

**T**HE GLOBAL debate on the appropriate model for rural development in Third World countries has now been reopened.

The importance of this issue is self-evident: most people in the world rely on agriculture for their livelihoods.

Hitherto, the choice has been between the two extremes on the ideological spectrum: the Western model of land monopoly built on the concept of private property, and the Marxist ideal of collective farming based on state ownership of land.

But now, because of the measurable failures of both systems, the complacency that characterised postwar debates has been shattered.

In China, for example, peasants are now to be allowed to farm individually after an official admission that the commune system has failed.<sup>1</sup> The Chinese model of rural development was launched by the Great Leap Forward in 1958; it failed to increase output, and at least 10% of the rural population relies on state assistance. The commune structure will remain for administrative purposes only.

**T**HE TWO central problems facing the decision-makers, which are inextricably bound up with questions of both equity and economic efficiency, are these:

- Is there enough land to go round?
- How can land of varying fertility be divided up on a fair basis?

The key assumption underlying these two problems is that land reform necessarily entails the physical redistribution of land from present owners to the landless peasants who live on the margins of society.

Zimbabwe illustrates the dilemmas. About 450,000 acres have been bought by the government at a cost of £1.3m. in the first stage of a three-year resettlement plan costing £40m. Over a million people will eventually be settled on 2.75m acres.

The model favoured by Mugabe's Government is largely based on socialist principles. The deputy minister of lands, Moven Mahachi, told agricultural development officials recently: "The days of individualism are gone."

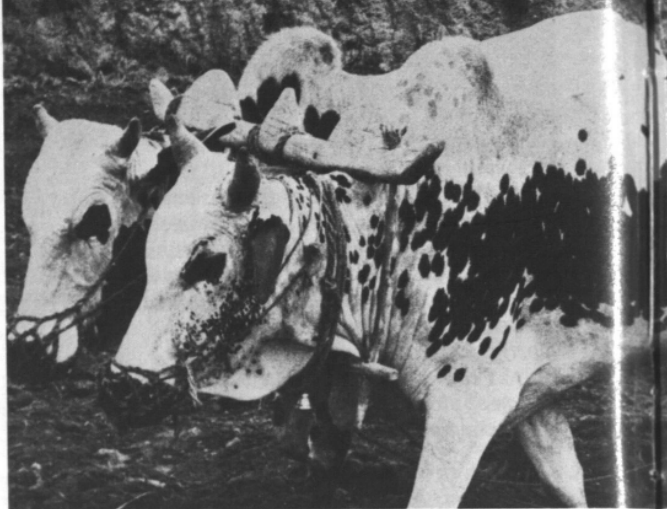
Collective farming is not likely to benefit either the farmers or the country, if the evidence from Tanzania and China is anything to go by. But Zimbabwe is allowing some farmers to hold arable smallholdings on an individual basis. But this has thrown up the problem of fairness, the issue posed by farmers who were visited by Richard Carver:

"The problem was how to divide five farms fairly between families from Madziwa and Bushu tribal trust lands. These men were getting the worst soil. 'Why can't the government get us more farms so nobody has to put up with poor soil?' they asked."<sup>2</sup>

The simple answer to their plea, of course, is that land is a finite resource. And even if the current problem could be solved, by tapping idle land, there would come a time in Zimbabwe's history when, with the growth of population, the vacant land would run out... what would happen then?

**B**ANGLADESH throws the issue into stark relief. Here, there is no significant problem of large-scale farms owned by a minority.

Nonetheless, 35% of the population are landless, and if the landpoor people (owning no more than 0.5 acres) are added, this figure reaches almost 50% of the rural population.



## SHARING LAND JUSTICE & E

**BANGLADESH: Surplus land generated by different ceilings of ownership<sup>1</sup>**

Ceilings of ownership (acres)	Surplus Land (in million acres)	Percentage of Households Affected <sup>2</sup>
5	3.6	6.7
7	2.4	3.7
10	1.4	1.7
12	1.1	1.2
15	0.7	1.0

1. Calculated from tables in the *Land Occupancy Survey of Rural Bangladesh*, Dacca, 1977.
2. This refers to the percentage of rural households owning land in excess of the ceiling.

About 58% of the cultivable land belongs to families who own five acres or less. Another 30% is owned by "middle peasants" (5-15 acre holdings). Only about 12% of the land belongs to families who own over 15 acres.

The 2m. acres of cultivable land was farmed by 11.8m. households in 1977. The trend is towards increasing concentration of ownership. So land reform – in a country where 91% of the population lives in the countryside – is a central political and economic issue.

What can be done? At present, the legal limit of ownership is 33.3 acres per family. What room for redistribution does this permit? Wasim Zaman, a post-graduate student at the Harvard Center for Population Studies, has calculated that even if the legal limit was reduced to 2.5 acres, this would *not* provide enough land for every farming family in the country.

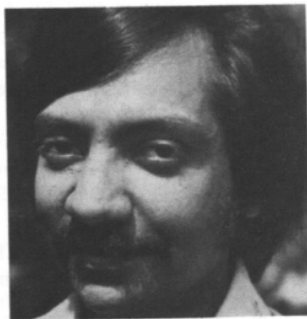
If the ceiling was restricted to five acres, this would mean a loss of some land for about 7% of owners. But Zaman, speaking at the World Congress on Land Policy last June, declared:

"On the other hand, it would generate only about 3.6m. acres of surplus land, which would not go very far to address the needs of the landless and the landpoor."



## A QUEST FOR EFFICIENCY

WASIM ZAMAN (right) calculates that dividing the fertile land of Bangladesh between all the people would produce uneconomically sized farms. Does that mean we should abandon land reform? FRED HARRISON reports.



Assuming that such reform is possible, the next intricate question would be: who gets what share of the distributable land? While the dictates of equity would favour the cause of the landless, the arguments of efficiency would prefer those who have below average holdings."

The enforcement of a ceiling between 5 and 15 acres, while providing land for some landless families, would seriously affect a majority of the middle peasants who, says Zaman, are considered to be the most enterprising in the rural sector.

**P**HYSICAL reallocation of land would not, then, solve the poverty in Bangladesh. Indeed, by pushing through redistribution on a scale large enough to make any difference to the landless class, the efficiency of the agricultural sector would decline. So it is difficult to see any net gain from this particular strategy.

Zaman reports that the arithmetic of land redistribution has prompted advocates of reform to conclude that cooperative farming should be the ultimate objective. But we now know that this option would not lead to the desired increase in *per capita* incomes. Zaman has concluded:

"The more you look at land reform in Bangladesh, the more you are encouraged not to consider land reform! Land reform is not going to solve the problem of poverty. How do you solve the problem? We have to consider industrialisation, which cannot come from the local resource base. Bangladesh has to rely on aid."

The pessimism of this conclusion is unwarranted. Is there an alternative developmental model which could cope with both the problem of an insufficient supply of fertile land for every family, and also encourage industrialisation?

**T**HE SOLUTION is to reallocate not land itself, but the rental value of land. Efficient farmers would not suffer a decline in the size of their holdings. The rental value of their land, instead of going to private landlords (or, in the case of owner-occupiers, into their own pockets), would go to the community in the form of a tax.

So the income opportunities facing farmers on land of varying soil fertility would be equalised: people on poor soil would pay lower rents (based on the marked value of the land) to the community. Wages would be equalised through competition, but the improved employment opportunities would raise wages above their present levels.

The increased revenue from land value taxation would be offset by a reduction in the taxes on other sources of income. This would stimulate fresh fixed capital formation, and increase the size of the domestic market for locally-produced consumer goods, which is a vital pre-condition for the emergence of an industrial sector.

But this is not to say that there is no role for foreign aid. Allowing for the criticisms that ought to be aimed at the strings that are often attached to aid, the international reallocation of resources *can* stimulate growth in a developing country. But here we confront a new problem which can nonetheless be handled by the fiscal mechanism which we propose.

One of the main beneficiaries (if not *the* main beneficiary) of an inflow of aid is the landowning class. As wages rise (or are poised to rise), as the public sector undertakes infrastructural improvements, as entrepreneurs invest in new factories, so the landowners step in and demand a share of future increases in income. They do this by increasing the selling price of land.<sup>3</sup> Are they entitled to that increased share of national prosperity by the simple fact that they happened to monopolise land?

The rise in the rental value of land is not of itself objectionable; indeed, it is a necessary part of the process of allocating all the factors of production to their optimum use. *Under a system of land value taxation, this increase in the value of land would be tapped as a source of locally-generated income which would finance further development.*

Our conclusion, then, is that it *does* make sense to talk of land reform – even in a country such as Bangladesh, where the crude arithmetic looks so hopeless; but that this should be a tax-led reform.

This fiscal solution would guarantee an equal share of rental revenue for all members of the community, while simultaneously stimulating the industrial sector and thereby ensure the growth in urban jobs to make up for the shortfall in the supply of land.

#### REFERENCES

1. 'Now the great creep backward', *Sunday Times*, 9.11.80.
2. Richard Carver, 'Mugabe moves to head off squatters' land revolt', *Sunday Times*, 9.11.80.
3. *Urban Land Policy Issues and Opportunities*, Vols. I & II, Washington, DC: World Bank Staff Working Paper No. 283, 1978.