

Land tenure: rights and

LAND TENURE and taxation are at the heart of all major problems in the Third World. The political elites hold power because they control their society's natural resources. And they escape the consequences of the abuse of their authority because they continue to control the land, which literally gives them the power of life and death over people.

Possession, as the old legal saying reminds us, is nine-tenths of the law. The landowners, directly – or indirectly through the military – possess the law because they control property rights.

This creates problems when reformers advocate a change in the balance of power. They seek to achieve this by prescribing the redistribution of land. And since no-one likes to give up what he has got, this generates a conflict which is rarely resolved peacefully.

"Where land ownership has been reformed, it has been done by soldiers and revolutionaries, not by evolutionary change through the ballot-box," we are reminded by *The Economist*.¹

POLITICIANS and their advisers who read the books on "development economics" continue to limit their programmes to the reallocation of land to the tillers of the soil.

This strategy, on the whole, has failed. First, few countries had the kind of extensive estates which could be broken up into enough family-sized farms to meet the demand. Latin America is the exception to this rule. But in addition, the hostility generated by this policy created political impasses which could only be resolved by revolution.

Free market economists are best equipped to recognise the virtues of a tax-led reform, but they have been overwhelmed by the scale of the problem – and so they have settled for silver linings in the *status quo*. And the failure of land reform plans in the postwar years is being seized upon by conservative economists, who now hold the initiative in economic debates, as an excuse for abandoning the concept. Deepak Lal, the professor of economics at University College, London, and an authority on his Indian homeland, is an example.

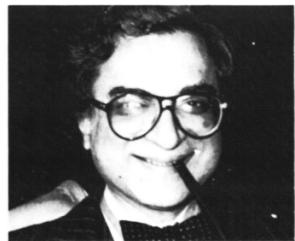
He says that "given the political

The rights of land reform

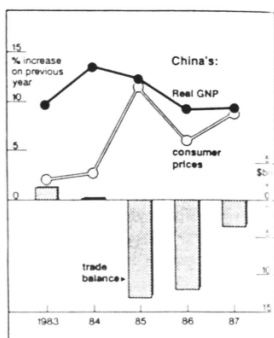
difficulties in instituting such reforms the continued debate about their feasibility and desirability may be discouraging landlords from investing in their land by heightening their feelings of insecurity."²

The difficulties are great, but the problem of land ownership will never go away; so why not look for an optimum solution, rather than resign oneself to the fate of the post-colonial system?

In Prof. Lal's view, there is no need to do so – providing "the markets for rural labour and agricultural commodities are not too imperfect." Given these conditions, "the likelihood is that effi-



• Deepak Lal



cient rural development in most Third World countries will strongly alleviate poverty by raising the incomes of smallholders directly and those of landless labourers through the increase in demand for their labour which the new technology brings."

But there is the rub. In defending the free market against the command economy, Prof. Lal overlooks the fact that an imperfect land tenure system is the major cause of an imperfect labour market – which is another way of saying that workers are marginalised spatially and their incomes (where they have any) are depressed to the barest subsistence levels.

The professor's spirited defence of the imperfect free market does not help reformers who advocate change within the context of a capitalist economy. For socialist critics have a valid case when they point to the shortcomings of what passes for the free market system today.

Look at India. Despite her commitment to the free market, which includes the private property rights

in land which were planted on the sub-continent by the British colonial government in the 19th century, the performance of Indian farmers has been worse than China's during the inefficient years of collectivisation prior to 1979.

Prof. Lal and other conservative thinkers today blame the visible shortcomings on "misguided government intervention"; they fail to acknowledge that the intervention of the State was, in large measure, a direct result of the system's intrinsic failures.

THERE would be few problems and more successes if the advocates of land reform understood the crucial role of rent in the solution of the major problems of under-developed countries.

A liberal government dedicated to both the ballot box and social justice could shift the burden of taxation away from labour and capital, and on to land. This is a fiscal strategy that is historically valid and economically the most efficient solution to a multiplicity of problems, including the need to

- Create a pattern of consumption that fostered the growth of local industries;
- Encourage capital investment rather than hoarding fortunes in tax havens;
- Stimulate entrepreneurial activity, and
- Provide workers with an option to either work for themselves, or to sign-on with employers at comparable wages.

This electorally popular platform would not alienate any but the very biggest of landowners.

The tax-led reform would direct resources into the countryside, to improve infrastructure and encourage

CHINA: HOW IT ALL WENT VERY SOUR



• Deng Xiaoping

What the party wants is a new kind of land redistribution to achieve greater production. There are some older comrades who think this will lead to landlordism and exploitation. But they keep silent; they are regarded as old-fashioned ideas. Naturally the bigger farmers will believe that the land is really theirs, especially if they invest a lot of money in machinery, irrigation and fertiliser. The party's view now is that this is the reality. Ideology isn't very important anymore, everyone is concentrating on efficiency. – Chinese economist planner, quoted in Jonathan Mirsky, *The Observer*, London, March 3, 1988.

the decentralisation and political process stem the flow of into the conges

Not many people is the model through the Meiji 1870s; it created