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Land Reform in Developing Countries

by Hans Bokermann, Berlin *

There are signs indicating that in many developing countries land ownership has become more concentrated in the past decade. This is all the more significant as in developing countries the large majority of the population derives its income from farming. Land reforms are needed to ensure a more equitable distribution of agricultural income.

For a long time assistance to agriculture in developing countries concentrated on improving seed and fertilizer supplies, irrigation and plant protection. Technical measures to raise yields do indeed play a vital part in the development of rural areas, but they are often insufficient to eliminate unemployment, poverty and hunger. They should be supplemented by social changes, and in particular land reforms, to remedy defects in the pattern of agriculture. This view is reflected in the World Bank's repeated proposals for a re-orientation of development strategies.

Given the fact that the concentration of property and control over land is the main source of political influence in non-industrialised societies, land reforms also imply changes in the existing balance of political power. It is therefore not surprising that, owing to the resistance of the usually influential landowning class, most attempts to tackle land reforms were confined to legislative activities.

At the same time, in large parts of the Third World land reforms are now more urgent than ever before. A number of indications support this view. Information available for Asia¹, which suggests that land ownership has actually become more concentrated in the past decade, probably applies to other regions with a similar pattern of agriculture as well. This is all the more significant as in developing countries the large majority of the population derives its income from farming. In spite of industrialisation, this is unlikely to change very much in the foreseeable future. Although the share of rural population in total population will decline from 60 p.c. to 52 p.c. in the decade ahead, in absolute terms the rural population will grow by an average of 1.4 p.c., i.e., by nearly 200 mn people, a year². These additional people will have to be fed and employed.

* Deutsches Institut für Wirtschaftsforschung (German Institute for Economic Research). — The article was first published in German language in *DIW-Wochenbericht*, No. 33/1975, pp. 266-268.

¹ Cf. W. Klatt, *Asia after the World Food Conference*, in: *International Affairs*, July 1975, p. 344 et seq.

² In Latin America and the Far East the growth of the farm population in the past three decades was still accelerating, despite the drift from the land.

The food and employment problem is unlikely to be solved by further encouraging the already rapid migration from the land to the cities. Estimates for selected countries in Africa, Asia and Latin America suggest that given the present sectoral pattern, annual growth rates in real gross domestic product of 9–11 p.c. would be required to employ the additional labour force totally outside the agricultural sector³. Agriculture itself can absorb additional labour force only to a limited extent, given present conditions of ownership and management.

In most developing countries the bulk of productive farmland is still owned by a minority of landowners. Since there are virtually no medium-sized holdings, and land suitable for cultivation is getting increasingly scarce, the growing population pressure often concentrates on holdings which are capable neither of producing a profit nor of feeding those dependent on it. This trend has caused a rise in the number of landless peasants and in the inequality of income and wealth distribution, an increase in overgrazing and a drop in soil fertility. All three developing regions (Asia, Africa and Latin America) share the — sometimes extreme — impoverishment associated with increasing rural population pressures. But if efforts aimed at accelerating development are to have any impact on the bulk of the population, they have to take into account not only pushing up overall economic growth and employment but also more justice of distribution.

True, there can be no *a priori* certainty that efforts to achieve more justice of distribution will not affect competing aims, such as the increase of yields per hectare⁴. But negative effects, if at all, are likely to be of a short-run nature. A productivity comparison for an extended period before and after a reform shows that in the long run land reforms improve

³ Cf. M. J. Sternberg, *Agrarian Reform and Employment: Potentials and Problems*, in: *International Labour Review* (Vol. 103) 1971, p. 453 et seq.

⁴ In Iraq, for instance, after the agrarian reform laws came into effect (1958), farmers who previously had to hand over up to 70 p.c. of their agricultural production to the landowner and were now, as landowners in their own right, paying far less in taxes to the government, were producing less immediately after the reform than before.

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productivity. Admittedly comparisons of this kind are difficult: the more long-term the land reform and the more marginal the changes involved, the less clear-cut its demonstrable effect on agricultural productivity. Yet, there are plenty of signs that land reforms have a positive productivity effect. As regards cereals, the rise in yields per hectare

in countries with major land reforms, such as Egypt, Chile, Kenya, Korea and Taiwan, over the period 1948/52–1968/72 was higher than the respective regional average. In the 1960s these countries were able to push up their yields per-hectare by more than 3 p.c. a year; this was much more than the average for all developing countries (1.3 p.c.). Similarly positive productivity effects were diagnosed in Mexico and Pakistan⁵. Comparisons between farms of different sizes provide further indications of productivity effects of land reforms. Thus in 1966/67 rice yields per-hectare in Sri Lanka, a country with predominantly small-holding (in 1966/67 the average size of holdings was 1.6 hectares), on farms with a productive area of up to half a hectare were on an average 9 p.c. higher than those for larger holdings. Productivity comparisons for the Philippines and central Thailand are even more favourable to small holdings. And in selected Latin American countries yields per-hectare for the smallest holdings were up to 14 times higher than for the largest ones.

Table 1
Agricultural Indicators for 45 Developing Countries

	Year	Average Holding Size (Hectare)	Agricultural Labour Force per Hectare 1970	Fertilizer Consumption per Hectare 1970 (kg)	Gini's Index of Land Concentration
AFRICA					
Botswana	1968/69	4.7		31.40	
Central African Rep.	1960/61	2.3	1.39	13.50	
Chad	1960/61	3.1	1.87	3.80	
Congo	1960/61	2.4	0.55	26.50	
Egypt	1960/61	1.6	1.92	169.00	0.674
Gabon	1960	1.5	1.55	0.90	
Ghana	1970	3.2	0.74	1.04	
Kenya	1969	4.2	0.57	9.24	0.692
Libyan Arab. Rep.	1960	26.6	0.06	4.29	
Madagascar	1961/62	1.0	3.38	14.75	
Mali	1960	2.3	2.13	8.19	0.477
Morocco	1961	4.6	0.49	28.81	
Senegal	1960	3.6	1.22	15.57	
Togo	1970	1.4	1.82	6.69	
Tunisia	1961/62	15.4	0.11	7.17	
Uganda	1963/64	3.3	0.84	1.94	
Zaire	1970/71	1.1	1.99	1.37	
ASIA					
India	1960	2.5	1.19	21.80	0.607
Indonesia	1963	1.1	2.21	34.40	
Iran	1960	6.0	0.32	15.28	
Iraq	1971	9.7	0.19	4.27	
Korea, Rep. of	1970	0.8	2.85	306.39	
Lebanon	1961	2.4	1.14	182.22	
Malaysia	1961	4.3	1.04	85.10	
Nepal	1961/62	1.2	2.60	11.90	
Philippines	1960	3.6	1.23	24.85	0.580
Sri Lanka	1962	1.6	1.12	53.80	
Thailand	1963	3.5	1.21	14.34	
Turkey	1963	5.0	0.64	37.82	0.611
LATIN AMERICA					
Argentina	1969	270.1	0.01	0.60	0.873
Brazil	1970	59.4	0.04	5.32	0.845
Chile	1965	118.5	0.03	4.75	
Colombia	1960	22.6	0.10	9.84	0.865
Costa Rica	1963	40.7	0.09	23.89	0.782
Dominican Rep.	1971	8.6	0.27	22.41	0.802
El Salvador	1961	7.0	0.38	56.19	0.827
Guatemala	1964	8.2	0.29	10.99	0.860
Jamaica	1968/69	3.2	0.29	37.21	
Mexico	1970	142.3	0.04	4.97	0.694
Nicaragua	1963	37.3	0.09	7.65	0.801
Paraguay	1961	108.7	0.02	0.29	
Peru	1961	20.4	0.10	6.88	0.947
Surinam	1969	5.8	0.29	42.62	
Uruguay	1970	214.1	0.01	3.70	0.833
Venezuela	1961	81.2	0.03	2.91	0.936

Sources: IBRD, Land Reform, Washington 1974; FAO, Production Yearbook 1973; C. L. Taylor and M. C. Hudson, World Handbook of Political and Social Indicators (2nd ed.), New Haven and London 1972.

Table 2
Agricultural Output per Hectare by Farm Size, Latin America

Country	Year	Smallest Sub-family Farms	Largest Multi-family Farms	Ratio Col. (2) to Col. (3)
		National Monetary Unit per Agricultural Hectare		
	(1)	(2)	(3)	(4)
Argentina	1960	2,492	304	8.2
Brazil	1950	1,498	170	8.8
Chile	1955	334	41	8.2
Colombia	1960	1,198	84	14.3
Ecuador	1954	1,862	660	2.8
Guatemala	1950	63	16	3.9

Source: IBRD, Land Reform, Washington 1974.

The higher per-hectare productivity stems from labour-intensive cultivation. In the Indian state of Punjab, for instance, the average per-hectare labour input in 1968 for holdings below 12 hectares was two-thirds higher than for larger holdings. In Colombia the per-hectare labour input for small-holdings (under 0.5 hectares) in 1960 was nearly 16 times that for large holdings (500–1,000 hectares). Estimates for Argentina, Brazil, Chile and Guatemala indicate that the number of agricultural workers per hectare in each case was on the smallest farms 30 to 60 times greater than on the largest ones. However, the positive employment effect of a redistribution of land is associated with a drop in the productivity of labour. More impor-

⁵ Cf. Pakistan Institute of Development Economics, An Abstract of Economic and Demographic Research, 1975; International Bank for Reconstruction and Development (IBRD), Land Reform, Washington 1974; D. W. Adams, The Economics of Land Reform in Latin America and the Role of Aid Agencies, A. I. D. Discussion Paper No. 21, Washington 1969; Inter-American Development Bank, Socio-Economic Progress in Latin America, Annual Report 1968, Washington 1969.

tant, however, is that income generated in agriculture is more evenly distributed than before.

If a change in the pattern of ownership in developing countries is accepted as one of the prerequisites to higher productivity, relief on the employment problem and more justice of distribution, the following measures, among others, are called for:

- A reduction in the size of large holdings;
- An allocation of fertile land to landless peasants;
- An increase in the size of unprofitable family-run farms (subsistence farming);
- An elimination of unsatisfactory tenancy agreements (through lowering rents and increasing security of tenure);
- The introduction of progressive land taxes;
- Availability of credit on favourable terms for smallholders and tenants;
- More joint action on a cooperative basis;
- Establishment of a proper system of land registration, without which a land reform cannot be put into practice.

The measures needed to introduce a land reform have to be adjusted to the existing circumstances. So different solutions have to be considered according to the socio-economic background. Thus Asia's farming system — characterised by land-owning smallholders and big landowners whose land is cultivated by small tenants — calls for a kind of land reform different from the system in Africa south of the Sahara where the land is in tribal or communal ownership or that of Latin America where the overwhelming share of the land is held by large landowners and farmed mainly by agricultural workers. In relatively thinly populated regions like Latin America, too, conditions for increasing the size of unprofitably small farms are more favourable than in populous areas⁶.

This shows that some aspects of land reform go beyond the agricultural sector. The provision of food and employment for people requires flanking measures in other economic sectors if a relatively even distribution of land cannot produce economic farm sizes.

⁶ In Bangladesh, for instance, even if the ownership of land would be limited at the utmost of 4 hectares, the minimum size of all smallholdings could still not be raised to 0.8 hectares.

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