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Research Report

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The three puzzles of land reform

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1. The puzzles of land reform

With world food supplies increasingly tight and compromising food security, meeting the MDG₁ on poverty highly dependent on the performance of agriculture, and rising environmental costs associated with agriculture, the issue of access to land, and property rights over land to guarantee its optimum use, has become a top issue of policy debate. In that perspective, properly distributed access to land with complete property rights is widely recognized to be an important condition for efficient and equitable use.



.../... Yet, complete property rights are widely missing. In the private sector, many titles are obsolete or contested. Among beneficiaries of redistributive land reforms, very few complete titles have been given, with land mainly held in usufruct and as a common property resource (CPR).

This is the overall puzzle of land reform: why is it that a reform over which there is broad agreement that it should be done—granting complete property rights over land to owners—remains largely undone?

This overall puzzle consists in three embedded puzzles:

Puzzle No. 1: Why have redistributive land reforms been principally implemented by (and hence limited to) autocratic governments, when democracy with high inequality, and hence pro-redistribution median voters, should be a fertile ground for such reforms?

Puzzle No. 2: Why are the land reforms implemented by autocratic governments granting highly incomplete property rights to beneficiaries, when they are likely to be a source of inefficiencies?

Puzzle No. 3: Why are subsequent complete land reforms, giving full titles to beneficiaries, so rarely implemented?

Together, these three puzzles explain the permanence of widely inadequate property rights in agriculture, with the associated adverse consequences. We address these three puzzles in this note, with a focus on Latin America.

► 2. The first puzzle: Why does it take an autocratic government to implement a redistributive land reform?

The modern history of land tenure in Latin America starts with the colonial period establishing a landed elite that controlled, in most countries, very large estates using a labor force of small-

holder peasants, the so-called minifundists. For this elite, land was key as the basis for wealth, political power, and social prestige. This land tenure system remained in place beyond the end of the colonial period up to the early 1900 and sometimes much later. By then, the land tenure system was highly unequal, many lands were used extensively, and owner absenteeism was common (Barraclough, 1973).

The early XXth century, and especially after the 1929-40 Great Depression and WWII, a majority of countries entered in a period of autocratic governments, either populist state-led regimes or authoritarian military dictatorships. It is during this period that many of these governments introduced extensive land reforms as a way of expropriating the landed elites and consolidating their political power (Dorner, 1992). Land reforms were thus not done by or for the poor, but by authoritarian regimes in response to the political insecurity created by the traditional elites. Albertus and Menaldo (2010) analyzing the history of Latin American land reforms between 1950 and 1990 show that heavy redistribution was more likely to be implemented by autocratic regimes, and that it is the regimes that engaged in more redistribution early in their tenures that remained longer in power. This applies to Peru, Mexico, Cuba, Bolivia, and Nicaragua, and to a lesser extent to Ecuador, El Salvador, the Dominican Republic, and Panama. That large scale expropriative land reforms tend to be associated with authoritarian governments and sometimes foreign occupation is also a regularity that has been noted across the world (Montgomery, 1984).

This creates the first puzzle of land reform. Expropriation under authoritarianism is in contradiction with a median voter reasoning under high inequality as in Latin America. In conformity with Acemoglu and Robinson (2006), theory would have predicted that it is democracy under high inequality that should have been the fertile ground for redistributive policies such as land reform, supporting over the years many more

such policies. In that perspective, democracy should be seen as dangerous to, and resisted by, the elites, in a context of high inequality as they should fear that this would unleash redistributive policies. This was not the case. Reality is that democracies have much greater institutional constraints to implementing redistributive policies than autocratic regimes. As noted by Albertus (2010a, p.31), "... democratic leaders often face prohibitively restrictive institutional constraints to redistribution. While democratic institutions create veto players and require large coalitions to support policy changes, the same is not true for autocracies. Fewer institutional constraints to decision-making enable autocratic rulers to enact reform and undercut the ability of landed elites to obstruct it, making large-scale redistribution more feasible and therefore more likely if an autocratic regime has instrumental or ideological reasons to pursue it". Thus, contrary to theory, elites had more to fear from non-democratic regimes than from democratic regimes under high inequality and pro-redistribution median voters. It is autocratic governments that became the champions in implementing large scale redistributive land reforms. But, as noted at a world scale, reforms were then severely limited to the windows of opportunity offered to such regimes.

► 3. The second puzzle: Why do land reforms grant incomplete property rights?

As land reforms were implemented, a striking regularity was that property rights granted to beneficiaries were highly incomplete. Complete property rights include the rights to access, extract, manage, exclude others, and alienate (i.e., sell) (Ostrom, 1990). Property rights granted to land reform beneficiaries were typically temporary usufruct with state ownership, or common property resources with community jurisdic-

tion, while very few of them received titles. Often property rights were simply left ill defined by an incomplete expropriation process as in Nicaragua and the Dominican Republic. This constitutes the second puzzle of these land reforms: why grant incomplete rights with the well known inefficiency costs associated with insecurity of continuous access to land, lack of resale or inheritance value for the investments made, and inability to access many markets as land cannot be used as collateral? This was however, not by mistake. By granting incomplete property rights, the incumbent political party was able to secure future control over beneficiaries who will need state support to give value to the assets they use in production.

In Mexico, land reform beneficiaries only had usufruct over a piece of land, with severe state-imposed restrictions for continued access. Peasants thus had to rely on state tutelage to access the services necessary to cultivate their lands, which they obtained in exchange for delivering votes to the ruling party (Gordillo et al., 1998). In Venezuela, similarly, by granting incomplete property rights, incumbent parties created a dependent clientele. Local party bosses and union leaders were able to closely monitor individual votes, even if imperfectly due to secret ballots, and to distribute rewards accordingly under the form of credit, tractors, and inputs (Albertus, 2010b). Incomplete property rights were thus the instrument used to transform a one time land transfer into a continuous relationship of party patronage and core electoral clientelism. No surprise then that most land reforms implemented by autocratic governments were granting incomplete property rights. Efficient land use could follow if state support was effectively compensating through parastatal services for lack of direct access to markets. Stagnation and poverty would follow if the state neglected to deliver these complementary services. Because the state created for itself tasks that it could hardly assume, history has been on the side of

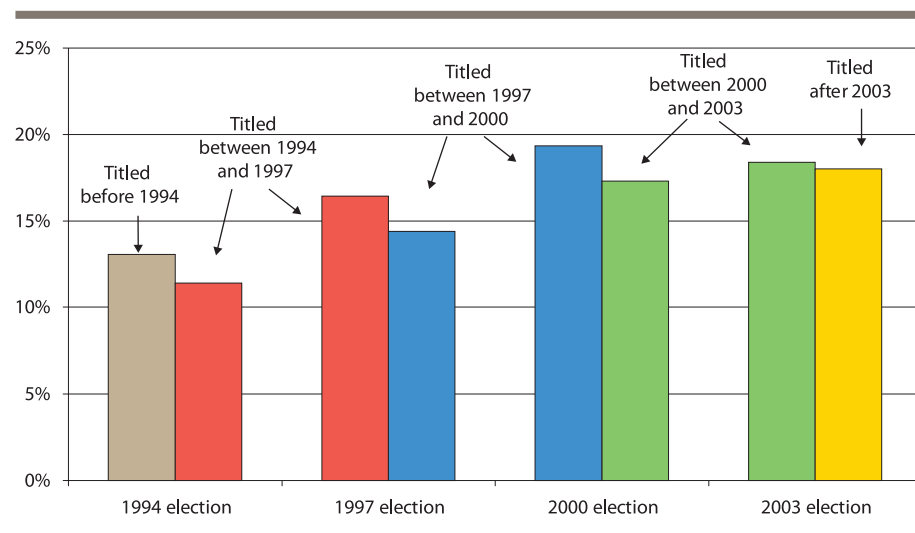
the second outcome. As a consequence, agricultural stagnation and rural poverty have been, in that sector, the heavy costs of manipulative clientelism.

► 4. The third puzzle: Why are complete land reforms politically risky?

With land reform delivering votes, but failing to produce agricultural growth, food security, poverty reduction, and sustainable environmental services, pressures have been mounting to transform incomplete into complete property rights to obtain from agriculture its expected contributions to development. This is how the Mexican traditional ruling party, that had expropriated the landed elites in the 1930s and distributed half of the national territory to peasants under incomplete property rights, initiated in 1992 a massive program of certification and titling of land reform beneficiaries. This poses the third puzzle of land reform: Why are complete land reforms, with the promise of efficiency gains, so rarely implemented? Answer has to be in the political risk of granting complete property rights for the incumbent autocratic or populist political party. In analyzing the 13 year rollout

of the land certification program (Procede) in Mexico, we find that titling can induce two political responses: a shift to the right in support of the pro-market political party that benefits the vested interests of the new land owners; and a potential reciprocity vote to the benefactor party who granted the property rights (de Janvry, Gonzalez-Navarro, and Sadoulet, 2011). As shown in Figure 1, it turns out that the first was very powerful, benefiting the emerging neo-liberal party to the demise of the long standing ruling party. The second not surprisingly did not materialize: why reward a political party for a one time irreversible land transfer that does not require (as previous incomplete property rights did) continuous state favors to be given value. This tells us that, like in programs of privatization of public assets in the transition from centrally planned economies to market-led capitalism, right wing parties can derive both political and economic gains from the reform, while autocratic parties can only expect economic gains, at a huge political risk. No wonder, then, that incumbent autocratic parties will rarely take the risk of completing the truncated property rights reforms they initiated sometimes many years ago in expropriating the landed elites. Political risks keep property rights in a path dependent state of incompleteness, at a huge economic, social, and environmental cost.

Figure 1. Vote shares in support of the pro-market political party (PAN) in four Mexican congressional elections in sections with ejidos titled three years before/after the election



▶ 5. Epilogue

It is well recognized that complete property rights—that do not have to be individual as long as the recipient community can cooperate in managing the resource for the common good, see Platteau (2000)—are the cornerstone of successful economic activity. Yet property rights over land in developing countries are one of the largest institutional failures in the world, with drastic implications for the performance of agriculture, food security, rural poverty, and environmental sustainability. We have explained this huge gap in institutional construction through the proposed “three puzzles of land reform”: redistributive land reform limited to autocratic governments, incomplete property rights used to create clientelism, and complete property rights exposing autocratic regimes to huge political risks. Clearly, reconciling the potential economic gains from property rights reforms with the political economy of their feasibility is a first-order policy issue in need of attention.

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