contract law, effective and impartial judiciaries and a transparent regulatory framework are required for the markets to work properly. (North 1994) Additionally, secure ownership leads to productive investments while encouraging efficient resource use and sustainable farming practices. (Deininger 2004: 10) When tenure is secure, a landowner will be able to reap the long-term rewards of permanent investments such as irrigation and drainage or the planting of perennials and orchards. (Sobhan 1993: 79) The substantial economic benefits, in terms of investment and work effort, that comes with secure property rights makes them the first pillar of market-led land reform.

Secondly, a public land registry which provides price information about the quality and value of land is required in order that individuals can make better informed decisions in the marketplace. Ensuring even access to market information helps to “level the playing field” between the landowner and the buyer. (Binswanger and Deininger



1999: 250) Additionally, clear land records will help municipalities in the assessment and collection of property taxes needed to finance local infrastructures. Furthermore, this data can be used to reduce the high level of risk that exist in rural LDCs and helps to encourage the emergence of insurance markets. (World Bank 2007: 150) The provision and maintenance of a public land registry or cadastre, for keeping track of who owns what, and what it is worth, forms the second pillar of market-led land reform.

The third element of the World Bank strategy is commonly referred to as the “willing seller, willing buyer” principle. (Lahiff 2007: 1418, Kay 2004: 399) Proponents for the market-led approach stress the importance of having landowners part with their property voluntarily by encouraging on-the-spot cash transactions at full-market value. (Borras 2002: 38) The conflict-free nature of negotiated market exchange is often contrasted with the use of coercive state interventions, such as expropriation, which not only creates unnecessary social and political tension but also undermines tenure security and discourages investment. Additionally, the decentralized nature of transfers in open markets is considered to be much faster and cheaper than state-led mechanisms. (Borras 2002: 39) Because exchanges are conducted between a buyer and a seller only, there is no need for the multiple state agencies required to carry out state-led redistribution. Furthermore, transfers in markets can be further induced by a progressive land tax which penalizes excessive holdings and helps to prevent “land banking” and speculative hoarding that often follows the activation of land markets. It is argued that by combining voluntary sales at full-market value with a progressive land tax, market-led

land reforms will provide enough land to meet demand while reducing the demands on the state.

The fourth pillar of market-led reform is to encourage the participation of the rural poor in land markets by making credit available to them on easy terms. Therefore, long-term, low-interest loans need to be provided by the state so that those without access to credit can afford the initial cost of land as well as the post-transfer services necessary for farming. Most World Bank projects involve loan/grant schemes where the portion used to buy the land is considered a loan while the remainder, which is used to buy post-transfer supports and services, is considered a grant. These loans are generally awarded to beneficiaries who construct a viable business model and have conducted a cost-benefit analysis by weighing the quality of the land against the price. It is argued by the World Bank that relying on farm plans helps to identify commercially viable farmers while the need to repay loans quickly provides additional incentive for beneficiaries to become productive. (Borras 2002: 40) Additionally, once they are in possession of a title and have returned to normal production, new landowners can then access credit through banks for further investment. Finally, the market-led approach is considered more efficient than state-led reform in that it is a “demand-driven” process. Instead of having the state arbitrarily decide which lands or candidate best qualify for redistribution, market mechanism can be relied upon to match the most efficient farmers with the most appropriate lands. (World Bank 2007: 138, Kay 1998: 25)

Finally, essential post-reform supports and services are to be provided by the private sector rather than by the state. It is argued that markets not only respond more

quickly to the needs of new farmers but that a dynamic private sector generates much needed off-farm employment opportunities. Additionally, inefficient resource use by beneficiaries is greatly reduced when inputs are purchased in markets. Water, fertilizer and pesticides are applied more efficiently when waste become associated with real costs. Furthermore, proponents for market-led reforms recommend private sector provision of technical assistance during implementation as well. Surveying, property assessment and other such aspects of land registry can be contracted out to private entrepreneurs rather than cumbersome state agencies. In both cases, relying on the private sector significantly minimizes the financial burden on the state while cultivating entrepreneurial skills in rural areas.

Ultimately, market-led land reform is promoted as a “win-win” game in which the landless and land poor are given the opportunity to access land while existing owners are provided with fair compensation. Red-tape is kept to a minimum and bureaucratic inefficiencies, such as rent-seeking and clientelism, are said to be eliminated by the transparency of open markets.

### *Critiques*

Market-led land reform is challenged in both theory and in practice. The main criticisms are levelled against the underlying assumptions of the neo-liberal approach. It is argued that not only does framing the issue of land-based rural poverty in purely economic terms ignore the socio-political and historical dimensions of the problem, but also that there are inconsistencies in the “logic” of market-based solutions which expose this strategy to failure.

To begin with, many point to a flaw in the “willing-seller, willing-buyer” principle and in particular, the assumption that property owners in rural LDCs will behave as rational economic actors who will sell their land when given proper incentive to do so. (Gauster and Isakson 2007: 1524) First, the multiple market failures and high inflation rates endemic to most LDCs makes owning land the most secure way of holding and preserving wealth. Proponents of market-led reforms underestimate the high economic value of land ownership in their calculations of “market-value.” They also fail to acknowledge the absence of alternative forms of wealth, such as stocks, bonds, patents, etc, all of which reduce the economic importance of owning land. Second, the kind of progressive tax regime recommended by the World Bank is difficult to enforce in LDCs. Past attempts to introduce such measures have been frustrated by landlords that form alliances with bureaucrats and accountants whose job it is to find and exploit loopholes in the system. (Gauster and Isakson 2007: 1529, El-Ghonemy 2001: 131) Even Deininger and Binswanger have conceded that a progressive land tax is associated with significant administrative costs and that “even if such taxes did work, it is not obvious why such an indirect approach would be politically more acceptable than direct redistribution of land.” (Binswanger, Deininger and Feder 1993: 70) Finally, land is more than simply an economic asset but also confers political and social powers on the owner. (Gauster and Isakson 2007: 1534) As we have seen, controlling property often means controlling power which is difficult, if not impossible to place a price on. Ultimately, the many benefits of owning land means landowners will be unwilling to part with their property for economic incentives only. (Borras, Carranza and Franco 2007: 1562) It is unlikely

that even under optimal conditions the market-led strategy can provide landowners enough of an incentive to voluntarily participate in negotiated sales.

The neo-liberal approach is also criticized for being ahistorical and apolitical. The legacy of colonial property regimes that were designed to exclude the indigenous population, marginalize the poor and exploit rural labour has allowed rural elites have become deeply entrenched in the countryside. The landowning class often exerts considerable influence in the lives of rural inhabitants. In order to be effective at reducing poverty, land reforms must weaken the landowning class by intervening in social structures that have reproduced local power relations over many generations. (Sobhan 1993: 4, Ghimire 2001: 3, El-Ghonemy 1990: 286) Unfortunately, market-led strategies are designed specifically to avoid conflict with landed interests. Because they do not affect the asymmetries of power that exist between rural elites and rural poor, the market-led approach cannot be considered land reform. (El-Ghonemy 1990: 89) Additionally, by placing emphasis “on results not politics” many critics condemn the market-led approach as a means is to de-politicize land issues, demobilize social movements and undermine the effectiveness of existing state-led mechanisms. (Rosset 2004) Because the supply of land is inherently limited, the re-organization of property rights is not a “win-win” game but is, in fact, a “zero-sum” process in which one party is necessarily made worse-off in order to benefit another. (Borras and Franco 2008: 1) The inevitable conflict means that the very nature of land reform is political and requires state participation.

In practice, critics raise concerns regarding the use of individualized, private property rights. It is argued that Western-style property regimes are incompatible with many identities and indigenous cultures that are built upon communal relations to land. Introducing rights which facilitate sales to outsiders has the potential to disrupt village structures and erode social cohesion. And while the World Bank currently encourages the formalization of traditional communal tenancy, (Deininger 2004: 53) Deininger concedes that capitalist forces will eventually result in the privatization of land. (*in* Assies 2009: 579) In addition to concerns over culture, it has been pointed out that individualized private property cannot guarantee equitable distribution along gender lines, and will likely place women at a disadvantage. (Akram-Lodhi 2007: 165) Most rural LDCs are patriarchal and men are often awarded titles and deeds, despite the fact that women are increasingly engaged in the majority of farm work. (Deininger 2004: 59) Unless significant steps are taken to ensure joint registration it is likely that women will not benefit from land titling. Furthermore, it has been noted that formal title did not necessarily result in better access to credit. (Deininger 2004: 50) Because of perceived risks and administrative costs associated with providing credit to rural areas, banks have demonstrated little interest in extending their services to the poor. In cases where property had been used as collateral for credit, frequent defaults by the poor led to the loss of land. The emphasis placed on formal credit institutions by the World Bank underestimates the precariousness of the rural poor and unnecessarily exposes them to financial risk.

Finally, critics point out that any solution based on market outcomes and full-market prices for land is unlikely to realize benefits in terms of poverty reduction. First, there is simply no evidence which suggests that markets are able to distribute land equitably. (Rosset 2004, Akram-Lodhi 2007: 153) While they tend to operate relatively well in situations where there is some degree of economic equality among participants, in rural areas the disproportionate market power of landowners advantages the already wealthy. Because markets respond to wealth rather than need the worst off in society are unlikely to benefit from market-led reforms. In fact, it has been observed that capitalist forces and the emergence of land markets in most countries only increased inequality, concentrated property, and exacerbated the bifurcation of the agrarian structure. (Sobhan 1993: 101; Akram-Lodhi 2007: 169, 176) Furthermore, speculative forces may convince small landowners to sell at high prices for short term monetary gain which ultimately results in loss of access to land and long-term poverty. (El-Ghonemy 2001: 127) Secondly, the success of the market-led approach requires that markets for land, product and credit must already be functioning normally. (Akram-Lodhi 2007: 164) Because in most LDCs they do not even exist there is no reason to believe that privatization will increase investment or ameliorate poverty. (Githinji and Mersha 2007: 339) Thirdly, and most importantly, conducting transfers of land from the rich to the poor at full-market value simply does not qualify as redistribution. (Borras 2007: 24) It is inconceivable how a strategy that enriches the already wealthy while burdening the poor with long-term debt is supposed to bring about greater equality. And rather than penalizing them for hoarding land and failing to contribute meaningfully to society, neo-liberal schemes based on full-market value actually reward landowners for creating conditions of poverty in the

countryside. In fact, some market-led reforms have resulted in net transfers of wealth from the rich to the poor. Ultimately, the ability market-led reform to distribute equitably is not a clear objective but is based purely on a matter of faith rather than on demonstrable fact. (El-Ghonemy 2001:107)

***Table 1: Competing Approaches***

	<b>State-Led</b>	<b>Market-Led</b>
<b>Problem</b>	Rural poverty is a product of highly concentrated land and wealth in the hands of a few which generates a number of social, political and economic costs.	Rural poverty is caused by the lack of legal institutions which are necessary for the operation of land markets and for long-term, productive investment in agriculture.
<b>Solution</b>	Redistribution of society's productive resources (land), transfer of wealth from the rich to the poor.	Establishment of private property rights. Enforcement of contract law.
<b>Intended Outcome</b>	Equitable distribution leads to efficient use of land and labour, increases production, improves income, provides livelihoods, secures food and shelter and results in more even rural development.	Secure private ownership of land provides the incentives for work effort and investment. Contract enforcement facilitates transfers of land from inefficient farmers to the most effective producers.

In sum, critics contend that it is “absurd to view land in a narrow economic sense as a commodity,” and place it solely into the realm of the market. (El-Ghonemy 2001: 109, Rosset 2004) By doing so, proponents of market-led reform have overlooked the true origin and the many sources of land-based rural poverty. In the end, rather than being a pro-poor redistribution program, critics have condemned market-led reforms as an elite-driven scheme which has actually concentrated more wealth in the hands of landowners. (Borras, Carranza and Franco 2007: 1562)



## **Chapter 4: Reports From the Field**

Land reforms have been a feature of political society for well over two-thousand years. Most of these have occurred sporadically over long periods of time. However, the past 250 years have witness an almost continuous struggle for land. (Tuma 1965: 3) While different motivations influence the direction of many land reforms, the main objectives have been consistently centered on (a) economic efficiency and (b) social equity.

Broadly speaking, efficiency is centered on improving productivity and promoting economic growth. Efficiency outcomes typically associated with land reform center on tenure security, land transferability and overall agricultural productivity. A focus on efficiency and growth is important in order to ensure that factor of production, such as land, labour and capital are used more fully and that agricultural output of reformed areas can meet domestic demand. However, efficiency alone will not be enough in regions of the world with high levels of wealth and income concentration which limits the poverty reducing impact of a given amount of economic growth. (Kay 2006: 495, Asian Development Bank 2007: 7) Therefore, land reforms also need to be designed around goals of social equity. Broadly speaking, social equity requires that the living conditions of the rural poor are raised to an acceptable level, that social exclusion and political discrimination be eliminated, and that the concentration of power and wealth be minimized. (Kay 2006: 493) A focus on social equity ensures that surpluses are distributed more evenly and that overall well-being is maximized. The purpose of this

section is to compare the performance of market-led and state-led reforms in order to see how they balance the objectives equity and efficiency.

#### **4.1 State-Led Reforms, 1945-1980**

The decades that followed the Second World War were dominated by development strategies which relied on a state-led approach to land reform. The re-organization of the global political economy during this era was characterized by a process of decolonization, modernization and the ideological competition between socialism in the East and capitalism in the West and this combination of emerging nationalism, Cold War geo-politics and the drive to industrialize provided many economic and socio-political reasons for state-led land reform. Generally speaking, attention was given to both social equity and economic efficiency.

In terms of efficiency, the desire to restructure the “backwardness” of agricultural production made land reform particularly attractive to policy makers. Rural poverty was seen to be caused mainly by a combination of economically inefficient land distribution and exploitative tenurial relations. Both were generally considered to be the product of colonialism and both negatively affected agricultural productivity and rural incomes. At the time, the distribution of property in most LDCs was divided between, (a) large land holdings made up of plantations, latifundias, haciendas and manorial estates that were controlled by landed elites, aristocrats and foreign-owned companies, and (b) minifundistas, a term for small, subsistence plots owned by poor, rural inhabitants. With the exception of the plantations, these types of holdings were considered economically inefficient in that the grand estates of the elites underutilized land, with large tracts often

remaining uncultivated, while the parcels of land controlled by the poor were too small to fully utilize family labour. (Borras, Kay and Akram-Lodhi 2007: 4; Binswanger and Deininger 1999: 266; Kay 1998: 14) Given the surplus of labour and the scarcity of land faced by most LDCs it made sense, economically, to increase the productivity of land by making more of it available to small farmers through redistribution. (Borras, Kay and Akram-Lodhi 2007: 5)

In addition to the unequal distribution of land, traditional tenurial relations which had developed over centuries were also seen as highly exploitative and economically inefficient. (Mooij 2000: 214) Production on haciendas and manorial estates relied on the unpaid work of tenants who, in exchange for their labour, were granted usufruct rights to a small parcel of land upon which they lived. The kind of farming carried out on these estates was limited in the use of new technology and methods, resulting in low levels of productivity. In most of these cases, the tenant was either expected to provide the necessary inputs for farming (plows, draught animals, etc) or the landowner would rent or sell these in exchange for part of the produce. The surpluses that were appropriated by landlords in the form of high rents were rarely, if ever, re-invested into improving the land. Such arrangements were based on highly unequal tenant-landlord relations and reproduced the dependency of the former on the latter through systems of debt. Ultimately, these traditional agricultural practices and semi-feudal relations were not only seen as an obstacle to modernization but were also considered to be morally reprehensible. Eliminating the inefficiencies of sharecropping, indentured slavery,

worker peonage and other such arrangements became a high priority on the development agenda.

There were also socio-political motivations for state-led land reform. A by-product of colonial rule was the establishment of a powerful landed oligarchy. Their influence was often reflected in exclusionary property regimes and biased agricultural policies which had preserved existing power relations in rural areas for generations. However, during the early 20<sup>th</sup> century a number of electoral reforms in countries in the South had enfranchised many of the poor and the landless who, if they were not already, became more organized politically over time. Additionally, the emergence of global socialist networks helped to encouraged the formation of a class identity among the rural proletariat in many LDCs. Political peasant organizations and labour unions united in their demands for a more equitable distribution of wealth and resources by staging strikes in the cities and occupations on private lands in the countryside. In order to capture votes and quell unrest, a common strategy for politicians and political parties seeking victory in elections was to invoke the spirit of land reform. (Binswanger and Deininger 1999: 266) Additionally, once in power any new government seeking autonomy from the propertied class had to undermine the land-based power of the rural elites. In fact, it was not unheard of for new governments to use expropriation to consolidate their position by targeting the assets of their opponents. (Borras, Kay and Akram-Lodhi 2007: 7) And so, a policy that promoted expropriation and redistribution had value in terms of winning rural votes and galvanizing political power while simultaneously stabilizing the countryside. (Barracough 2001: 57)

In addition to concerns over equity and efficiency, the implementation of land reform also contributed to the formation of a national identity and helped build state capacity. (Borras, Kay and Akram-Lodhi 2007: 8) The creation of the multiple administrative bodies needed to carry out land reform, such as surveying, land records, tax collection, etc, increased the reach and capabilities of the central state. Meanwhile, the strategy of confiscation and expropriation appealed to many countries seeking to assert their autonomy over their own resources. For socialists, the nationalization of foreign owned properties by revolutionaries reflected the interests of the peasant support base which had often helped to put them in power. Furthermore, redistributing lands formerly controlled by collaborators and occupying forces played a key role in the capitalist land reforms implemented during the rebuilding stage that followed the end of WWII. Ultimately, these domestic political reasons for land reform made redistribution a useful policy choice.

There were also compelling international motivations for pursuing land reform. The geo-political and ideological competition bred by the Cold War helped redistribution to become accepted globally as a necessary strategy for achieving development goals. (Borras, Kay and Akram-Lodhi 2007: 6) Successful socialist revolutions, such as those carried out in China and Cuba, convinced American policy makers of the need for counter-revolutionary land reform. In fact, the World Bank under Wolf Ladjinski considered pre-emptive, capitalist land reform to be the most effective weapon against communism. (Huizer 2001: 171) To prevent socialist movements from spreading in Latin America, US President J.F. Kennedy set up the Alliance for Progress which promoted the

use of redistributive land reforms based on expropriation with fair compensation. (Sobhan 1993: 53) They recognized the need to reform “unjust structures of land tenure and use” so that “land will become for the man who works it the basis of his economic stability, the foundation of his increasing welfare and the guarantee of his freedom and dignity.” (Barracough 2001: 42) As a result of the competition between East and West, state-led land reform benefited from a level of technical and financial support from international donor agencies that it would never enjoy again. In sum, the unique constellation of socio-political and economic forces during this period resulted in a wide variety of comprehensive land reforms that were pursued for different purposes, by different social and political forces, and with various outcomes. (Bernstein 2006: 5). Many defy categorization. However, it is helpful to think of land reforms during this era as being either socialist or capitalist in orientation and either high-end or low-end in implementation.

### *Socialist-Capitalist*

Both capitalists and socialists saw land reform as a growth-oriented strategy which would lay the foundation of the new order, but the way they went about it affected both implementation and outcomes. (Sobhan 1993: 1) To a large extent, ideological orientation determined not only the kinds of tactics used to transfer lands but also influenced levels of compensation to landowners, the financial obligations of the beneficiaries, and post-reform production structures. Broadly speaking, socialist reforms involved the liquidation, or elimination, of individualized private property rights to land with ownership reverting to the state. The goal was to do away with predatory or

exploitative property rights regimes and replace them with smallholder co-operatives, large-scale collective farms or state-run enterprises. Collective ownership of land ensured access to productive resources and a more equitable distribution of society's wealth. Additionally, when the state made most of the entrepreneurial decisions for the farmers (what to grow, how much, what to do with the profits) surpluses could be more easily directed to other sectors of the economy. Socialist strategies typically used worker credits and government quotas to form the core incentive structures. Tenancy regulation was sometimes used but to a much lesser extent than in the capitalist context, as one of the immediate objectives of socialist reform was to completely eliminate relations that were based on exploitation and economic rent. And while colonization projects and outright confiscations were not uncommon, the usual strategy was to establish sufficiently low ceilings to ensure that a large amount of privately owned land qualified for expropriation. Large properties controlled by foreigners, the former aristocracy and counter-revolutionaries were the most common targets, but almost any wealthy landowner including rich rural farmers could be included. In addition to former tenants, beneficiaries were often made up of wage labourers and other landless that were rarely, if ever, expected to pay for the full cost of the process. (Kay 2004: 396) But the most important characteristic of socialist reforms was that compensation for expropriated land was frequently well below-market, or near confiscation, prices and payment was often issued in the form of agricultural bonds rather than cash. Redistribution in the socialist context was considered more radical in that it generally included a greater number of beneficiaries, involved little remuneration to former landowners, targeted a higher number of properties and eliminated or severely regulated land markets.

Capitalist reforms involved the redistribution of individualized private property rights to land. The long term goal of these reforms was to quickly introduce capitalist relations into rural LDCs and rapidly develop off-farm opportunities in order to help drive the domestic industrial sector. Establishing a large sector of family-run farms was seen as the best way to develop a dynamic rural economy made up of self-interested, utility maximizers whose goal was to improve efficiency and productivity. (Martinussen 1997: 223, Kay 2004: 397) The idea was that, over time, investment in modern farming would increase surpluses and lower costs, thus raising the incomes of farmers while ensuring cheap food for urban areas and industry. Additionally, as incomes improved, household expenditure would stimulate demand for domestic products. In capitalist land reforms private property rights were preserved and agricultural production was commodified with surpluses being sold freely in domestic and international markets in order to reap the work incentive that came with secure ownership as well as the profit motive of commercial enterprise. This strategy was commonly combined with tenancy reforms in order to provide better security for traditional farmers but the long-term goal was the elimination of non-market relations and the introduction of modern techniques. Capitalist reforms also relied primarily on establishing low ceilings that often targeted specific properties for expropriation, such as the holdings of former colonial occupiers, estates registered to absentee landlords, and especially uncultivated lands. However, depending on the extent of the land reforms, some of the more productive landowners might have been permitted to retain a good portion of their property in order that they may concentrate their capital on their remaining land and become more efficient farmers. (Kay 2004: 397) Furthermore, just as the socialists continued to run modern operations



collectively, large-scale, commercial enterprises such as plantations were considered to be more progressive and were often exempted from redistribution. (Kay 1998: 15) Compensation was usually given in cash or combined with agricultural and industrial bonds at a price determined to be “fair” but not necessarily full-market value. Due to the circumstances of most LDCs in which they were implemented, many of the capitalist reforms during this era were centered on “land-to-the-tiller” programmes which focused primarily on transferring land to existing tenants. The success of these reforms has often been attributed to the relative ease of handing over land to workers who already have farming skills and knowledge, as opposed to reforms which targeted the rural poor who were completely dispossessed. While beneficiaries were generally expected to compensate either the former landowner, or more commonly, the state, in practice they were usually exempt from paying the full amount in order that they become economically secure more quickly. Capitalist reforms are often characterized as being a reformist, or less radical, approach to redistribution in that they typically involved higher levels of compensation to owners and identified fewer beneficiaries.

In both cases, agricultural production was generally inward-looking with the objective of reducing trade deficits and becoming self-sufficient in food production. Building domestic capacity and meeting domestic demand took precedent over international competitiveness. Because it had an immediate interest in seeing a successful farming sector the state was expected to provide most of, if not all, post-transfer support services. It was widely acknowledged by capitalists that rural markets were not sufficiently developed enough to supply reformed areas with sufficient inputs or

credit. Meanwhile, socialist reformers felt that state intervention was needed to better direct agricultural surpluses towards the industrial sector, and to rapidly transform farm production by introducing new agricultural techniques into rural communities.

### *High-End – Low-end*

The level at which land reforms during this era were implemented can be described as either high-end or low-end. The criteria for these categories are drawn directly from El-Ghonemy's work on partial and complete reforms but are more accurate in that they acknowledge that all land reform is only partial and none are ever complete. For the purpose of this study, high-end land reforms involve the redistribution of over 50% of arable land to at least 65% of the land poor and the landless. Strategies that employ a sufficiently low land ceiling, that compensate owners at well below market prices, and that demonstrate a high level of state support are all classified as high-end. However, reforms that fail to target enough land, over-compensate landlords, or fail to support reformed areas can be thought of as low-end.

Obviously, this simplified model fails to capture the many variations in the kinds of strategies adopted by most countries. However these categorizations accurately reflect the main characteristics of land reforms carried out during the decades that followed WWII. The unifying characteristic was that the state acted as the primary agent of development, both in the implementation of land reform and the provision of crucial post transfer supports. Keeping in mind the key elements of scope and pace, compensation and post-reform support, we can now better understand the outcomes of state-led land reform during this era.

### *South Korea*

It is instructive to look at South Korean experience as it is generally held as one of the best examples of a high-end land reform conducted in a capitalist context. In 1954, still recovering from the Second World War as well as a brutal conflict with North Korea, the newly installed, US-backed South Korean government inherited a countryside which suffered from endemic rural poverty and dismal agricultural performance stemming from a highly unequal distribution of land. Just 1.3% of the total number of landowners owned 55% of total irrigated land while 30% of agrarian households were landless workers. (Sobhan 1993: 200) At the time, nearly 60% of the population fell under the poverty line. Political legitimacy and long-term stability depended largely on the state's ability to quickly reduce rural poverty and increase agricultural productivity. Under close supervision by American forces South Korean reforms unfolded in a capitalist context with emphasis on private property rights, contract enforcement and "fair" levels of compensation. (Sobhan 1993: 199)

The strategy called primarily for the introduction of an exceptionally low land ceiling of 2.7 ha, coupled with vigorously enforced tenancy regulations. (Deininger 2004: 145) Tenancy reform lowered rents by 50%-70% and reduced sharecropping to a maximum of 33% of total output, which instantly translated to increased incomes for existing tenants. (Sobhan 1993: 201) Rent control also reduced the value of land, making it less expensive for the government to purchase during the expropriation phase. It was determined that "fair" compensation amounted to roughly twice the estimated annual output of the property and payment was primarily in the form of bonds (agricultural and

industrial) with some cash. This method not only eliminated speculative pricing but also penalized unproductive land holdings. Beneficiaries were expected to compensate the state for the costs of transfer, usually with low-interest, long-term loans and grants to be paid in cash or in kind, but many transfers were effectively free-of-charge. A key feature of South Korean land reform was that it encouraged former landowners to exit farming and re-invest their compensation packages in state-owned industrial sectors. (Sobhan 1993: 202) By providing incentives for rural elites to leave the countryside, the threat of former landowners becoming re-established in reformed areas was significantly reduced.

By most accounts the programme was a success. The state redistributed 60% of total agricultural area, much of which was property formerly controlled by the Japanese, to 66% of the total rural households. (Sobhan 1993: 29) Additionally, they saw the number of owner-operated farms increase from 14% to 75%, and a dramatic drop in agricultural wage labour from 30% to just 3%, (El-Ghonemy 1990: 202) meaning that the rural poor now had access to land as well as secure livelihoods. The high implementation capabilities and political stability that stemmed from substantial US involvement led to a rapid reduction in land concentration, a corresponding reduction of income inequality, improvements in health and education and overall dignity and self-respect. (El-Ghonemy 1990: 202) The subsidized inputs, sustained public investment in post-transfer extension services, and infrastructure geared towards small-farm production helped to increase production and within two decades, South Korea had become self-sufficient in food staples and had even begun to export rice to other countries.

It has been argued that the South Korean success was the product of specific circumstances which cannot be replicated today. The availability of land and industries formerly controlled by the Japanese allowed the state to move more of the rural poor into farming without disrupting too many landowners, and more of the landowners out of the countryside. Additionally, it is pointed out that the combination of South Korea's historical experience with small-scale agriculture and tenanted estates, which were easily transferred to tillers, meant that the model needed relatively little time and effort to implement. Furthermore, US interest in containing communism provided the impetus for massive amounts of technical and financial assistance, an interest that no longer exists. However, the South Korean example should not be so easily dismissed as exceptional or unique. This model of successful reform in a capitalist context is similar to those carried out in both Japan and Taiwan.

What is most important to recognize is that the redistribution of assets at an early stage of national development translated into long-term benefits for the South Korean economy which continue to resonate today. (El-Ghonemy 1990: 199) The expansion and rapid development of the non-agricultural sector together with intensive land use raised real earnings of agricultural population and resulted in sustained poverty reduction. (Sobhan 1993: 89) Certainly, sequencing formed a key part of the strategy and as the economy industrialized the development of off-farm economic activity helped to relieve pressure on land use. However, with an average lot size of less than two hectares, the Korean formula for successful small-scale agriculture should be considered very closely and replicated wherever possible.

## *Cuba*

The Cuban example provides us a look high-end, socialist reform in action. In the early 1950s, the countryside was characterized by a highly skewed land distribution dominated by haciendas, latifundias and foreign owned plantations. Just 9% of landowners owned 73% of the land, with American holdings accounting for 23% of the total and 80% of the sugar producing plantations, lumber mills and ranching estates. (El-Ghonemy 1990: 244, Deere 2000: 141) Most of the foreign-owned lands were rented out to urban professionals in Cuba who would hire rural workers on a seasonal basis. The result was that over 70% of the working population was landless or near landless subsisting on small plots and enjoying few, if any, workers rights. (Deere 2000: 143) Riding a wave of socialist sentiment and rural unrest, Fidel Castro directed an insurgency against the dictatorship of Fulgencio Batista and the US hegemony over capital and resource use. (Sobhan 1993: 27) After years of struggle, the Revolution managed to wrest control from Batista in 1958.

Once in power, Castro initiated swift and comprehensive land reforms. A land ceiling of 67 hectares was instituted and estates that exceeded this limit were expropriated by the state (with a token amount of compensation) and then redistributed, free-of-charge, to peasant families and to those landless that were considered good candidates for farming. However, lands controlled by foreigners, counter-revolutionaries and collaborators, were simply confiscated. The state retained approximately 70% of the expropriated land and continued to operate the large, mechanized plantations as collectives which employed the majority of the rural workforce. Meanwhile, in exchange

for a quota of the surplus (around 50%) the state leased out a large number of small farms to rural families which were then organized into cooperatives. Because the government acted as landowner, long-term security was guaranteed for beneficiaries who maintained their farms. To this end, the state provided the majority of the infrastructure and inputs required for small-scale production including electrification, irrigation, fertilizer, water, seeds, and pesticides. As a result there was a dramatic increase in access to land for approximately 60% of the workforce (260,000 families) who acquired holdings averaging 14 hectares. (Deere 2000: 145) However, the disappointing performance of state-run and collective farms prompted the state to further encourage the formation of smallholder cooperatives in the hope that smaller production units would help establish a clearer link between work effort and income. The move towards cooperative agriculture managed to increase productivity to a modest but stable average of 3% per year. What is remarkable about Cuba's reforms is that the gains they achieved in equity and efficiency outstripped population growth in rural areas.

Cuban land reforms are considered to have all but eliminated extreme rural poverty. (Barracclough 2001: 37) A key feature of Cuba's high-end reforms was the significant investment in health and education and even today members of cooperatives enjoy a relatively high standard of living with access to health care, government services, and reported incomes of 90% the per capita average. (Deere 2000: 153) It is one of the best examples of a successful, socialist redistribution involving a large landless sector, which is generally considered to be the most difficult to reform. Only the Chinese and Vietnamese reforms carried out in the 1970s demonstrate similar levels of poverty

reduction through high-end, socialist reform. In all cases, the strategy of centralizing land ownership provided equity and tenure security, while public investment in small-scale, cooperative agriculture increased productivity. While this approach to reform would be ideal in many situations today, the kinds of social forces as well as the political and financial resources necessary to carry out radical socialist reform no longer exist. Sobhan laments “The radical land reform of Cuba and China no longer disturb the sleep of entrenched rural elite.” (Sobhan 1993: 136) However, the many benefits of a high-end, socialist reform in terms of equity and poverty reduction certainly make elements of this approach worth consideration.

### *India*

Studying Indian land reform is difficult due to the fact that individual states within the country have jurisdiction over the process resulting in multiple approaches to redistribution. This often means that aggregated measures from this era include socialist reforms carried out in other parts of the country. However, while reforms carried out in the socialist states of Kerala and West Bengal were quite successful in reducing poverty, the rest of the country failed to do so. It is these efforts, the low-end, capitalist reforms, which we are interested in here. The Indian experience with state-led reform exemplifies the kind of over-ambitious, redistributive programmes that were frequently attempted out during this era.

By the time of its independence in 1947, India’s agricultural sector was in a state of crisis. The legacy of colonial trade relations, agricultural production and property regimes had resulted in frequent food shortages, high rates of rural unemployment and



the concentration of wealth, land and power in the hands of a few. With an estimated 65% of the population still involved in agricultural production, land reform became a central component of the Indian development strategy. (Prasad 2006: 115) Given the dire circumstances it is not surprising that the key features of Indian agricultural reform was to generate rural employment and improve efficiency in order to achieve self-sufficiency in food production. (Prasad 2006: 8) Policy makers not only stressed the ability of small-scale agriculture to provide jobs and drive the industrial sector but also emphasized the social importance of farming. (Ahuja 2006: 6) Extending land ownership to families not only provided rural inhabitants with productive resources but, as citizens, also instilled them with a sense of social mobility and inclusion. (Prasad 2006: 173) To this end, Indian reforms emphasized the use of legal regimes that supported individualized property rights. (Ahuja 2006: 26)

To accomplish these objectives it was crucial to first dismantle the colonial landlord-tenant relations which were considered backwards and economically inefficient. (Mooij 2000: 214, Ahuja 2006: 25) The zamindari system of land tenure set up by British authorities during the 18<sup>th</sup> and 19<sup>th</sup> century privileged a class of indigenous landowners who squeezed the agricultural sector through taxes, high rents, and onerous sharecropping arrangements. To correct the situation, the government implemented the first of a series of Five Year Plans based around the development of a small-scale agricultural sector. Land ceilings of five hectares were instituted and properties were either confiscated, as in the case of absentee and zamindar landlords, or they were expropriated with compensation, commonly in the form of agricultural bonds. Most

estates were resettled by existing tenants and local landless individuals neither of whom were expected to compensate the owners but did have to pay for registration and titling fees. (Ahuja 2006: 26) Additionally, a colonization project was initiated on tracts of public lands which were to be cleared for cultivation and distributed amongst a pool of landless peasants in the area.

Initially, land reforms saw levels of absolute poverty decline, incomes improve and agricultural productivity increase on average of 4% per year. (Prasad 2006: 289) However, over time the conditions in the countryside deteriorated. Once the lands belonging to zamindars were used up in the early stages the process encountered more and more obstacles. One problem was that land reform objectives were well articulated at the national level but implementation was devolved to the state and local levels where policy cohesion was weaker and landlord power more concentrated. In many cases the conversion of tenants into owners was impeded by administrative deficiencies, a disorganized peasant sector, and a general lack of political will. (Ahuja 2006: 29)

Well-connected and established landlords came up with a number of tactics for evasion and avoidance. Many were able to manipulate the system in order to avoid ceilings and retain control by dividing property among family members. (Besley and Burgess 2000: 395) In some cases, landowners would simply bribe officials or use their influence in the community to avoid being targeted. An ineffective judiciary and corrupt local enforcement agencies only compounded the problem. (Ahuja 2006: 29) During this time there were many reported incidents of what became known as “voluntary surrender.” (Prasad 2006: 35) Landlords used oppressive rents, threats of violence and

mass evictions in order to force tenants off their property and did so with impunity. Furthermore, inconsistencies in local land records exposed the process to lengthy legal challenges and prevented rapid transfers. Many expropriations were reversed by the courts on technical grounds, often by judges and lawyers who owned large amounts of property themselves. Meanwhile, some large-scale farmers who enjoyed easier access to political decision-makers successfully argued that their operations contributed more to society than small farmers. In the end, landowners managed to severely limit the effectiveness of land reform and after thirty-five years, the ceiling law had transferred less than 1% of the agricultural area. (Binswanger and Deininger 1999: 263)

Another problem was that, despite price supports, massive investments in infrastructure, and subsidized inputs, reformed areas were unable to generate enough surpluses to become self-sufficient or prevent the gradual re-concentration of land. In many cases the state was unable to secure or distribute the inputs necessary to support the reformed sectors, especially the resettlement projects on marginal lands. (Prasad 2006: 167) Under-supplied communities were soon abandoned by beneficiaries and their properties were often handed over to wealthy landowners. In many areas, landlords were able to re-establish themselves in positions of political power leading to policies which reflected a bias towards large-scale, mechanized farming. The introduction and uneven dissemination of new technology led to an ever widening rift between modern and traditional farmers, with the former enjoying better access to credit, irrigation, fertilizers, as well as international markets. Throughout the 1960s and 1970s the green revolution, with its emphasis on economies of scale, mechanization and chemical inputs only

exacerbated the problem and led to uneven growth and deepening social inequality. (Ahuja 2006: 33) Additionally, the preference for traditional farming by small farmers combined with high illiteracy rates and prevented the dissemination and implementation of new farming techniques. (Martinussen 1997: 247) Finally, demographic pressure and fragmentation led to increasingly smaller and inefficient plot sizes that were unsuitable for meeting household needs. (Prasad 2006: 37) By 1980 the small-scale sector had all but collapsed.

It has been concluded that the effects on poverty would have been greater if large-scale redistribution of land had been achieved. (Besley and Burgess 2000: 424) A lack of political will coupled with the protracted nature of the process allowed landowners enough time to organize themselves in order to resist reform. Furthermore, without committing the resources needed to support small-farm sector agriculture in India became increasingly dominated by large-scale operations. Policies that focused on efficiency and economic growth eventually overtook concerns over social equity. However, the Indian example of low-end, capitalist reform shares the same characteristics of early efforts in the Philippines, Iraq and other countries that failed to redistribute enough private lands to meet rural demand, or to adequately support a small-scale commercial sector. By failing to meet the benchmarks for scope, pace and post-transfer reform these kinds of low-end, capitalist reforms were unable significantly affect levels of rural poverty.

### *Egypt*

The example of Egyptian land reform provides us a case of low-end reform in a socialist setting. Socialism in the Arab world during this time was somewhat

circumscribed in that it focused more on the nationalization of foreign owned industries but allowed for private ownership of land. In fact, a number of hybrid land reforms that combined different aspects of both capitalism and socialism with nationalism could be applied to this category. Regardless of their ideological leanings these kinds of land reforms all shared the same contempt towards the landed oligarchy and the exploitative tenure relations and inefficiencies that came with them. This approach was considered to be a middle-road which sought to mobilize the radical forces of socialist sentiments while preserving the incentive structure that came with secure property rights.

In 1954, the Egyptian government implemented land reforms in order to break the power of the former ruling pasha class, a group of aristocrats who owned 92% of all farmlands along the Nile. (Bush 2007: 256) At the extreme ends of the landowning spectrum, just 0.1% of the total number of landowners controlled 20% of all farmland leaving 94% of the farmers with only 34%. (El-Ghonemy 1990: 226) Most tenants were tied to landlords through debt and existed on plots less than one hectare while agricultural workers languished in a poverty trap consisting of low wages, high rents, credit rationing, and inflationary land prices. (Sobhan 1993: 42) Nasser's land reforms were meant to "build Egypt society on a new basis by providing free life and dignity to each peasant by abolishing the wide gap between classes and removing an important cause of social and political instability." (Bush 2007: 256) The goal was to distribute land to landless and near landless in order to improve rural incomes, increase production and transfer surplus to urban centers. (Bush 2007: 257-8)

From the outset the project looked promising. Nasser established a land ceiling of 100 feddans (approximately 2.5 hectares) and combined expropriation with tenure reforms that covered both sharecropping and economic rents. The central administration had demonstrated good implementation capabilities, had limited compensation to bonds at near confiscation prices, and exempted beneficiaries from paying the cost of the transfer. (El-Ghonemy 1990: 229) Considering what we know, there was the potential here to significantly reduce poverty levels.

Unfortunately, Egyptian land reforms failed to achieve many of their objectives. Nasser targeted only the largest estates (often of his political opponents) leaving 1.2% still with 25% of the land and nearly 38% of the rural population without any. (El-Ghonemy 1990: 288; Sobhan 1993: 42) Furthermore, the process was largely a technocratic exercise conducted by individuals far removed from farming. When combined with a disorganized peasantry at the grassroots level, the process proved to be “insufficient and inefficient.” (Sobhan 1993: 34) Post-reform studies show that 95% of farm owners stagnated on plots of less than five hectares while a sector of large-scale capitalist farmers survived and prospered resulting in the bifurcation of the Egyptian agricultural system. (Sobhan 1993: 43) Public support fell as public expenditures saw increasingly smaller returns. In the end, counter-reforms initiated by Anwar Sadat during the 1970s led to the reversal of many redistribution programmes and state supports were precipitously scaled back. Since 1975, inequality has worsened as small farmers have been forced to sell or rent out to the more successful medium and large farms. (El-Ghonemy 1990: 238)

The Egyptian experience demonstrates the dangers of land reform for purely political reasons as well as the importance sustained public support. By failing to aggressively target enough land early on, initial gains in redistribution eventually gave way to counter-reforms. Emerging capitalist farmers managed to capture most of the nation's agricultural resources as well as the lands of small farmers exiting the agricultural sector. During this same period the pattern of low-end, socialist reform giving way to capitalist counter-reform was replicated in places such as Bolivia, Mozambique and Ethiopia.

#### *Outcomes of State-Led Reform*

It is clear that in some cases, such as South Korea and Cuba, state-led land reform was able to dramatically transform social relations, increase production, significantly reduce, and sometimes even eliminate, rural poverty. This was due mainly to the ability of the state to conduct "sweeping" reforms that targeted large numbers of properties and beneficiaries in a relatively short period of time. The expropriation and redistribution of privately owned land at below-market prices not only disrupted the power base of the propertied classes but also transferred a considerable amount of wealth from the rich to the poor. These initial gains in equity were enhanced by comprehensive agricultural policies geared towards small scale-agriculture and helped to establish a unimodal farming sector which led to more even rural development over time. When combined with public investment in human development and capacity building, state-led reforms realized significant improvements in efficiency as well as overall standards of living.

**Table 2.1: Outcomes of State-Led Land Reform**

Country	Scope	Pace	Compensation Structure	Post-Transfer Support	Effects on Rural Poverty
South Korea	Total agricultural land: 65%	1945-	Landowners received below-market value in cash and industrial bonds.	Comprehensive.	Radical short-term reduction. Long-term elimination.
	Total of rural households: 77%		Beneficiaries received long-term loans on easy terms and paid in either cash or in kind.	State subsidization of inputs, irrigation, electrification, price supports, transport, marketing, health, education.	
Cuba**	Total agricultural land: 80%	1959-	Landowners received below-market value or near confiscation prices, primarily in bonds.	Comprehensive.	Radical short-term reduction. Highly equitable long-term rural development, near-elimination of poverty.
	Total of rural households: 75%		Beneficiary exempt from paying costs.	State subsidization of inputs, irrigation, electrification, price supports, transport, marketing, health, education.	
Egypt	Total agricultural land: 10%	1952-1961 (9 years)	Landowners received below-market value.	Moderate.	Limited short-term reduction followed by re-concentration of land, bifurcation of agriculture, and uneven, long-term rural development.
	Total of rural households: 9%		Beneficiary responsible for some of the cost of titling and registry.	Irrigation, fertilizer, pesticides. Some price supports, no marketing. Limited health and education.	
India** (excluding Kerala, West Bengal)	Total agricultural land: 1% (land ceiling)	1956-1991 (35 years)	Landowners received below-market value in agricultural bonds.	Limited-Moderate.	Limited short-term reduction followed by re-concentration of land, bifurcation of agriculture, and uneven, long-term rural development.
	Total of rural households: n/a		Beneficiary responsible for the cost of titling and registry.	Irrigation, fertilizer, pesticides. Some marketing and price supports. Limited health and education.	

Source: S. Borras, C. Kay and E. Lahiff. (2007) "Market-led Agrarian Reform: policies, performance and prospects." *Third World Quarterly*, 28 (8)

Source: \*S. Borras. (2003) "Questioning the Pro-Market Critique of State-Led Agrarian Reforms." *The European Journal of Development Research*, 15 (2)

Source: \*\* H. Binswanger, K. Deininger, (1999) "The Evolution of the World Bank's Land Policy: Principles, Experience and Future Challenges." *The World Bank Research Observer*, August, 2 (4)



However, in other cases, such as in India and Egypt, land reforms only worsened the problems in the countryside. Inefficient bureaucracies and disorganized beneficiaries were unable to co-ordinate their efforts often resulting in slow and uneven implementation. The protracted nature of these reforms exposed the process to rent-seeking, clientelism and elite capture. In such instances, state-led reforms failed to target enough land to meet the needs of the rural poor and sometimes even benefited the already wealthy. Additionally, where the state failed to adequately support reformed areas, beneficiaries were unable to increase production. Many small farmers were forced to sell their property to more prosperous ones and, over time, land became re-concentrated in the hands of a few. This led to the expansion of large, commercial farms and the bifurcation of the agricultural sector resulting in highly uneven rural development. In the end, the many costs of low-end land reforms eventually began to overtake the few benefits. Ultimately, when over-ambitious targets encountered a lack of political will, the result was disillusionment and eventually counter-reforms.

Yet it is unclear how these problems have come to overshadow the considerable successes of state-led redistribution. In 1975, the World Bank published a Land Reform Policy Paper in which it emphasized the benefits that widespread distribution of private property had on equity and efficiency. (Binswanger and Deininger 1999: 249) Even as late as, 1979 at the World Conference on Agricultural Reform and Rural Development, governments had committed themselves to “redistribution with speed” in order to eliminate severe under-nutrition by the year 2000 (El-Ghonemy 2001: 105) Unfortunately, as a policy land reform is especially susceptible to shifts in ideology. The

problems of state-led reforms and the developmental state in general made easy targets for increasingly influential neo-liberal critics. The rise of neo-conservative politics in the late 1970s and the decline of socialist movements brought about a sea-change in development paradigm. The beginning of the 1980s effectively marked the end of state-led reform and redistribution as a development strategy.

#### **4.2 Market-Led Land Reform, 1980-present**

During this era, development focus shifted away from social equity and the redistribution of productive resources towards economic efficiency and “getting the prices right” in the market. (Martinussen 1997: 250) Where once they were deemed essential, government interventions in land and agricultural markets came to be seen as the cause of market distortions which prevented a more optimal distribution of resources and actually harmed the interests of farmers. The structural adjustment programmes (SAPs) foisted onto LDCs by the International Monetary Fund (IMF) required the state to withdraw from the countryside and precluded any sort of redistributive land reform. Instead, the state was limited to “normalization” or “regularization” projects that focused on modernizing public land records and enforcing existing private property rights. And where state-led reform was once considered a necessary part any post-independence, nation-building project market-led strategies were now promoted as the new standard.

The 1980s are associated with a rapid re-concentration of property and a corresponding rise in rural and urban poverty. Because of a new emphasis on fiscal responsibility, highly indebted governments became increasingly well-disposed towards large-scale, corporate agribusiness and the foreign exchange that came with export-

oriented agriculture. These giant operations were much easier to support, requiring fewer of the public goods and services demanded by the small-scale sector. (Breman 2000: 239) Macro-policy during this time reflected a clear bias towards large landowners in the form of subsidized inputs, tax exemptions and trade policies geared towards international markets. Furthermore, the banking sector was eager to make credit accessible to this sector despite the fact that default rates were much higher than those of small farmers and actually cost banks millions in non-recoverable loans.

The dominance of commercial farming led to a new round of modern day, neo-liberal enclosure that squeezed peasant proprietors and other small farmers off the land. Following the retreat of the state from agriculture most small-scale operations were unable to compete at either the national or international levels. As peasant producers exited from farming there was a massive migration from the countryside to the cities. Many of the land-poor who remained in rural areas were often forced to sell-off their remaining land assets due to food crisis or medical emergencies. These “distress sales” enabled large and medium-sized farmers to accrue more and more property over time. Furthermore, the composition of the rural workforce became increasingly made-up of migrating, agricultural wage earners engaged in short-term, low-paying and insecure farm work on commercial estates and corporate farms. As conditions worsened, semi-feudal tenure arrangements such as sharecropping and worker peonage began to re-appear in the countryside. Eventually, widespread poverty led to the mobilization of peasant organizations and indigenous groups who had borne the brunt of the effects of SAPs. As

the 1980s wore on, pressure from these groups combined with a number of other socio-political developments to thrust land issues to the forefront of development agendas.

In addition to the internal demands for more equitable distribution of wealth, a significant amount of international pressure came from civil rights groups and governments who called for authoritarian regimes in the South to release controls on democratic institutions, such as free elections. In most LDCs there were remnants of past land reform legislation and un-extinguished constitutional rights which served as useful nodes for politically active peasant groups to rally around and once again, land reform became a useful platform for politicians seeking power. However, well-organized landed elites were frequently able to foil attempts to by governments introduce popular land reform policies. These developments set up a democratic struggle between landed interests and the rural poor for the direction that land reform would take. Open debate often gave way to concessions and the emergence of numerous market-assisted reforms. These were initially introduced as “complementary” measures to existing state-led mechanisms but quickly came to dominate the policy spaces of most LDCs. And where they were once considered obstacles to development, the landed elite were now able to form powerful alliances at the international level with the World Bank, the IMF, and the newly formed World Trade Organization (WTO).

The ideological competition of the Cold War that characterized the previous era was replaced by the neo-liberal hegemony of the WTO which was established in 1995 and set the stage for a new wave of comprehensive market-led land reforms. In response to rural unrest and increasing demands for redistribution, international development

agencies aggressively promoted market-led reform as a “pro-poor” strategy for rural poverty reduction. By this time, many countries were eager for solutions to the problem of rapidly increasing rural poverty, especially solutions that came with funding. The examples below provide a good cross-section of the kinds of market-led reforms that were carried out during this period as well as their outcomes.

### *South Africa*

The land reforms carried out in South Africa illustrates the difficulty of trying to correct for historical inequality and injustice through a market-led approach. Upon its transition to democracy in 1994, South African society was divided between a white minority who controlled most of the land and political power, and a black majority that existed on small reserves at the margins of society. The agricultural sector was dominated by approximately 60,000 owners of large, export-oriented commercial farms and cattle ranches which accounted for 82% of the total farmland. (Lahiff 2007: 1578) There was a general consensus of the need to change the racial composition of the landowning class and that any land reform would involve a mostly landless and unskilled rural population. However, not wishing to replicate the dismal failure of Zimbabwe’s land reforms which had decimated the commercial farming sector, resulting in widespread famine, there was little support for the expropriation of large, productive landholdings. Even though the World Bank argued that South Africa’s large-scale sector was inefficient and needed to be reformed to allow for the emergence of more “family size” farms, both socialist peasant groups and corporate agribusiness argued for modern, mechanized, large-scale farming. (Lahiff 2007: 1583) The main challenge then was to

redress historical injustice without destroying the productive capacity of the advanced agricultural sector.

Despite the Constitutional right of the state to expropriate for the public good, policy makers opted for a market-based approach. Citing a relatively well-developed land market that included a robust property rights regime and fairly accurate land records, the World Bank had pushed for a programme that promoted voluntary sales from wealthy white landowners to landless blacks. Given these pre-existing conditions, South African market-led reforms should have enjoyed the best chance at success. Unfortunately, this was not the case.

While the poorest were initially targeted as beneficiaries, disappointing post-reform production led to criticisms that the programme simply dumped unskilled farmers on unsuitable lands. Additionally, the process was slow and suffered from a shortage of financial and political resources. (Cousins and Scoones 2010: 49) Early reports identified a lack of co-ordination between the different levels of government responsible for post-transfer support as one of the main problems. (Lahiff 2007: 1590) Furthermore, the private sector demonstrated little interest in extending their operations to new farmers, claiming that beneficiaries could not afford their prices. (Lahiff 2007: 1591) Instead of investing in support services, the reform project was re-structured to promote black ownership of commercially oriented farms. (Cousins and Scoones 2010: 49) With a new emphasis on economic viability, the selection process began targeting those with exiting assets or skill sets, effectively excluding the worst-off in rural areas.

Another problem was that the best lands tended to be captured by relatively wealthy landowners. The reason was that transfers in open markets were generally conducted quickly through auction or private sales which excluded the participation of the poor who had to first apply for a grant. The lengthy procedure meant landowners had to wait up to four years for payment. Many simply chose not to sell through the market-led programme. Additionally, the scale of the reform was too small to significantly impact the supply or price of land. As a result of the high costs and limited selection of land, beneficiaries often pooled their grant money in order to buy enough property in one area to establish viable farms. These groups of beneficiaries and their general reluctance of to subdivide land into smaller units led to large, unwieldy holdings, intra-group conflict, and inefficient collective farming. (Lahiff 2007: 1588) Furthermore, an unintended consequence was the displacement of a great number of workers that were formerly employed on farms in the reformed areas. The emphasis on large-scale, mechanized farming prevented the absorption of this additional surplus rural labour.

As a result of these obstacles, the South African market-driven reforms have consistently fallen behind the targets set by the state and by popular expectation. Between 1997 and 2006 only 4.1% of the 30% target had been met and much of that was attributed to the redistribution of state-controlled land. (Lahiff 2007: 1581) The lack of attention given to beneficiary selection and post-transfer support, combined with an aversion towards small-scale farming has severely limited the impact South African market-led reforms have had on rural poverty. Its critics have concluded that the complexity of the process, its slow pace, and its inability to target either the most needy

households or the most appropriate lands make it unlikely that it can ever be a means of large-scale redistribution or poverty reduction. (Lahiff 2007: 1592) This is an excellent example of how land reform based on economic efficiency is entirely inappropriate in cases where social equity is a main concern.

### *Brazil*

Brazil's experience with market-led reform exposes a central weakness of market-led reform; the cost. From 1964 until 1985 the US backed authoritarian regime in Brazil promoted large-scale, commercial farming along the Amazonian frontier. For two decades small farmers, peasants and indigenous communities were continually pushed off the land with local authorities working closely with landowners to minimize resistance. During these years, the Brazilian legislatures came to be known as "graveyards for land reform." (Lapp 2004: 3) However, the re-introduction of democratic elections in 1985 led, once again, to popular demands for state-led redistribution and the re-emergence of peasant groups such as Landless Peasants Movement (MST).

At the time, small farmers with less than 50 hectares accounted for nearly 83% of the total number of land holdings on just 13.5% of the total cultivated area. (Borras 2002: 37) At the other end of the spectrum, estates of more than 1,000 hectares monopolized 43.5% of the country's total agricultural land with their owners making up a mere 0.83% of the total number of farming operations. (Borras 2002: 37) Land reform became a central feature of the post-military regime government. Despite significant pressure for redistribution, underfunded state agencies and a well organized, politically powerful group of landowners limited the effectiveness of Brazil's early land reforms. State



inaction led to occupations and invasions by members of peasant organizations in order to force the government to redistribute land. This led not only to an escalation of violence in the countryside throughout the 1980s and 1990s but also increased international attention to the problem of rural poverty.

Working together with the World Bank, Projecto Cedula da Terra (PCT) was introduced by the government in 1996 largely as a response to the continued reliance of peasant groups on the Brazilian Constitution for land reform. PCT followed the typical neo-liberal blueprint for land reform relying on loans, transferable property rights and contract enforcement, voluntary sales at full-market value, commercial farm planning, and private sector support services. The poor and landless were given priority for loans and grants but were encouraged to negotiate as groups in order to strengthen their bargaining power and transfer more lands. (Borras 2002: 38) Loans were given at low rates of interest (3% - 4.5%) and post-transfer investments were expected to materialize quickly when beneficiaries used their new titles to access bank credit. The goal of the PCT pilot project was to redistribute 400,000 hectares to 15,000 households over three years and then upon review would be extended to 50,000 families. (Borras 2002: 41)

Unfortunately, the programme failed to achieve many of its objectives. The main problem was that the loan/grant scheme was insufficient for both purchase and production. First, the small amount of land sold through PCT was of poor quality, was overpriced and was often situated in remote areas with limited access to roads, irrigation or electrical installations. (Borras 2002: 42) This meant that a large portion of the grants were used by groups on the initial purchase and for community infrastructure rather than

the necessary inputs for farming. Secondly, private sector technical services were largely unaffordable and unevenly distributed with anywhere from 30-70% of the beneficiaries receiving support. (Medeiros 2007: 1512) The lack of access to private sector supports meant that reformed areas had to rely on government funded extension services. (Borras 2002: 44) Most of those who did receive help were associated with, or actively engaged in, export-oriented, commercial farming. Third, the process was slow and the protracted nature meant that the much of the loan became used up for daily subsistence needs. (Borras 2002: 44) While negotiated sales did result in lower transaction costs for the landowner, these were offset by the multiple and costly visits to government agencies in urban centers that were required by beneficiaries during the titling process, which took up to 17 months to complete. (Medeiros 2007: 1510)

The beneficiary selection process was also scrutinized by critics who charged that PCT specifically targeted members of the MST in order to de-mobilize the popular movement. (Medeiros 2007: 1507) Additionally, the application procedure was designed to weed out those least skilled in modern farming and marketing practices effectively excluding the poorest rural inhabitants. And because they were encouraged to bargain collectively, despite the wishes of beneficiaries to farm individually, difficulties arose during and after sales and often led to intra-group conflict, disillusionment and abandonment. (Borras 2002: 43)

In regards to compensation, the programme failed to disseminate information concerning loan conditions and financial obligations. The perception on the ground was that the PCT was a state-led programme and beneficiaries were unaware that defaults on

loans would result in the loss of their land. (Medeiros 2007: 1513) Furthermore, the credit for investment that was supposed to come from the private sector never materialized. Few commercial banks had demonstrated an interest in engaging with the PCT and even if they had, beneficiaries were unwilling to place themselves at risk by mortgaging their lands. This led to a shortage of credit necessary for a rapid return to normal production.

In terms of poverty reduction, despite the fact that some felt their conditions had marginally improved, the incomes of beneficiaries remained well below the poverty line. (Medeiros 2007: 1513) Studies suggest that it quickly became difficult to obtain enough good quality land to sustain a family within the financial ceiling allowed by the programme. (Medeiros 2007: 1516) Ultimately, the combination of poor land quality, a lack of infrastructure, and indebtedness led to desertion rates of nearly 50%. (Deere and Medeiros 2007: 97) After twelve years of market-led land reform, 3% of the population still owned over 65% of the total arable land in Brazil. (Veltmeyer 2007: 126)

But the most alarming aspect of Brazil's market-led reforms was the overall cost. Based on initial reports, if the PCT wished to carry out land purchases at the same level as their state-led counterpart, then it would need approximately US\$587,753,600 per year. (Borras 2002: 46) This means that if the Brazilian government wanted to resettle 300,000 families within a period of five years through market-led reform, it would need to commit US\$3.36 billion in cash to the programme. Obviously, such a strategy is unsustainable and can be discredited as a viable option.

## *Guatemala*

The Guatemalan experience is perhaps one of the best examples of a failed post-conflict market-led land reform. In response to 1954 land reforms which targeted the properties of American owned United Fruit Company for expropriation, the Central Intelligence Agency in the US deemed it necessary to orchestrate a military coup which saw the end of redistribution and which resulted in a 36 year civil war that cost the country over 200,000 lives. (Gauster and Isakson 2007: 1519) In 1996, state officials met with freedom fighters to put an end to the conflict and land reform became a central feature of the rebuilding process with former soldiers being promised their own property. However, despite the fact that the Guatemalan Constitution allows for the expropriation of idle land, policy makers chose to adopt a market-assisted approach in the hopes of redistributing property without generating further conflict in rural areas. The federal land trust fund, Fontierras, was established in 1997 in order to assist the poor to purchase property, and a progressive land tax was instituted in order to encourage the sale of excess and unused land.

Once again, the problem of market-led reform was found in a selection process which focused on efficiency rather than equity. Instead of the targeting the poorest and most vulnerable, the programme facilitated purchases by the middle-class who were considered the most economically viable. The small amount of land that was made available to the poor was of poor quality and priced at nearly twice the estimated market value. (Gauster and Isakson 2007: 1526) Additionally, most farms were inaccessible and suffered from a lack of services and resources. The remoteness of these projects resulted

in high rates of abandonment. Furthermore, transaction costs were transferred from the seller to the buyer, who was expected to pay for most of the process. (Gauster and Isakson 2007: 1527) In the end, beneficiaries incurred an average of US\$2400 in debt and because even the most successful farms made only US\$53 per month, less than half of the beneficiaries were expected to make their repayment in the given time period. (Gauster and Isakson 2007:1529)

Market-led land reform in Guatemala also failed to eliminate corruption and improve transparency. Reports of collusion between local officials and sellers seeking to profit from high prices, anomalies in land evaluation that favoured owners and even sales of indigenous or protected public lands were not uncommon. (Gauster and Isakson 2007: 1529) In some cases, transactions turned out to be completely fictitious with landowners simply being paid for nothing. Ultimately, Guatemala's market-led strategy failed to generate any benefits in terms of poverty reduction or land distribution. In its first eight years, it managed to re-allocate a mere 4.3% of the total agricultural land, which amounted to 1% of the total demanded. (Gauster and Isakson 2007: 1523-4) According to 2003 census, 2% of the landowners still controlled 57% of all agricultural lands leaving just 16% of the land to 87% of the total number of farmers. If there had been any transfer of land it was in the direction of the already wealthy.

### *Philippines*

The Philippine experience is one of the best examples of the social and political tension generated by market-led reforms that are designed to undermine existing state-led mechanisms. In 1988, the distribution of land was highly concentrated with 86% of

owners situated on just 36% of the total area (7 hectares or less) while another 0.2% of the rural population found themselves with 24% of the land on estates of more than 100 hectares. (Borras 2007: 90) Most of the large-scale operations were controlled by a powerful landed oligarchy made up primarily of a few families engaged in export-oriented, commercial farming and cattle ranching. Poverty was highly concentrated in rural areas and 70% of the poor were landless or near landless, existing primarily as tenants engaged in wage labour and sharecropping arrangements. However, throughout the 1980s, peasant and indigenous groups formed alliances with pro-reform elements in government and aggressively campaigned for state-led redistribution. The ensuing three way political battle between the central state, the landed elite, and populist supporters produced a land reform that was full of “landmarks and loopholes.” (Borras, Carranza and Franco 2007: 1559)

The Comprehensive Agrarian Reform Programme (CARP) was part of a state-led strategy that relied primarily on the expropriation of both productive and unproductive lands. However, anti-reform forces directing CARP during its first years managed to limit its effectiveness through a built-in, market-assisted, voluntary land transfer mechanism (VLT). This measure was introduced as a concession to landowners and came to be used by landed elites in order to avoid being targeted for expropriation. Basically, a landowner whose property would have otherwise qualified for redistribution could opt instead to participate in a negotiated sale of land. When land was sold through VLT, prices were frequently inflated to anywhere between three and five times the estimated value. (Borras, Carranza and Franco 2007: 1561) Any low prices were often

part of “lease-back” arrangements where the original landowner retained control through a long-term rental contract that was included as part of the land sale agreement. The rent was based on the initial selling price which was also dictated by the landowner.

During these years there was no evidence of improvement in rural poverty levels, only further immiseration. (Borras, Carranza and Franco 2007: 1562) However, reformists took control of CARP in 1992 and in the next eight years managed to redistribute approximately 4,620,000 hectares. (Borras, Carranza and Franco 2007: 1559) The relative success of the programme generated fierce opposition from powerful landowners who mobilized against it and in 2003, the World Bank’s Community-Managed Agrarian Reform and Poverty Reduction Programme (CMARPRP) was introduced.

This neo-liberal counter-reform was sold to policy makers as an alternative to the politically contentious but relatively effective CARP. Unlike the VLT, which fell under the jurisdiction of the state, CMARPRP was a completely independent market-led reform involving negotiated sales at full-market value, private sector support services, and credit financing. Despite significant financial backing, CMARPRP has achieved few of its goals and failed to demonstrate any of the benefits that are said to be associated with market-led reforms.

Pilot projects have managed to transfer an average of only 196 hectares to 164 households per year, compared to the 368,400 hectares and 184,200 beneficiaries achieved by CARP. (Borras, Carranza and Franco 2007: 1565) The World Bank tends to blame lack of success on technical and administrative problems while ignoring the power dynamics which led to most of the outcomes. By decentralizing land reform CMARPRP

advantaged the propertied class who operated within “local authoritarian enclaves.” (Borras, Carranza and Franco 2007: 1562) Because of their considerable influence in rural affairs, the process was easily co-opted by the landed elite and local officials who turned it to their advantage. When multiple claims were made on the same piece of land, dispute resolution authorities frequently favoured the landed elite rather than the rural poor. In other cases, local officials colluded with landowners to convince peasant and indigenous groups that it was in the best interests of the community to drop their claims and simply pay the landowner, essentially forcing them to “buy their own land.” (Borras, Carranza and Franco 2007: 1570) There were also frequent reports of non-poor beneficiaries using CMARPRP to acquire land. Sales often involved family members, land speculators, and in some cases even fictitious “paper buyers.” In fact, a recent study revealed that over 90% of the World Bank beneficiaries were not even residing on the land and were simply “missing.” (Borras, Carranza and Franco 2007: 1570) But the most shocking revelation concerning CMARPRP is the cost involved. At approximately US\$2500 per hectare and US\$3050 per beneficiary, the programme carries a price tag that is between four and seven times more expensive than CARP. (Borras, Carranza and Franco 2007: 1566)

Ultimately, there is no evidence from the Philippines which would lead one to conclude that market-led land reform has the potential to affect positive changes in either land distribution or the well-being of the poor. If anything wealth and power transfers have flowed from the poor to the elite class, and have led many to describe VLT and



CMARPRP as anti-poor, rather than anti-poverty. (Borras, Carranza and Franco 2007: 1558)

### *Outcomes of Market-Led Reform*

As one can see in Table 2.2 below, there is no evidence whatsoever to suggest that the World Bank's strategies have produced any positive outcomes in terms of either equity or efficiency. As far as scope and pace are concerned, market-led reforms were unsuccessful in both the quantity and quality of lands involved. The small amount of poor quality land that was sold was not sufficient to affect economic power of landlords nor was it suitable for rapid return to production. (Rosset 2004) The only quick sales that occurred were between family members and fictional buyers or because of emergency sales by the rural poor to the already wealthy. Furthermore, rather than being tempted by full-market value, wealthy landowners tended to prefer holding out in the hopes of getting higher prices in the future. Additionally, the process effectively excluded the poorest in society because the focus on efficiency and commercial viability advantaged those with existing skills and assets. (Rosset 2004) Meanwhile, the private sector, post-reform support services that might have helped the rural poor never emerged for the reason that it was simply unprofitable to engage with the newly established small-farm sector. Furthermore, compensation structures were subject to manipulation by landowners and local officials with prices regularly exceeding twice their estimated market values. Finally, decentralization proved to be no more effective than its centralized counterpart with the transfer process often becoming vulnerable to corruption and capture by elites. (Deere and Medeiros 2007: 97) The exorbitant prices paid by

*Table 2.2: Outcomes of Market-Led Land Reform*

Country	Scope	Pace	Compensation	Post-Transfer Supports	Effects on Rural Poverty
<b>South Africa</b>	Total agricultural land: 4%	1994-2006 (12 years)	Landowner: Full-market value.	Limited.	
	Total rural households: n/a.		Beneficiary: Responsible for cost of transfer, long-term loan.	Most services unavailable from private sector, limited market access.	Poverty unaffected, no increases in employment.
<b>Philippines</b>	Total agricultural land: 0.01%	2000-2005 (5 years)	Landowner: Full-market value.	Limited.	
	Total rural households: 0.03%		Beneficiary: Responsible for cost of transfer, long-term loan.	Most services unavailable from private sector, limited market access.	Poverty levels unaffected, indebtedness.
<b>Guatemala</b>	Total agricultural land: 4 %	1997-2005 (8 years)	Landowner: Full-market value.	Limited.	
	Total rural households: 1.3%		Beneficiary: Responsible for cost of transfer, long-term loan.	Most services unavailable from private sector.	Poverty levels unaffected or worsened, indebtedness.
<b>Brazil</b>	Total agricultural land: 0.4%	1997-2005 (8 years)	Landowner: Full-market value.	Limited.	
	Total rural households: 1.32%,		Beneficiary: Responsible for cost of transfer, long-term loan.	Most services unavailable from private sector, limited market access.	Poverty levels unaffected or worsened, indebtedness.

Source: S. Borras, C. Kay and E. Lahiff. (2007) "Market-led Agrarian Reform: policies, performance and prospects." *Third World Quarterly*, 28 (8)

beneficiaries have been attributed to the lack of intervention needed to correct for the unequal bargaining position that exist between many poor peasants and a few powerful land owners. (El-Ghonemy 2001: 121) Not only did this result in a negligible or even negative transfer of wealth but it also pushed the cost of market-led reform past the point of sustainability. In the end, the accomplishments of market-led reforms are miniscule when compared to the achievements of state-led reforms over time. (Borras 2003: 115)

### *Conclusion:*

Ultimately, most would agree that when faced with a policy choice, “direct and knowable results should have precedence.” (Herring 2003: 69) The evidence here suggests that state-led reforms have a much better track record of reducing inequality and poverty in rural areas. However, there are problems endemic to both approaches which have yet to be discussed.

### *Gender*

Gender concerns are important because in rural LDCs women are considered to be one of the most vulnerable groups in society. Feminist critiques of past and current land reform point to the problems that both created for women. Generally speaking, state-led reforms of the post-war era suffered from a “gender blindness” which often downplayed the power inequalities and institutional biases that characterized most patriarchal societies. (Razavi 2007: 1479, 1481) Many programmes were designed around the household as a basic unit of analysis and while women were formally considered to be equal in this arrangement, titles were frequently awarded to male “heads” only. Some reforms specifically identified the female as the head of the

households but these often had little effect on poverty outcomes. The main problem was that societal and intra-household power relations placed women at a disadvantage and led to problems relating to divorce and inheritance, as well as decisions concerning on-farm workloads and access to non-land resources. The result was that, even in the case of South Korea which successfully eliminated class differences, land reform took on a strong male bias and marginalized women.

Meanwhile, modern, market-led reforms are criticized for the reason that markets “embody gender hierarchies as they are found in society and its institutions.” (Razavi 2007: 1486) Again, while formal, legal equality is well-articulated at the policy level, the institutional biases in marketing channels, government extension services, and credit provisions that favour men are typically overlooked. (Razavi 2007: 1489) Additionally, women, more often than men, enter the market system without assets or income and with familial obligations. (Razavi 2007: 1486) And with its emphasis on risk-taking and investment, markets offer few rewards for female decision-makers who tend to prioritize household provisioning over economic efficiency.

Unfortunately, there is no simply answer to the gender issue. Land ownership in rural LDCs is still often identified as a male trait and introducing gender-equality concerns into traditional institutions that have such patriarchal leanings is difficult. (Razavi 2007: 1491; Deininger 2004: 57) This problem is further compounded by women themselves who are either unwilling or unprepared to challenge these social norms. Past solutions that focused on collective ownership failed to address wider social biases while programmes that center on female heads of the household tend to further

alienate an already disempowered male population. Therefore, the focus and design of any land policy must remain limited to the household level and must emphasize the shared interest each member has for the well-being of the other. Fortunately, while the past state-led reforms suffered from a lack of a robust, feminist discourse or international women's movement to guide them, it is likely that state-led reforms today would result in more favourable conditions for women. At the very least, they could be designed to strengthen their position within the household.

### *Re-concentration*

The argument presented here is for the redistribution of private property rights within a capitalist context. However, there are a number of reasons why such a strategy might worsen the distribution of land in rural areas. First, undesirable short-term equity outcomes often result from quick sales by beneficiaries who either have no interest in farming or encounter emergencies that require an immediate liquidation of their assets. In addition to distress sales, speculation often drives prices to attractive levels and triggers rapid sell-offs by land reform beneficiaries. A possible solution is offered by the World Bank which recommends that a temporary moratorium on land transfers or a high land ceiling be put into place in order to prevent excessive accumulation that comes from speculation. (Deininger 2004: 98,122) Meanwhile, distress sales can be prevented by ensuring better access to output and credit markets, technical assistance, and by providing social safety nets to smooth short-term consumption patterns. (Deininger 2004:122) Additionally, communal or collective ownership of land has been promoted as a good strategy for protecting communities from land transfers to outsiders. (Deininger 2004: 64)

Such an arrangement would require that any sale be negotiated through a village collective that has veto power.

However, collectives are often difficult to maintain for long periods of time. Village elders who influence decisions often become easy targets for bribery. Furthermore, regulations on transfers are difficult to enforce and often lead to black-market sales. In the end, these recommendations offer only a modicum of control in regards to short-term equity concerns.

Second, and more importantly, capitalist forces and the process of differentiation tend to re-concentrate land over long periods of time. The process of differentiation occurs where successful, large and medium farmers in rural areas accumulate profits and then acquire more property from less efficient, and frequently, smaller ones. Gradually, land becomes re-concentrated in the hands of a few. This process eventually divides the rural population into a class of commercial farmers who control both the means and surpluses of production and a class of rural poor who, being dispossessed from the land, are forced to sell their remaining asset, their labour power, to the landowner. Unfortunately, there are few measures to prevent this effect. Ultimately, governments wishing to capitalize on the initial gains in equity that come from redistribution must be prepared to support land reform through extensive, post-transfer investments in rural education and health, marketing, infrastructure, research, etc. Additionally, sustained rural poverty reduction requires that multiple links from the farming sector to other areas of the economy be actively cultivated and aggressively promoted in order to create non-farm employment opportunities. The best protection against the kind of poverty generated by

differentiation is the development of these alternative rural livelihoods and off-farm opportunities which can absorb the dispossessed. Furthermore, structural developments which reduce the importance of land in rural LDCs are crucial. Making alternative forms of holding wealth available, such as stocks, bonds, patents, etc, are all measures which have helped to reduce the demands on land in most DCs including South Korea, Japan and Taiwan.

Many would rightly argue that such an approach is neither possible, nor desirable in the 21<sup>st</sup> century, especially for impoverished countries with few natural resources or capital assets. Not only do international trade regimes often prevent LDCs from developing these measures but concerns over food security are likely to rapidly increase the value of land and agriculture in general. Given these conditions, promoting farming as an end itself rather than as “the residue of employment” or as a “pathway out of poverty” will be more conducive to long-term poverty reduction. In the end, it may be that strategies attempting to “reduce the importance” of land will have little impact. However, I would maintain that if these structural developments fail to reduce the social, economic and political value of owning land, then the process of expropriation and redistribution can be repeated again until they succeed.

Regardless of the problem with such an argument, the extent to which differentiation can be controlled will likely be determined by circumstance. Policy-makers will have to conduct frequent evaluations of rural poverty and property regimes in order to prevent inequitable outcomes. Unfortunately, the design of these case-specific assessments is beyond the scope of this paper to consider. What is important is that,

despite some of the key problems mentioned above, most of which are common to any land reform, state-led strategies have a considerable advantage over their market-led counterpart in terms of rural poverty reduction.



## **Chapter 5: Land Reform and the Organization of Production**

It is generally understood that land reforms, even for the purpose of rural poverty reduction, must also contribute to national development goals. The argument for state-led land reform offered here certainly has wider implications for the organization of agricultural production as a whole. While past reforms have sometimes consolidated land in order to establish large-scale commercial operations, or state-run, mechanized collectives these approaches are not consistent with the conditions faced by the majority of LDCs in the 21<sup>st</sup> century where land and capital are scarce and labour is abundant. Redistribution in this context implies the establishment of a small-scale agricultural sector based on the model of an owner-operated, middle-peasant, family-run farm which engages in low-input farming, relies primarily on family labour and produces surpluses for not only household needs but for local, regional, and national markets. The advantage of adopting a hybrid of peasant-based and commercial farming is that it captures the benefits from self-exploitation as well as the incentive and investment structures that are part of the capitalist mode of production and land ownership. Furthermore, it emphasizes the use of appropriate levels of technology, the generation employment opportunities, as well as the capacity to provide food for society as a whole. However, this section is not simply limited to defending small-scale agriculture as a viable model for rural development and poverty reduction but also challenges the perception that large-scale, export-oriented operations are superior in terms productivity and thus should be exempt from expropriation. The objective is to argue for the redistribution of large-scale,

privately owned, productive farms on the basis that they are neither superior in terms of efficiency nor do they contribute meaningfully to national development goals.

## 5.1 Large-Scale

Many proponents of land reform are reluctant to promote the expropriation of large-scale commercial operations for fear of destroying the wealth they generate as well as their productive capacity. The founder of Utilitarianism, Jeremy Bentham, proclaimed that the expropriation of these estates, even for the purpose relieving rural poverty “would be to cut off an arm to avoid a scratch.” (*qtd in* Martin 1981: 2) However, this reverence for large-scale farming is due mainly to the fact that “corporate agribusinesses have managed to protect their right to property by imposing itself as the real driver of ‘progress’ and ‘development.’” (Borras, Carranza and Franco 2007: 1513) Such a claim demands careful examination.

The defence for large-scale farming operations is based primarily on issues of economic efficiency in that they are said to achieve economies of scale. (Dyer 2004: 53) Basically, what this means is that a larger production unit result in higher output per worker and greater returns to capital as well as increased surpluses and lower food prices. As Henry Bernstein notes,

Economies of scale are the basis of raising productivity of labour, in which mechanization of farming operations is emblematic. By raising productivity of labour through commodification, technical change and economies of scale, the development of capitalism has made possible World population growth that was previously unimaginable. (Bernstein 2007)

For these reasons, large-scale farming is often considered a superior model for ensuring cheap food for urban areas and inexpensive agricultural inputs for industry. Additionally, it is claimed that large-scale farms are important because they provide jobs in rural areas as well as foreign exchange needed by the state to finance other sectors. However, there a number of problems with this line of reasoning.

First, economies of scale are largely a product of technology such as high yield seeds, genetically modified crops, chemical fertilizers and mechanization. For the most part, this technology is “scale-sensitive” meaning that it is developed specifically for large-scale farming in mind. Transfers from the laboratory to the field tend to advantage corporate owners who often influence and/or have better access to formal research institutions. This is unfortunate because it has been shown that small farmers use technology efficiently when there are state interventions which direct research and development towards small-scale production. (Sobhan 1993: 123) Even though small farmers are equally capable of applying new methods and techniques their access to technology continues to be limited by a structure of modern agriculture which is generally biased towards large-scale production. Arguments based on economies of scale that are the product of unequal access to technology are undermined by equity goals of land reform.

Secondly, calculations of efficiency fail to take into account environmental costs of large-scale farming. Empirical evidence suggests that, contrary to neo-classical economic theory, most large-scale operations are inefficient in regards to resource use. (El-Ghonemy 1990: 288) Because commercial agriculture is concerned with maximizing

profitability it tends to farm more intensively and extensively, meaning that they generally use water inefficiently and deplete the soil more rapidly than small-scale farms that are focused on secure livelihoods, longevity and sustainability. Furthermore, modern farming methods generally involve the widespread application of chemical fungicides and insecticides, raising a number of health and environmental concerns. In sum, there are serious question about the long-term viability of farming practices that are based on resource exploitation and profit maximization.

Finally, and most importantly, the preference for and apparent success of large-scale farming in LDCs has less to do with economies of scale but is actually a product of policy choices which strongly reflect landlord biases. In the words of Henry Bernstein, “the productive superiority of large-scale farming is often contingent on conditions of profitability underwritten by direct and hidden subsidy and forms of economic rent, and indeed ecological rents.” (Bernstein 2006: 12) In fact, it has been noted that few genuine economies of scale actually exist in LDCs. (Binswanger and Deininger 1999: 251) Corporate agriculture typically receives an enormous amount of public support in the form of low-cost, or even free, land grants, significant tax breaks, subsidized capital, and easy credit. What appear to be economies of scale are actually the product of government policies designed to significantly lower the operating costs of large landowners. In some cases unprofitable operations have even been bailed out with public funds in order to preserve their productive capacity. It is entirely likely that if these financial supports were eliminated most large-scale operations in LDCs would not survive. What is certain

is that the various exemptions and expenditures extended to large-scale agriculture benefit only a few and cause social and economic losses for many.

But the issue of scale cannot be understood in economic terms alone. (Kay 2006: 479) In regards to social benefits, the contributions of large-scale farming to national development goals have been greatly overstated. First, the profits of commercial farming accrue to a few owners and individuals who are located either in urban areas or out-of-country. This means that the agricultural surpluses rarely become re-invested in local economies and often end up enriching other nations. Second, giant plantations are dependent on a massive amount of chemical fertilizers, genetically engineered seeds, modern machinery, petroleum products, etc., most of which are imported from more developed countries. This means that the amount of foreign exchange generated by large-scale, export-oriented agriculture is likely to be negligible. Third, modern agricultural production is characterized by high levels of mechanization. The use of labour saving machinery means that labour requirements on large farms are relatively low. Therefore, the commercial sector not only generates few employment opportunities but that the kind of work created is low-paying, dangerous, and highly insecure. (World Bank 2007: 207) Furthermore, the kinds of off-farm opportunities deemed necessary for dynamic rural development are scarce in rural areas dominated by large-scale farming. Few skills are cultivated on modern plantations and only a limited number of services are needed to support these operations. In fact, the inability of large-scale agriculture to create meaningful job opportunities has been identified as one of the primary causes for rural underemployment. (Griffin, Khan and Ickowitz 2002: 290; Sobhan 1993: 73)

What this brief examination suggests is that the contributions of large-scale, export-oriented agriculture to national development have been greatly exaggerated while their adverse effects on rural poverty have been severely underestimated. Their continued existence is largely the product of a common misperception regarding their efficiency and a wilful disregard for their drawbacks in terms of social equity, and is a testament to the political and economic power of corporate agribusiness.

## **5.2 Small Scale**

Recently, the World Bank published its report on Agriculture for Development in which it argued that “Improving the productivity, profitability and sustainability of smallholder farming is the main pathway out of poverty in using agriculture for development.” (World Bank 2007: 10) While this is a significant shift in World Bank policy it is by no means a revolutionary one. From the earliest days of commercial agricultural, small farms have been promoted as being both economically efficient and socially desirable. In the decades leading up to the Industrial Revolution, the case for small farmers in England was based on both the moral virtues of peasants as well as the intensive cultivation of small plots. (Martin 1981: 25) Adam Smith was most enthusiastic when he noted that,

A small proprietor ... who knows every part of his little territory, who views it with all the affection which property, especially small property, naturally inspires, and who upon that account takes pleasure not only in cultivating but in adorning it, is generally of all improves the most industrious, the most intelligent, and the most successful. (Smith 1993: 268)

Over the years, this somewhat romantic line of reasoning has been developed into the “small-is-beautiful” argument which holds small-scale farming to be more efficient, resilient, and sustainable than its large-scale counterpart.

First, the main economic reason for supporting small farms is premised on what is known as “factor use efficiency.” Basically, arguments based on factor use efficiency require that agricultural production be organized in such a way so as to maximize the output of available labour, land and capital. In situations where “labour is abundant and land and capital are scarce, small farms have a higher total factor productivity than large and hence utilize resources more efficiently.” (Griffin, Khan and Ickowitz 2002: 287) Farming methods associated with small-scale agriculture focus on the use of draught animals, sustainable cropping patterns, green or biochemical pesticides and fertilizers, and reflects a more socially optimal use of the technology available to most LDCs. (Griffin, Khan and Ickowitz 2002: 286)

Second, a successful small-scale farming sector contributes to the development of dynamic local and national economies. (Sobhan 1993: 90, 125) Because the labour requirements on family farms are much higher than those on mechanized farms, they generate more employment opportunities which not only absorb surplus labour and increase wage levels but also create a significant number of sustainable livelihoods. The resulting improvement in employment, household income and expenditure leads to increased demand for local and domestic goods and services. Furthermore, the “spillover” or “multiplier” effect of small-scale agriculture helps to generate a number of valuable off-farm opportunities needed to reduce the demands on land. Services

associated with animal husbandry, artisan craftsmanship, transport, marketing, processing, packaging, finance, etc., all contribute to the development of dynamic local economies. Additionally, profits from small-scale farming generally remain within these communities and become re-invested in infrastructure projects as well as health and education. Ultimately, a vibrant rural economy provides a large number of secure livelihoods both on and off-farm, promotes rural industry, and creates a virtuous cycle capable of sustained rural development. (Sobhan 1993: 123,138)

Third, small-scale farming is associated with increased retention of surplus for household consumption. (Sobhan 1993: 122) This means that households engaged in family farming are better able to secure their dietary requirements. In fact, it has been pointed out that even though access to land insures household income only moderately, “it provides almost complete insurance against malnutrition.” (Binswanger and Deininger 1999: 256) While food retention by farming households has generally meant a reduction in marketable surplus, studies indicate this is only temporary. (Sobhan 1993: 95) In fact, once production recovers most reformed small-scale sectors actually show an increase in marketable surpluses. (Sobhan 1993: 188)

Fourth, family farms are more resilient to external economic shocks and can adapt more rapidly to changing market conditions. Because they rely primarily on the exploitation of family labour they can operate for long periods in situations where large farms based on marginal costs would simply fail. In a world increasingly characterized by economic instability, the resilience of family farming provides a much higher degree of security than agricultural wage labour. Additionally, because of their low capital



requirements, small farms are able to shift production patterns to meet changing demand relatively quickly and at less cost than large operations which are fixed in their production structures. (Sobhan 1993: 118, Binswanger and Deininger 1999: 251) In sum, they are much more responsive as economic actors than large-scale operations. Furthermore, this argument can be made without prejudice to strategies which promote exports to generate foreign exchange. (Sobhan 1993: 125) While it is true that few peasants have been able to shift production towards non-traditional agricultural exports, (Kay 2006: 474) there is no reason to believe that a small-scale sector cannot do so when properly supported. In fact, small-scale production for international markets forms one of the central pillars of the World Bank agriculture-for-development strategy. However, it must be noted that in the context of rural poverty reduction, production for domestic consumption should always remain the primary objective of agricultural reform with exports being a secondary goal.

Finally, an even distribution of private ownership promotes capitalist social relations and guarantees more popular support for institutions which ensure the smooth operation of markets. Being an owner of the land and the products of farming not only fosters management and marketing skills but as John Stuart Mill observed, “Small proprietorship stimulates industry, trains intelligence, and prompts forethought and self-control.” (*qtd in* Martin 1981: 29) And contrary to what some might like to believe, “allowing corporations to own 500,000 hectares in Brazil or 100,000 hectares of Bolivian farmland is not the touchstone of capitalist agriculture.” (Sobhan 1993: 128) Doing so only creates a large number of disenchanted, rural poor who, being dispossessed of the

means of production and social reproduction exist at the margins of society with only their labour to sell. What neo-liberal development literature fails to adequately recognize is the degree to which a more equitable distribution of private property rights invests the poor with an interest in capitalist enterprise and entrepreneurship.

This line of reasoning is based on what is known as the “inverse relationship” between farm size and output made popular by Berry and Cline in 1979. Their extensive cross-country study revealed that as farm size increased, land productivity declined. (Griffin, Khan and Ickowitz 2002: 286; El-Ghonemy 2001: 110) They observed that small farmers not only cultivated land more intensively and used marginal areas more completely than large operations, they also generated more employment per unit of land leading to higher output. (Griffin, Khan and Ickowitz 2002: 286; Dyer 2004: 53) These findings ultimately led to the important conclusion that, contrary to popular thought, countries with larger than average farm size do not have faster growth of agricultural output. (Dyer 2004: 61) Some critics have raised concerns over Cline and Berry’s methodology and questioned the accuracy of such comparative studies. (*see* Dyer 2004) It is claimed by some that the inverse relationship is actually a product of high transaction costs while others hold that an inverse relationship does exist but only where pre-capitalist social relationships dominate. (Byres 2004: 8) Despite these contentions, Berry and Cline’s core findings have never been successfully challenged.

### *Critiques*

This argument for small-scale family farming is not offered without consideration of certain viewpoints. First, critics of agrarian reforms are generally concerned with the

effect they have on agricultural output and point to the reductions in productivity that often follows redistribution. (Sobhan 1993: 80) Certainly, short-term disruptions can be expected and ought to be considered in any decision regarding land reform. However, the effects on output are only temporary and have more to do with surplus retention than inefficiency, per se. Only where implementation capacity has been overestimated, the provision of complementary institutions delayed, and land has been of inferior quality has productivity been adversely affected. (El-Ghonemy 1990: 289) Furthermore, any diseconomies of scale associated with small holdings can be compensated for with a combination of producer and marketing cooperatives as well as pricing and resource allocation supports. (Sobhan 1993: 124) When land reform is carefully designed with the four elements introduced in Chapter 2 in mind, problems of production become less of a concern.

Second, the World Bank warns that imperfections in other markets, such as inputs, credit and crop insurance, might offset the various advantages enjoyed by family farms. (Binswanger and Deininger 1999: 252) There definitely is a threat that profits from agriculture would be captured by the monopolistic output marketers and input suppliers rather than by the new farm owners. (Binswanger, Deininger and Feder 1993: 80) Again, comprehensive support services can mitigate most of the risks faced by small farms but concerted efforts must be made by beneficiaries and the state to prevent the emergence of predatory intermediaries in reformed areas.

Third, it has been noted that the argument for small-scale farming tends to romanticize family farms and characterize economic activity in rural areas solely in terms

of agriculture, even though rural livelihoods are developing away from farming and toward off-farm activities. (Bernstein 2007: 6) Certainly, as time progresses non-farm opportunities will become increasingly important and are, indeed, essential for long-term poverty elimination. However, in most LDCs on-farm activity remains the main source of income for the rural poor. (World Bank 2007: 79) While policies that promote non-farm employment may help to reduce rural poverty in the long-run they should not be adopted at the expense of agricultural development. (Kay 2006: 475) While I acknowledge the growing diversity of economic activity in rural areas, I see no compelling reason to depart from a land reform strategy which promotes the establishment of a large sector of family-run farms.

Finally, the problem with arguing for redistribution of private property rights in a capitalist context is that it exposes this paper to criticism from both the right and the left. Expropriation runs contrary to neo-liberal economic interests while private property rights regime tends to advantage the moneyed classes and presupposes the eventual re-concentration of land over time. However, the purpose of adopting this position is to preserve the advantages that private ownership confers in terms of efficiency and incentive while addressing the problems of inequitable market outcomes by promoting state intervention. Additionally, this argument recognizes that capitalist social relations have penetrated most rural LDCs and maintains that commercial enterprise can be harnessed in such a way that is consistent with rural development goals. But most importantly, this paper acknowledges the important role that individual land ownership plays in society. While private ownership might not be appropriate in some cases,

especially in regards to indigenous communities, for the majority of the rural poor the right to individual property has been a consistently articulated objective. As Gramsci pointed out “Because it is more ancient and primordial, the individual right to his own land and to its fruits is more strongly felt than the right to industrial and financial ownership.” (*qtd in* Cavalcanti and Piccone 1975: 78) Not only is individual ownership consistent with concepts of human dignity but private property rights to land are also essential because they extend ownership to the products of the land. As multinational agribusiness continues to push for the global integration of agriculture and contract farming in particular, an arrangement which relegates the farmer to a seller of labour, creating a strong relationship between the farmer and the food they produce becomes increasingly vital.

Ultimately, given the significant improvements in factor use efficiency, employment opportunities, and living standards in general it is clear that owner-operated smallholder farms are desirable from both an equity and efficiency perspective. (World Bank 2007: 249) Furthermore, there is enough empirical evidence here to suggest that, by their nature large farms are unable to promote dynamic rural development and are, in fact, one of the primary causes of rural poverty. In light of the numerous ways that small farms contribute to both the national economy and Millennium Development Goal 1 this paper maintains that land reform should be based on the expropriation of large, productive operations in order to promote a small-scale farming sector.

### **5.3 Individual Ownership and Collective Organization**

Although the case for small-scale farming presented here is premised on a model of Western-style, individualized private property, it certainly does not preclude collective forms of agricultural production, if not ownership. In fact, a consensus is emerging that a balance between both are needed to attain growth with equity. (Kay 1998: 13) Early stages of agrarian reform in LDCs necessarily require the formation of production and marketing co-operatives because not only do the forces of global corporate agriculture work against the success of small-scale production but shortages of inputs, capital and credit make farming systems based individual self-interest incompatible with the twin goals of efficiency and equity. Under such conditions, fierce competition for scarce resources would likely lead to conflict among the rural poor. Ultimately, there is a need to for agrarian reforms to “reconcile individual incentive with collective responsibility.” (Sobhan 1993: 124)

#### *Collectives*

Basically, a farming collective or commune is a unit of production in which a large amount of land and labour are consolidated onto a single plot in order to share both the work and profits more evenly. Private property rights and the individual’s claims to the land and its products are sacrificed in the interest of eliminating inequality that comes from narrow self-interest. This approach gained popularity after the Soviet government, under Josef Stalin, ordered the collectivization of farming during the 1930s. Despite arguments for the preservation of peasant production, collectivization was considered to be more consistent with the goal of rapid industrialization. It also provided a solution for

what Marx called the problem of the “selfish peasant” who focused mainly on production for household consumption rather than national purposes. Ultimately, the socialization of agriculture was seen as a necessary step towards communism. (Fallenbuchl 1967: 13) However, collective farming was not an uncommon feature of capitalist agricultural production during the era of state-led land reform. In Latin America, collectivization was seen as a necessary step in transitioning from traditional modes of production to modern, commercial agriculture (Kay 1998: 18) Once members acquired sufficient farming and marketing skills for individual production, production could be de-collectivized. (Kay 1998: 18)

In both cases, policy makers saw collectivization as the best way to quickly disseminate modern farming methods and introduce mechanization into the countryside in order to dramatically increase production. Studies show that economies of scale with regards to access to capital, procurement of inputs, marketing and the development of infrastructure were successfully achieved within the collectivist format in socialist countries such as China and Vietnam. (Sobhan 1993: 117) This, in turn, led to relatively high levels of agricultural growth and stable relations in the countryside. Additionally, as a member of a farm collective who was engaged in management and production decisions, workers gained valuable entrepreneurial and technical experience.

Today, for countries with an unusually large rural workforce and extremely scarce land, organizing workers into collectives has the potential to utilize labour more fully than household production. (Sobhan 1993: 124) A good example would be the Chinese model of collective farming which was very effective in absorbing surplus labour and

spreading surpluses more evenly. (Sobhan 1993: 110-1) Additionally, collective production might be more compatible with indigenous cultures that emphasize community farming over individual interest. Furthermore, a case for collective agriculture might be based on the fact that large, commercial estates are difficult and costly to subdivide and involve major changes in the organization or production. (Binswanger, Deininger and Feder 1993: 80)

However, there are also a number of compelling reasons for not engaging in collective farming. First, the liquidation of property rights runs contrary to the interests of many existing peasant proprietors who are generally opposed to losing control of any land they might acquire through redistribution. In the past, they fiercely resisted attempts at collectivization by reducing production, rioting, and destroying livestock. (Fallenbuchl 1967: 13) Secondly, over time most collectives and state farms encountered a significant number of problems pertaining to efficiency, work incentive, and productive investment. (Kay 2004: 398; Binswanger, Deininger and Feder 1993: 30) The main obstacle was the lack of connection between effort and reward. All members of a collective were paid equally regardless of the amount of work they did on the farm. Frequently, managers had far less power over beneficiaries than the previous landlords and difficulties with worker oversight led to free-riding and misuse (as well as personal use) of resources. (Kay 1998: 25) In some cases, members would fail to show up for work at all. Third, group decision-making often led to internal conflict and members of the collective were sometimes not even consulted. (Kay 1998: 25; Binswanger, Deininger, and Feder 1993: 30) Furthermore, a general preference for consumption among members meant that



profits were more often distributed than they were re-invested. (Kay 1998: 25; Binswanger, Deininger, and Feder 1993: 30) This led to long-term inefficiencies and stagnant levels of productivity which in turn resulted in anemic agricultural growth. Finally, there was considerable pressure for individual family enterprise within various collectives. (Kay 1993: 19) Even though Marx warned that the socialization of agriculture would be difficult where peasants constituted the majority of the population, the importance of farming and individual ownership was often underestimated. (Fallenbuchl 1967: 13) In the end, organizers were unable to prevent gradual erosion from within.

For many critics, the failure of collective farming is complete and the debate is closed. (Binswanger, Deininger, and Feder 1993: 30) Neo-liberal literature often devalues collectives in the same way as tribalism and feudalism. (Sobhan 1993: 3) However, while the problems of collective farming might not make it the optimal choice for LDCs, it is certainly not ruled out completely. There are certainly benefits in terms of equity and income distribution. However, given the strong connection between family farming and land ownership, an approach which is more consistent with the overall argument presented in this study would be to adopt a model of co-operative agriculture.

### *Co-operatives*

Basically, a co-operative can be described as an organization of individual farm owners or household who agree to pool their resources in order to closer approximate economies of scale with regards to production, processing and marketing. Instead of competing with each other for scarce resources and market-share, farmers that work

together can compensate for shortages of inputs and improve their bargaining position in the marketplace against larger producers and international agribusiness. Arguments along these lines were originally made by agrarian populist Alexander Chayanov in the Soviet Union during the 1920s who advocated agricultural development on the basis of co-operative peasant households, organized as an independent class and driven by the technical superiority of peasant production systems. (Cousins and Scoones 2010: 42) One of the key features of co-operative agriculture is that the farmer remains the owner of their land and has more control over production decisions. Because remuneration is based more closely on an individual's contribution, a member of a co-operative has more incentive to work harder and invest more productively. Ultimately, by forming smaller production units and establishing a clearer link between work effort and income, co-operatives create more incentives for the workers and thereby raise productivity and output. (Kay 2004: 398) These benefits have influenced both socialist and capitalist countries to adopt co-operative farming.

For example, in addition to the large-scale, mechanized plantations run by the state, Cuban agriculture during the era of state-led reform was based on organizing independent peasant households into co-operatives in order train them in new farming methods and management techniques. While the state retained ownership of the land households were guaranteed usufruct rights in exchange for a quota of the produce. Additionally, members of the co-operative were expected to participate in the decision making process regarding crop selection as well as their level of labour contribution. (Alvarez 2001: 76) This arrangement not only preserved the incentives of individual

ownership but also helped to form a collective identity in the countryside. Meanwhile, in India during the 1950s, the key to early gains in agricultural was the establishment of co-operatives between the better-off, capitalist farmers and the newly founded family farms. (Prasad 2006: 167) By encouraging communities to pool their supplies, it was hoped that the problem of input shortages could be temporarily resolved until domestic capacity could develop enough to meet demand. Additionally, it was seen as a way of promoting democratic participation and collective problem solving skills. (Prasad 2006: 165) By working together, bonds of mutual obligation would be strengthened in the countryside contributing to the overall well-being of the rural poor. Finally, the increased output experienced recently by China and Vietnam has been credited to de-collectivization and the establishment of smaller units of production. Binswanger *et al* note that small family farms in these countries managed to not only reduce machinery and fertilizer use, but also that the “incentive advantages of individual farming outweighed any efficiency losses.” (Binswanger, Deininger, and Feder 1993: 30)

Unfortunately, there are some recurring problems with co-operatives which must be acknowledged. In Cuba, poor management, inappropriate levels of mechanization, and inefficient use of irrigation and fertilization resulted in shortfalls in production on many co-operatives. (Deere 2000: 152) Despite the significant gains in rural poverty reduction and equity, limited gains in productivity led to a dependency on trade with the Soviet Union. Additionally, the long-term efficiency problems associated with the limited transferability of land and co-operative agriculture in general has convinced Cuban policy-makers to introduce commercial markets into local areas in order to

provide further incentives for farmers to increase production. (Perez and Echevarria 2001: 266) These new initiatives that promote sales in local markets have been designed to encourage farmers to not only produce a quota for the state but to also sell their surplus for cash in local, private markets. While this section supports the formation of co-operatives especially during the initial stages of agricultural reform, the evidence above strongly suggests that private ownership and capital markets are both necessary to increase production to levels needed to meet ever increasing demands of the growing global population.

Despite the multiple benefits in terms of smallholder competitiveness and efficiency there seems to be little enthusiasm for co-operative agriculture. According to Michael Lipton, modern land reforms should replace the state-led, land confiscating approaches of the past that often led to the formation of inefficient collective or co-operative forms of production. (*in* Cousins and Scoones 2010: 41) Beneficiaries should be limited to efficient, small-scale farmers who are enabled by appropriate rural development policies. Meanwhile, Binswanger *et al* argue that achieving economies of scale in processing or marketing are important “only so long as markets for outputs and inputs are either unavailable or malfunctioning.” (Binswanger, Deininger, and Feder 1993: 252) Any tacit support for co-operative farming is given on the condition that these operations should not be maintained past their usefulness. However, the multiple market failures in most LDCs, not to mention the unreliability of global agricultural markets, means that co-operatives will likely remain an essential feature of agrarian reform for an extremely long time. Because they provide independent farmers with a high

degree of security while preserving the incentives that come with private property rights, they are entirely consistent with goals of poverty reduction and productive efficiency.

## **Chapter 6: Final Thoughts on Land Reform in the 21<sup>st</sup> Century**

The evidence presented in this paper demonstrates that land reform based on the expropriation of large, private estates and redistribution to a large number of landless and land poor results in a dramatic reduction of rural poverty in terms of employment, food security and overall well-being. Furthermore, when properly supported, small-scale farming has the potential to contribute significantly to local, national and international development goals. Despite what seems to be a clear case of logic and history, the ability of state-led redistributive land reform to significantly reduce rural poverty while promoting economic growth continues to be under-emphasized in current development discourse. (Herring 2003: 58) This is curious because not only do state-led reforms have a much better record of in terms of equity and efficiency, they are also consistent with most of the World Bank's long-term objectives. An equitable redistribution of private property in land provides the poor with an interest in commercial enterprise and encourages entrepreneurship while an economically enfranchised peasantry increases demand for domestic and international goods. Furthermore, a robust, small-scale sector is not only efficient but also generates off-farm employment opportunities and paves the way for rural industrial development. If the goal of the World Bank's *Land Policies for Growth and Poverty Reduction* was to show that the disagreement over land reform is less than often presumed and to encourage discussion, (Deininger 2004: 6) it might be useful to start with some of the findings in this study. There are four main conclusions which we can draw from this thesis that have implications for primarily for international development agencies as well as policy makers.

## 6.1 Implications

First, Chapter 2 exposed the fundamental misunderstanding of private property law as applied to land. The idea that an individual can “own” what is essentially a common resource is a highly controversial and is largely the product of Western liberal philosophy and orthodox economic theory. It must be remembered that, while they have their uses, private property rights to land only hold where social conditions support them, meaning that everyone should have a minimum amount of property and that inequalities do not undermine a fully human life in society. (Munzer 1990: 9) There needs to be wider acknowledgement that not only are these conditions absent in most LDCs but that the state’s interest in regulating the social losses generated by inequitable property regimes trumps the state’s duty to protect an individual’s property rights to land.

Secondly, there are fundamental characteristics of land reform which demand participation by the state. The success or failure of market-led and state-led reforms to affect poverty can be explained by reference to the four common features of land reform introduced in Chapter 2; scope; pace; compensation; and post-transfer supports. The examples in Chapter 4 showed that rural poverty was radically reduced only where large amounts of land are transferred to a large number of rural poor, relatively quickly, at below-market value, and where beneficiaries were properly supported by complementary investments in small-scale agriculture and human capacity building. The initial redistribution of productive resources led to sustained economic growth, an equitable distribution of income and wealth, and more even rural development over time. Conversely, when insignificant amounts of land were redistributed or where those other

than the rural poor benefited there was little evidence of poverty reduction to be found. All efforts must be directed towards replicating the successes of state-led land reform.

Chapter 3 demonstrated how the narrow treatment of land as an economic commodity by the World Bank has failed to address the myriad ways in which land affects poverty and has resulted in policy myopia. As Borras and others point out the multiple economic, social and political benefits of holding property in LDCs limits the effectiveness of any strategy that is based primarily on the concept of a “market-value” of land. (Borras 2007: 24) Policies must focus on reforming not only the economic advantages of landowners but also the political and social power relations in rural areas. (Akram-Lodhi, *et al* 2007: 391) However, while a multidimensional approach is useful, non-economic concerns must not overtake the economic benefits of land reform. (Cousins 2007: 2)

Fourth, the scarcity of land and the abundance of labour that exists in most LDCs demands that agricultural reforms be designed to support the establishment of a small-scale farming sector. Chapter 5 illustrated how small-farms are more efficient in that they utilize factors of production more fully and contribute to rural development and poverty reduction in multiple ways. Furthermore, it was shown that the usefulness of massive plantations to the national economy, let alone the millennium development goals, has clearly been overstated. As such, land reform must not be limited to the expropriation of fallow or uncultivated lands but must also target large-scale productive operations especially those which dominate the most fertile areas. Doing so helps to eliminate agricultural dualism and ensures more even development in the long run.



However, it is likely that smallholders will have to organize into co-operatives in order to overcome shortages in inputs, to prevent the emergence predatory intermediaries, and to resist the power of global corporate agribusiness which works against their success.

## **6.2 Obstacles**

The problems facing state-led land reform in the 21<sup>st</sup> century are summarized by Cristobal Kay who observes that, “In today’s era of neoliberal globalization, the political climate for radical land reforms is more unfavourable than in the past due to the more limited role of the state and the greater reach and power of market forces as well as of those who control most of the capital, particularly financial capital.” (Kay 2006: 476)

First, market-led land reform currently enjoys an unprecedented level of support from powerful national and international actors. Concerns over food security in many of the World’s developed countries and a growing interest bio-fuel has prompted many development agencies to aggressively promote the establishment of legal institutions and international trade regulations that would allow for more effective control of the factors of global agricultural production including land. The WTO, the IMF, the World Bank, and the International Fund for Agricultural Development have all initiated campaigns that seek to introduce private property rights into the few remaining public spaces of the planet. This programme, which would subjugate the lands of LDCs to the interests of international capital, has been described by Akram-Lodhi as a process neo-liberal enclosure. (Akram-Lodhi 2007: 1446) The ultimate outcome would be to destroy indigenous ways of life and force the rural poor out of the countryside in order to make way for global, corporate agricultural production. While most countries have laws

against the foreign ownership of land, an increasing number of legal loopholes have been created in order to secure long-term leases for control of massive properties in rural areas. Landed elite are actively being sought out for their support in this campaign. Countering such formidable forces is no simple task. LDCs need to align with organizations such as the Via Campesina in order to present a united front against the WTO at the international level and continue to resist inequitable trade regimes. At the national level, an agricultural policy that focuses on both food import substitution as well as the state's ability to expropriate will prove to be a valuable weapon against a new imperialism that threatens to siphon valuable surpluses out rural areas. Foreign and domestic land owners must always be made aware of the state's sovereignty over its territory, and the state must be mindful that its duty to the well-being of its citizens takes precedence over international trade agreements.

Second, state-led land reform requires a well-resourced state agency powerful enough to overcome landlord resistance. (Akram-Lodhi 2007: 1592) Effective implementation is a complex process and requires the co-operation and co-ordination of multiple departments and various actors. However, decades of SAPs and decentralization have reduced the capacity of the state to carry out the many functions required for comprehensive agrarian reform. In fact, it has been argued that neither the political conditions nor the financial resources needed to carry out state-led reform exist in LDCs today. (Herring 2004: 58) Admittedly, state capacity building is not easy but neither is it impossible. Both recently and in the past, alliances between peasant organizations, NGOs and pro-reform elements in government have proven successful at introducing and

implementing redistributive measures. In the politically constrained environment of the 21<sup>st</sup> century the strength of such alliances will likely determine the success or failure of any land reforms.

As far financing is concerned, the cost of carrying out state-led land reform is high but not as high as is often presented in neo-liberal literature. Most state-led land reform campaigns proved relatively affordable even in times of fiscal constraint. (Borras 2003: 124) It is certainly more cost effective than market-led reforms which have been described as the most expensive ever to be carried out. (Rosset 2004) In fact, if the World Bank were to allocate the same level of financial and technical assistance that it provides for market-led led reform to state-led redistribution it is entirely likely that rural poverty would quickly become relegated to the history books. However, it has been pointed out that, “Governments that fund multilateral assistance and international financial institutions – and their clients – seldom depend on a power base that favours redistribution of assets.” (Herring 2004: 60) Powerful interests within and without ensures the continued resistance to state-led land reform. Unfortunately, the human costs of doing so will be higher than is often let on and it is the poor who will ultimately pay the price.

In the end, the continued promotion of market-led reform can be best explained as an attempt for international development agencies, such as the World Bank, to “buy” their way out of expropriation with “a spate of kind words and a few billion dollars spread thinly in time and space over the underdeveloped world.” (Bronfenbrenner 1955: 215) These ransoms are far too little and come far too late. It is estimated that without

redistributive measures the same level of poverty reduction realized by countries that implemented comprehensive state-led reform will likely take over 60 years. (El-Ghonemy 2001: 116) Because the Millennium Development Goals require rapid poverty reduction they demand a more radical, even revolutionary, approach to land reform. Certainly, there are significant obstacles in such an endeavour, but it is not for the researcher to determine whether or not redistribution is politically possible but only focus on whether or not it can reduce poverty. (El-Ghonemy 1990: 294) The evidence presented here proves that state-led land reform based on the expropriation of large, privately held lands is, indeed, the best means for achieving such an objective.

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