

Property rights and property wrongs: Notes for World Bank lunch talk, 10 Mar 09 Michael Lipton

I recently completed Land Reform in Developing Countries: property rights and property wrongs (Taylor and Francis, June 2009). Several people in this room were very helpful. I'll (1) give chapter outlines, (2) hint at contents and results, (3) look at the land tenure and land reform debates, in the light of the ongoing basic re-consideration of (a) the role of the State, (b) distribution of income within countries, (c) the issue of how the poor can survive, even move forward, during three *probable* Great Adjustments. These are to: the largest, longest and most global GDP setback since 1945; longer-run rising prices of food and farm energy; and falling and increasingly uncertain water availability per person and per hectare, due only in part to global warming (itself, of course, almost certain).

How does this background relate to agriculture? How should that feed back into the way we analyse and advise on land policies and land reform? I believe the Great Adjustments will:

- Undermine the belief, held around 1985-2005, that, within a nation, gross inequality assists growth that is sustainable or stable. The 'declining tolerance for inequality'¹ of 1930-80 will be back in a big way.
- Bring into question, not the gains (especially for the poorest) from freer international exchange of labour-intensive commodities for capital-and skill-intensive ones, but the case for 'free roads' and other transport and infrastructure policies and laws that artificially promote long-distance, or sometimes (EPZs) international, exchange at the expense of short-distance exchange, local consumption and 'subsistence'.
- Increase pressure for employment-intensive, water-saving routes to efficient farm production.
- Challenge routes to food security that do *not* include substantial local staples production.

In all these respects, the Great Adjustments will strengthen arguments and pressures for redistributive land reform. The adjustments will also increase preference for land reforms and land policies 'better' at substituting labour (employment) for land, capital and environmental resources (water, soil nutrients).

Land policies to increase land-rights formalisation and security (not the same things²) are often desirable, but their impact on land redistribution is sometimes negative. Even when positive, such policies do not substitute for land reform, but may well complement it. Such land reform, in the right circumstances, can be widely accepted, if seldom fully consensual.

Definition

I define land reform as 'legislation intended and likely to directly redistribute ownership of, claims on, or rights to farmland, and thus to benefit the poor by raising their absolute and relative status, power, and income, compared with likely situations without the legislation'. The paradigm is classical distributive land reform, with ceilings and a land authority that distributes above-ceiling land to the target poor. There has been far more de facto CLR than is usually believed. First, CLR is incentive-compatible, unlike much tenancy reform; it incentivises large landowners to divide ownership. Second, much tenancy reform involves, or requires, CLR. Third, the 'terrible detour', from very unequal land rights via collectivisation and decollectivisation to re-privatisation finally led many countries (e.g. China, Vietnam, Romania, Armenia, Albania) to fairly equal small-scale, labour-intensive farming, thus simulating CLR. Fourth, new-wave land reform - though often presented, by advocates and opponents alike, as an ideological rival to CLR - often complements it, follows it, or works only alongside it.

Types

However, there are alternative land policies claiming to achieve the main goals of land reform better, faster, or at lower economic or political cost. Which are land reform, likely to cut poverty and gross inequality? The main types of alleged land reform, or substitutes to achieve its main goal, are:

¹Hirschman, A. and M. Rothschild. 1973. 'The changing tolerance for inequality'. Quarterly J. Economics 87:544-66.

²Deininger, K., D. Ali, S. Holden and J. Zevenbergen. Forthcoming 2009. 'Rural land certification in Ethiopia: process, initial impact, and implications for other African countries'. World Development.

- The paradigm: CLR, leading to land transfers from big to small *operated* farms;
- Laws to stop, restrict, register, enable or encourage tenancy, overall or for particular types;
- Other tenurial laws, especially titling or patrialisation of land ownership or control;
- Collectivisation into State, collective or co-operative farming;
- Decollectivisation;
- Other alleged paths to the aims of land reform : consolidation, settlement, tax reform, etc.;
- New Wave (decentralised, market-friendly and/or non-confiscatory) land reform.

Can all these be land reforms? Restricting tenancy may qualify in some conditions and enabling tenancy in others, but (almost certainly) not so collectivisation and decollectivisation. Some items listed, in some circumstances, fall under our definition of land reform; others complement it; others again are diversions from it, or even counter-reforms. Anyway CLR and its analogues have spread much further, and with more success, than is widely believed. CLR, at least as an option, is also a precondition for the success of other reforms, including much tenancy reform.

Some other claimed types of land reform can complement, or simulate, classic reform, perhaps avoiding some of its drawbacks. Further, some claimed reforms reverse or mitigate harm from earlier pseudo- or counter-reforms. However, others are counter-productive. Some so-called land reforms have not advanced the main goal (reducing poverty and gross inequality), or have entailed large unanticipated costs to other, widely shared, policy goals. Such inconsistency between laws and goals happens for four main reasons.

- (1) Sometimes the supposed land reform is internally inconsistent, often due to loopholes inserted by lawmakers under pressure from large landowners.
- (2) Sometimes claimed land reforms set back policy goals because they are not ‘incentive-compatible’. They induce responses - legal avoidance, or illegal but largely unstoppable evasion - such that reform and responses together do net harm to the main goal, or overriding harm to other goals. This is especially a risk with tenancy reform. However, first, tenancy laws in the right context *have* proved incentive-compatible. Evasion or avoidance of some reforms, notably but not only CLR, itself advances the aims of reform, though usually less than full implementation would have done.
- (3) Some sorts of land reform give so much power to State agents that the goal of putting control of land in the hands of the poor is subverted, or the reform abused to extract enforced surplus from rural people, including the poor. One or both applies to most, probably almost all, agricultural collectivisation.
- (4) Sometimes, though the legislation would if implemented be land reform, it is politically infeasible due to the balance of power, or because political and social costs of implementation exceed benefits of reform.

Goals 1: reducing poverty and inequality

Goals may be ‘objective’ (of analysts or outsiders) or ‘subjective’ goals (of agents: land gainers or losers, land reform authorities, others affected). The central objective goal, implied by the definition of land reform, is reducing poverty and reducing gross [especially ‘unearned’] inequality (not always optimised by the same policy set). Three further goals are increasingly important, but the impact of farm size and distribution is less researched: sustainability; stability, and legitimacy, of land ownership itself and of the reform process. A final policy goal, often alleged to be harmed by land reform, is more or ‘better’ farm output, efficiency and/or growth. The evidence provides very strong, though not unanimous, support for the position that *in labour-surplus developing countries* small, not-very-unequal farm ownership and operation - and hence classical land reform and its simulators/analogues - reduce poverty and inequality; reduce income instability among the poor; affect environmental sustainability at worst neutrally; and - contrary to the still dominant development narrative of small scratch-a-patch ‘inefficient’ farmers - to raise farm and national output. Hence intellectual resistance to small-scale, fairly equal farm ownership and operation in labour-surplus countries, though widespread, is not explicable by economics. What can one say of the endlessly repeated denigration of ‘subsistence’, ‘part-time’ or family farming? Its roots lie, not in evidence, but in ‘political economy’, rationalised self-interest, ideology, or psychology.

Poverty and distribution: There are five ways through which land reforms, by increasing poor people's share of land rights, raise their income, absolutely and relative to the non-poor: via farm labour, land and enterprise; via non-farm activity; and via economy-wide effects, both through increased output on growth and on the poor's share of income.

First, income from self-employed or hired-out farm labour is the main single source of income for the rural poor. Due mainly to the lower transactions-cost of labour, small farms use more, often much more, per hectare than large ones. Absent perfect and costless rental markets, more equal distributions of owned land mean smaller operated farms. That raises demand for farm labour and hence the poor's labour income. The impact is modified in South Asia, Latin America and parts of Southern Africa. There, even after land reform, the main source of labour income for most of the dollar-poor is hired work (in rural areas still mainly farmwork), not own-account land. In these areas, the main labour-mediated anti-poverty impact of land reform is via extra demand for hired farm labour, and a fall in competing supply of hired farm labour by those who switch effort to their reform land.

Second, if lower-income people get to own a farm, they also enjoy income from land, whether they farm it or rent out. Land is the main productive asset, and a major source of income, for poorer groups in most of the developing world. Own-account farming remains the main source of factor income for the poor in China³ and (with very different social organisations) most of sub-Saharan Africa. To the extent that extra land cannot readily be brought into cultivation - and land of decent quality is increasingly scarce almost everywhere - only land reform can much raise the area of farmland in the hands of the poor.

Third, if the poor control farmland - whether by owning or renting in - they enjoy income from farm enterprise, i.e. planning, managing, supervising and co-ordinating what is done on the farm. This can be achieved either by land reform to get ownership to the poor, or by laws improving their access to tenancy.

Fourth, land reform tends to raise the poor's non-farm income. Small farms (and low-income farmers) are likelier than large farms (and rich farmers) to use local, labour-intensive sources of supply for farm inputs, processing requirements - and especially, as farm income rises, extra consumption (retail, transport, housing, etc.). If primary income switches from large to small farms (e.g. due to land reform), then secondary, multiplier income is likelier to reach the poor, as workers or as micro-entrepreneurs.⁴

Fifth, the poor gain from the economy-wide effects of land reform. Extreme inequality of assets, especially land, slows down growth, and therefore poverty reduction, in developing countries. Further, countries with extreme land inequality tend also to have extreme income inequality. That makes poverty reduction harder by skewing growth away from the poor, but also by reducing their political influence. Such 'economy-wide effects' happen at the level of the village economy,⁵ not just the national economy.

Goals 2: output, efficiency and growth

How is farm output linked to farm size and land reform? This has little to do with average *production* costs on small and large farms. Economies and diseconomies of scale in farm production are absent or modest. But huge and tiny farms differ greatly in *transaction* costs of engaging and supervising labour and capital equipment. On a given area of land, it is easier and cheaper for many small or family farms to find, screen, and supervise labour - but for one large, even corporate, farm to borrow for (or to hire) and to use capital equipment. In countries with plentiful labour and scarce capital, such as most developing countries, small farms' advantage (via labour-linked transaction costs) outweighs their disadvantage (via capital-linked transaction costs), giving a net plus to smaller-scale, more equal farm operation - and, if lease markets are imperfect or costly to engage in, to smaller and more equal farm ownership. In developing countries, while relative factor prices mean that labour is relatively important (and capital relatively less important) in farming, this means that the prevailing inverse relationship between farm size and average annual output *per hectare* - especially if farmland is *very* unequal - swamps the direct relationship between farm size and average output *per hour of work*. This finding survives the standard objections, such as that small farms have different land quality, or managerial input, from big ones; that risk considerations

³Most Chinese farmers do not have full land ownership rights, but the household responsibility system accords them rights to the usufruct, and they can determine land use and have increasingly long leases.

⁴Haggblade, S., P. Hazell and T. Reardon. 2007. Transforming the Rural Non-farm Economy: opportunities and threats in the developing world. Baltimore: Johns Hopkins.

⁵For example Bardhan, P. and D. Mookherjee (2006), 'Land reform, decentralized governance and rural development in West Bengal'. Stanford Center for International Development Conference. At <http://scid.stanford.edu/events/PanAsia/Papers/Mookerjee-Bardhan.pdf>.

favour larger-scale farming (they may in fact do the opposite),⁶ or that smaller farmers are worse at innovating. Thus, apart from any case for redistributive land reform to reduce poverty or inequality, there is an efficiency or growth case for it at farm level,⁷ perhaps supported by a ‘macro-IR’: further favourable effects of less unequal assets on the village, local, or national economies.

A huge balance of evidence favours that case. In recent decades, empirical research on farm size has become much more careful about causality. However, no empirical research is perfect, and any group of farms (big or small) can always be overborne by another group, given sufficient special advantages by subsidised research, irrigation, roads, or direct subsidies. It is always possible to nit-pick selectively at (some of) the many studies indicating a strong IR and small-farm efficiency; to cite selectively the few of studies that suggest large farms are more productive; to ignore the impact of policies favouring such farms; and, as a last resort, to argue “Ah, yes, but Ruritanian farms are different”.

A more serious objection is what Michael Carter terms ‘the Chicago question’: if small farming is so good, why doesn’t it take over, through market transfers of land and labour, with no need for land reform or other public action? There are rejoinders, based on local-monopoly and/or non-market private benefits of owning (or owner-operating) large farms, and on big farmers’ power to manipulate markets (or laws) in their favour. Stronger than such ad hoc evidence is the fact that the median size of farm, and the size of farm containing the median hectare, *have* fallen - in the 1970s, 1980s and 1990s - in almost all the 12-15 developing countries with data from two or more successive (decennial) agricultural censuses, most of them with little official land reform. That raises the converse Chicago question: if smaller farms do not have (transactions-)cost advantages over larger farms, why is land in these countries moving from larger to smaller farms? This is much harder to answer than the Chicago question, given bigger farmers’ possible influence over markets and public policy. Obvious answers (rural population growth, farm technology permitting survival on smaller holdings) do not make logical sense unless smaller farms have, or are acquiring, production-cost or transaction-cost advantages over larger ones - advantages which, in the colonial and early post-colonial regimes, could not readily be accessed. Note that the process of agricultural and overall development makes labour dearer relative to capital, i.e. favours larger farms (which have lower capital-linked unit transaction costs) over smaller farms (with lower labour-linked URCs). Hence widespread tendencies towards smaller farms imply substantial *initial* advantages for such farms, overcoming the shrinkage of such advantages during economic development. However, while clear and general, the tendency to smaller and more equal farms in the developing world is slow, especially in the context of the huge remaining land inequalities of Southern Africa and Latin America. Accelerating the process by land reform is efficient and equitable.

The best farm size is likely to vary with a farmer’s skills, product-mix, and non-farm activities; with household size, the family cycle, non-farm activity, and the scope and prevalence of skills better rewarded through rural-to-urban migration; with a locality’s speed of local agricultural capitalisation; and with the regional nature of farm-to-market linkages, especially as supermarkets grow. One farm size does not fit all, and dead-level equalisation of household quality-adjusted hectares per person or worker is folly. Given prevailing land inequalities, however, redistributive land reform is good for output and growth in many developing rural areas, especially where farmland starts very unequal, and where land rental markets are missing or imperfect.

Apart from such micro-level considerations, there are special reasons why farmland inequality, even more than overall asset inequality, may slow down growth in developing countries. Landholding is often the result, not of farming or entrepreneurial ability, but of inheritance (whether or not based on colonial or ethnic land grab). Persistence of such ownership patterns means diversion of GDP, away from incomes of non-landowners, to reward inheritors: a *tax on incentives* to labour and entrepreneurship. Further, shifting land to smaller farms raises labour use per hectare. Where there is widespread unemployment, reducing it is good in itself, and policies to cut farm size by land redistribution can slash unemployment.

⁶Barrett, C. 1996. ‘On price risk and the inverse farm size-productivity relationship’. *J. Development Economics* 51:193-215.

⁷Redistributing owned land is only one way to get operated farmland to smaller farm operators. Tenancy (perhaps reformed), or secure title, may do so. And transaction-cost arguments show only that *farm-size outcomes* of land redistribution do not harm farm output; a bad *process* may.

There is much evidence that smaller, more equal farms in labour-surplus developing economies are good for output and poverty reduction alike, and that, from Vietnam via West Bengal to Armenia, Kenya and even Chile, intelligent outcomes to (sometimes tortuous) land reform paths have realised many such benefits. However, there is growing concern for the impact on two other policy goals.

Goals 3: sustainability, stability, legitimacy

Sustainability: The Great Adjustments to the water crisis and energy costs, especially in the context of global warming, sharpen this issue. Prolonged research by John Pender's team at IFPRI refutes the view that small farms, as such, are more (or less) environmentally sustainable. They do *less* of some depleting or polluting activities per hectare than big farms (e.g. devoting a smaller share of land to ruminants, whose burps cause methane emissions) - but *more* of others (e.g. devoting a larger share of land to 'thirsty' labour-intensive crops such as rice and many vegetables). Apart from offsetting each other, such effects are bad arguments for or against small or equal farming. A changed farm size distribution (e.g. after land reform) *changes* the incidence of ruminants, rice, etc. on farms of given size. As for the main environmental charge against small farmers, water waste, using water is not the same as using it *up*.

There is a key difference in environmental behaviour between small farms (with low unit transactions cost of labour) and big ones (with low unit transactions cost of capital), especially if incentives, extension and support internalise environmental externalities. As environmental resources get scarcer, small farms substitute employment for them, and big farms capital. For example, small farmers seek accurate, water-saving irrigation by micro-gravity-flow and better use of existing drainage; large farmers, by centre-pivot irrigation and new drainage construction. So are big farms generally more environment-friendly in rich economies, but small ones in poor developing economies? Where's the evidence? The technology policy implications of a sustainability-conscious farm size or land reform policy - e.g. adjusting the vital, technology-based Blue Revolution to different farm-size regimes - are a more promising area of action (and research) than whether big farms overall are less, or more, environmentally sustainable than small. Generalisations such as 'small farmers face more problems of collective action' or 'large farmers are less concerned with the heritable value of their land' have long been traded, with little resolution or gain.

While there is not a simple sustainability impact of small-large differences in farm practice, there *is* evidence that very unequal land regimes erode the capacity of the poor to live decently without expanding into marginal soil-water areas. However, even where land is rather equal and there are few big farms - as in much of Africa - such expansion can be forced by stagnant technology, rising rural population, or both.

Stability: A larger proportion of income corresponds to 'subsistence' - and, within non-subsistence, to nearby exchange and other local marketing's - on small, fairly equal farms than on big farms or very unequal land systems. This has been seen as a problem, because development normally requires, or at least accompanies, specialisation and hence trade and exchange. But this is not an argument for *subsidising* - as road, communications, and other infrastructure policy habitually does - trade and exchange against self-consumption, or long-range and macro-market-mediated trade and exchange against local or barter transactions. Further, in many countries (China, Indonesia, parts of India and of South and Central America), small farmers have found suitable intermediation to succeed in an increasingly market-orientated world of supermarkets, grades and standards, and export horticulture. That sector, with its huge advantages for the labour-intensive (not least in water use), points up the case for good intermediation, combining the advantages (in poor countries) of smallness in much farm production with those of scale in much distribution and marketing. Tom Reardon's group at MSU has produced exemplary work on this.

It matters more in the world of the Great Adjustments, which bring deeper and more frequent shocks. Small farms, self-employed and in fairly equal land regimes, provide the vulnerable poor with both greater stability and more resilience, in face of at least two sorts of shock: exogenous pressures reducing real market income (world depression, falling prices of farm exports, state failure); and reversals of the historical fall in real farm-gate prices, together with rising instability of such prices. This isn't to advocate

small/equal farm regime as anti-market device. On the contrary: widespread participation in rural markets is likelier with some degree of household food security. Land reform advances that, both because poor beneficiaries have direct access to a larger proportion of farm product, and because the need for food security means that smaller farmers tend to plant larger parts of their farm area to staples.

Justice, legitimacy and land reform: What are property rights? Rights to do what? When, if ever, is it just for the State to override them? Has an owner the right to use farmland in ways that destroy its productive power, or leave it idle when her neighbour is hungry and seeks work? Does ‘liberty’ give me the right to keep, and to use as I wish, all my farmland, however much and however acquired (if legally), limited only by the obligation to compensate you if my farm management *directly* harms you?⁸ Or is my right limited also by your right to ‘positive liberty’, perhaps interpreted to include a right to at least a little property to secure a decent life, or even to a distribution of income conducive to ‘happiness’ or even justice?⁹ Is land different, in these respects, from other property? Are rights to property, or land, less if it is inherited than if it is bought with savings out of wages received for effort or skill? If some property is redistributed, who should pay: selected wealthy losers, such as big landowners; or, to finance their partial compensation; all the rich; or taxpayers as a whole? Is it justified to reduce or remove rights to property if it is in the hands of families that obtained it by colonial or other land grab, or otherwise by force or fraud? If the offence was last week, last generation, last century? The book explores these issues. They cannot be resolved in the same way for all places, times and conditions. But the claims of legitimacy cut two ways.

First, some past changes in land rights, claiming to be pro-poor, have taken land without compensation from far-from-large owners who acquired it by work or saving, not grab or inheritance. Of these, some land transfers have been uncompensated, corrupt, politicised, arbitrary and/or unmandated. All this is unjust and destructive of enterprise, as are frequent changes without security of post-reform land rights.

Second, J.S. Mill claimed that most farmland was initially, and often within three generations, acquired by force (including colonial force plus the myth of *terra nullius*) or fraud, and transmitted to its present owner-operators by inheritance. Past land reforms such as Indian or Brazilian ceilings legislation, with democratic mandates, create claims to land rights from intended beneficiaries specified (in broad classes) by such legislation. It is therefore rather cheeky for big owners to plead ‘legitimacy’ or secure property rights as they seek to remove ceilings, i.e. to hypostatise their past flouting, subversion and evasion of laws mandating the mandated property rights of others.

Such disputes now have a new context. Large, and in the past two decades widening, within-country inequalities – especially at the very top and very bottom ends of the income distribution - had been defended as needed for faster growth. That defence stands exposed; such growth has proved unstable and unsustainable. This is strengthening the pressure, and the objective case, for less unequal distributions, especially of assets and opportunities. As recession spreads, and shocks (notably unemployment) increase or deepen, fewer people will see the ‘legitimacy’ of property rights in very large inherited landholdings – or in explodingly high differentials between incomes of workers and their CEOs, especially if CEO incomes seem to respond more to assignments by interlocking ‘remuneration committees’ than to the CEO’s market worth, or to the private (let alone social) profitability of the banks or companies concerned. If land reformers wish to draw upon the new wind that is blowing around our concepts of legitimacy and acceptable inequality, however, they need to take two points.

First, to be seen as a legitimate form of redistribution, land reform must be set in a context of fair burden-sharing. That does not mean that farmland redistribution requires, for legitimacy, non-land asset redistribution; farmland is likelier to be inherited, and its redistribution in developing countries is supported by ‘efficiency’ arguments (imperfect rental markets plus lower transaction costs on smaller farms) that do not, or at least not obviously, apply to non-farm assets. However, land reform clearly gains legitimacy if land losers are partly compensated by equitable taxation on similarly rich people without farmland.

⁸ Nozick, R. 1974. *Anarchy, State and Utopia*. New York: Basic.

⁹ Rawls, J. 1971. *A Theory of Justice*. Cambridge, Mass.: Harvard U. Press.

Second, the new mood (and the new evidence) does not support extremism – total land equalisation, or land reassignments each time a farm family gets bigger or smaller. Talk of, for example, confiscating farmland above a 3ha land ceiling in Bangladesh does not accord with widely held notions of legitimacy; only in exceptional circumstances (which do exist) is that politically feasible. Political feasibility, consensus and partial compensation are not dirty words. Usually, trying to sweep away land inequality altogether means - in most circumstances - making the best the enemy of the good. Such doomed efforts impede otherwise achievable land reforms, perpetuating mass poverty alongside extreme wealth. Furthermore, it is the top 5-15 per cent of operated holdings that most underuse land due to high labour-linked transaction costs, and (almost) the smallest holdings that use land most intensively.

Death of land reform?

So has much happened? There are three counter-arguments. First, land reform never lived: there has not been much, except (usually counter-productively) in a few ‘revolutionary situations’; elsewhere land reform has been avoided or evaded, or temporary gainers have sold or lost their land. Second, land reform, while once alive, is dead now: the rural sector, or farming within it, has become less important; also, since the end of the cold war, the political forces backing or financing land reform have greatly weakened. Third, land reform, though still alive, should be killed off: liberalisation and ‘development’ have weakened the case for state intervention in land ownership, and strengthened the case for larger farms. The three ‘death of land reform’ positions, while often run together, are inconsistent. Moreover, while each has some merit in some cases, all are over-generalised by elision, rhetoric and persuasive definition.

Masses of land reform has happened and worked, from Mexico via India to China. It continues in much of Latin America, and parts of sub-Saharan Africa, S and SE Asia and the FSU. King Charles II ‘took an unconscionable time a-dying’ but he had nothing on land reform! The view that not much ever happens save in rare, slippery ‘revolutionary situations’ is wrong. Mis-diagnosing land reform as dead derives from:

- narrow definitions: ‘only classic land reform counts’;
- extreme demands: ‘not land reform unless State provides all post-reform services’;¹⁰
- glass fallacy: ‘*only* 40% of land was distributed to *only* half targeted gainers, *only* 60% dollar-poor’);
- not adding up reforms: ‘\$1m (or ha) here, 1m there, soon you’re talking about real money/land’;
- not looking at long sequences, above all from before to after the ‘terrible (double) detour’;
- ignoring interactions, above all between NWLR, classic land reform and land invasions;
- looking at incentive-compatibility only when negative (with some tenancy reforms, not classic reform);
- expecting wonders of land reform *alone* (end poverty in Bangladesh; outweigh price repression in LAC)
- ignoring indirect (macro) and/or non-income gains from land reform.

Why land reform matters – and its future

Land reform ‘matters’ mainly for its effect on poor people. Absolute poverty fell more in 1950-2005 than 0-1950. How? GDP growth helped, but cannot be the whole story. It is farm GDP on which the dollar-poor mainly depend.¹¹ The green revolution made poverty far less than it would have been otherwise, but barely enabled real farm GDP in the developing world to keep pace with population – allowing for the fall in farm product prices, not even that (except in East Asia).¹² Much faster poverty reduction is due in large part to the addition, to employment-creating technical progress in food production, of land reform.

¹⁰ Reformers and opponents infer ‘don’t do anything till you can do everything, so do nothing’ so often we need an acronym: DDATCDE SDN.

¹¹ Of the 1.4b dollar-poor, 76% are rural. Ravallion shows that despite urbanisation, even in 2040 over half will be rural. Despite rural non-farm growth, farming and farm labour are the main single source of income for a big majority of the rural poor, and many urban, poor.

¹² In 1961-2005, farm value-added per head fell 17% (0.4%/year) in SSA; rose 20% (0.4%) in Latin America, 25% (0.5%) in S Asia, 43% (0.8%) in the MENA; and fast enough to cause big income rises - 2.2%/year - only in E Asia. There, too, land redistribution meant more poverty-reduction per unit of farm income growth. In 1961-2005 world farm prices, relative to manufactures, fell almost 2% per year [FAO *State of Food and Agriculture 2007*:121, 127]. (In 2005-7 food prices reversed almost a third of their 44-year fall, before declining from Spring 2008.)

Much modern land reform has happened in a roundabout way. In 1910-80, very unequal landholdings were collectivised, in succession in Mexico, the USSR, Eastern Europe, China and parts of other Asia, and a few African and Latin American countries. This was often disastrous and seldom achieved the main goal of land reform. Decollectivisation, mostly since 1977, in many cases led to small, not-very-unequal farms. This land reform by detour now affects over a billion people dependent on agriculture. Perhaps a further half-billion obtained farmland or work since 1945 from major land reforms that distributed private rights from large owners to small and landless agriculturists. This affected, in succession, Japan, East Asia, much of South Asia and Latin America, and some of Africa. Though land reform is often pronounced dead, one would not think so in Bolivia, Brazil, Ecuador, Venezuela, China, Vietnam, the Philippines, South Africa, Zimbabwe, much of the former USSR, or cyberspace.¹³

Land is poor people's main productive asset. At least 1.5 billion people today have gained farmland due to land reform. Many are less poor, or not poor, as a result. But huge land inequalities - *caused by inheritance* rather than efficiency, *causes of* inefficiently low-employment farm output - remain, or have re-emerged, in many low-income countries. In many developing areas with no, minor, ineffective or incomplete land reform, the poorer half of farming people control below 10 per cent of farmland. In a double whammy against the poor, extreme land concentration not only increases income inequality, but in developing countries also reduces farm output and slows growth. Land reform is both 'unfinished business'¹⁴ and alive and well.¹⁵

Substantial future land reform remains likely and desirable. The global financial crisis of Autumn 2008, with its gloomy message for long-run growth prospects, adds to the evidence that extreme, increasing (and increasingly visible), and in particular *unearned* inequality not only increases poverty but also, in the long run, undermines growth. This globally saps the already diminishing tolerance for such inequality. Just as the foreclosed poor of US and European towns are less tolerant of the huge incomes, often self-certified rather than competitive or earned, of a failing financial sector, so, as the prospect of escaping poverty into rapid non-farm growth dims, the landless poor in the still impoverished rural slums in much of the developing world are less tolerant of their richly landed masters. Thus redistribution of farm rights will continue. Its amount and nature depend on the degree of inequality, the part comprised by inequality of land rights, the tolerance of the population for that, and the capacity of the groups affected by land reform to organise for action. Some other determinants are just listed below.

(1) Demography will shape the demand and need for land reform. Prolonged population growth means, each year, more births, who mostly enter the workforce 12-20 years later. Then fertility falls: child populations grow more slowly, but for 12-20 years the population of working age does not. This means more workers per dependent - a 'window of opportunity'. It closes again after 30-40 years as the proportion of retirement-age people rises. While open, the window gives opportunity only if productive work exists for the burgeoning population of young adults; otherwise the window looks out onto unemployment, the migration of despair (not of hope), and crime. In East Asia - largely because the extra young adults initially found work in equal (and hence employment-intensive) and growing agricultures - the 'window' contributed about a third of growth in 1975-90. South and Central Asia (and parts of Latin America) have 15-20 years of 'window' left; much of Africa, and parts of West Asia, have more like 20-40 years. Without less unequal - and in Africa much more dynamic - agricultures, what can these extra young adults do? Pressure for work from rising young-adult populations, the higher capital cost of off-farm work, and its tightness if recession spreads and deepens, are huge, little recognised sources of policy change.

¹³On 21 Sep 2008 the precise term 'ld reform' led to some 1,260,000 Google results (compared to 1,090,000 for 'green revolution').

¹⁴Walinsky, L. (ed.). 1977. Selected Papers of Wolf Ladejinsky: agrarian reform as unfinished business. London: Oxford U., for World Bank.

¹⁵It is likely to become more so due to both demographic and technical change - and its prospects interact with liberalisation (ch. 7(a)(ii) on Latin America; compare ch. 5(b) on decollectivisation, and ch. 2(f)(iii) on farm size).

(2) The scope for land reform varies among areas.¹⁶ Where big landowners own and farm hundreds or thousands of hectares - in much of rural Latin America, and parts of West Asia and North, East and Southern Africa - growth has proved less good at creating employment or reducing poverty than elsewhere; the case for more land reform is strong. In South Asia, still containing half the world's poor, 10ha is in most countries a large owned farm; there is scope for some further land reform, but land shortage and growing non-farm work opportunities may largely limit it to creating tiny 'home gardens' for increasingly part-time rural farmers. In China and Vietnam, post-decollectivisation, farm inequality *within localities* is small; the task is to build on this, with some rise in farm size where appropriate, without stimulate yet further rises in *regional* inequality. In most of sub-Saharan Africa, poverty reduction mandates top priority to providing attractive work and life chances in farming, and correcting decades of 'premature de-agriculturisation'¹⁷ by remedying decades of gross underinvestment and unconcern, by governments and donors alike, for investment in rural and farm infrastructure and science, especially to reverse soil and water depletion and provide irrigation and rural roads. However, in some areas of North, East and Southern Africa, premature de-agriculturisation is due also to extreme inequality of farmland. There too, the case for land reform is strong.

(3) The type (not just the scale) of land reform will depend on changing attitudes and power-structures in respect of gender rights and roles.

(4) It will also depend, in Africa especially, on the (shrinking) availability of common land, and the (surprisingly high) resilience of customary tenure systems.

(5) Almost everywhere, increasing water stress means that land reform must be integrated with water reforms, towards fair and sustainable access to farm water.

(6) The economic affordability of compensation, and the political feasibility of cost-sharing rather than confiscation, will also determine the scope of future land reform, especially as donors increasingly recognise that a not-too-conflicted reform path can stimulate peaceful overall economic development.

(7) Securing land rights, while often desirable for efficiency, can complement, but hardly ever substitute for, getting farmland rights to the poor.

In the past century, land reform has played a massive, central role in the time-paths of rural and national poverty, progress, freedom, conflict and suffering. For the next half-century at least, where farming continues central to the lives of the poor, the role of land reform will not decline. Indeed, growing populations, scarcer land, and the low and falling employment-intensity of non-farm growth will increase pressures for, and resistance to, land reform. This carries the potential for severe land conflicts and frustrated rural and national growth. Yet well-conceived land reform has often led to huge gains, in liberty and peace as well as growth and reduced inequality and poverty. 'New-wave land reform' cannot dissolve the conflicts and costs around getting land to the poor. However, land reform can become more pro-poor and less conflict-ridden, if it relies on analysis and evidence, not rhetoric and ideology.

Some new bad kids on the block

Most of us hope, for the sake of the poor, that liberalisation and globalisation are not dying. But they will, unless their advocates shed - as some have not - belief in a near-minimal State; unconcern for income distribution; and neglect of how the poor can survive, even advance, during a possible 'second great depression', longer-run rising prices of food and energy, and falling, increasingly uncertain water availability. Land reform stands at the intersection of these three great issues. While hopeless at farming (and at imposing farm co-operation), nation-states - not land invaders, local authorities, or corporations however re-

¹⁶Of the world's 1.4b dollar-poor in 2005 (<\$1.25PPP/person/day; similar to \$1 in 1993), 24.1% were in East Asia (poverty incidence 17.9%) - 14.8% in China (15.9%); 42.5% in South Asia (40.3%) - of which India 32.5% (40.6%); 27.5% in sub-Saharan Africa (50.4%); 3.2% in Latin America/Caribbean (8.2%); 1.7% in Central Asia/Eastern Europe (5.0%), and 1% in Middle East/N Africa (4.6%) [Chen and Ravallion 2008].

¹⁷Eastwood, R., J. Kirsten and M. Lipton. 2006. 'Premature de-agriculturisation? Land inequality and rural dependence in Limpopo province, South Africa'. J. Development Studies 42:1325-49.

sponsible - will remain the main agents of effective land reforms, good and bad. Growing evidence links within-country asset inequality to slower growth; such inequality is substantially due, not to markets, but to inheritance and privileged access to the power to self-assign rewards and subsidies. In depression the link of very high income to bad performance, in large-scale farming as in banking, will be increasingly unpopular. Finally, policies for land distribution (and for agriculture) must attend to water shortage, fossil fuel exhaustion and global warming - itself, via evaporation, a main aggravating factor in water shortage.

Students and practitioners of land reform need not fear redundancy, but we are in for 'interesting times'.

Land Reform in Developing Countries: property rights and property wrongs

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