

LAND REFORMS

By

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Pakistan is one of the few countries in the developing world, which have embarked upon economic development without an effective land reform¹. One of the fundamental obstacles to building a democratic state and efficient markets is the persistence of feudal forms of power in the functioning of the institutions of state, economy and society. At the level of the state, this is manifest in the manipulation of state institutions for personalized power observed in the post independence period². At the level of the economy feudal forms of power have structured markets that are asymmetric with respect to access for the rich and the poor respectively³. At the level of society, feudal forms are apparent in the localized state power and extra economic coercion exercised by rural elites⁴.

¹ Countries stretching from Egypt in Africa, Turkey in the Middle East, India in South Asia and South Korea in the Fareast have all undertaken a change in the rural power structure through a redistribution of land ownership in favour of poor tenants. Land reforms in the developing world have been a prelude to both nation building and economic development.

² For an analysis of this phenomenon in historical perspective, see: Akmal Hussain, Institutions, Economic Structure and Poverty in Pakistan, South Asia Economic Journal, Volume 5, Number 1, January-June 2004, SAGE Publications, New Delhi, 2004.

³ For an analysis of this phenomenon based on a recent field survey, see: Akmal Hussain, A Policy for Pro Poor Growth, chapter in, Towards Pro Poor Growth Policies in Pakistan, UNDP, Islamabad 2003. Page 66.

⁴ Akmal Hussain, The Impact of Agriculture Growth on the Agrarian Structure of Pakistan with special reference to the Punjab province: 1960 to 1978, University of Sussex, D.Phil. thesis, September 1980. Chapter 5. For more recent evidence, see: Akmal Hussain, et.al, UNDP-Pakistan National Human Development Report 2003, Oxford University Press, Karachi, 2003. Chapter 3.

At an economic level the existence of a powerful landed elite is indicated by the fact that 30 percent of total farm area is owned by landowners with ownership holdings above 150 acres, and yet they constitute less than one percent of the total number of landowners⁵. Elements of this landed elite dominate the major political parties, local government institutions and markets for credit and agriculture input distribution.

Both the land reforms of 1959 and of 1972 in effect enabled the distribution of land ownership to remain essentially unchanged because of the following features: (i) The land ceiling was specified in terms of *individual* rather than family holdings. (ii) Even on individual land holdings the *de facto* ceiling was much higher than the *de jure* because the basis of estimating Produce Index Units (PIUs) was the land productivity prevailing in the revenue settlements of the 1940s⁶. (iii) The area actually resumed by the government under the 1972 land reforms was only 0.6 million acres, which was even less than the area (1.9 million acres) resumed under the 1959 land reforms. The resumed area in 1972 was mostly uncultivated and constituted only 0.01 percent of the total farm area in the country. Thus the land reforms of 1972 like the land reforms of 1959, failed to affect the power of the big landlords significantly.

The ‘Green Revolution’ enabled farmers who could afford the seed-water-fertilizer-pesticides package to achieve sharp yield increases. This enabled the acceleration of agricultural growth without having to bring about any real change in the rural power structure⁷. Today, after almost four decades of the elite farmer strategy, the imperative of land reform is re-emerging, albeit in a more complex form than before. As the growth rate in yields per acre of large farms with available technology has slowed down, further growth in agricultural output increasingly depends on raising the yield per acre of small farms.

⁵ See: Akmal Hussain, Pakistan: Land Reforms Reconsidered, in Hamza Alavi and John Harriss (ed.), South Asia, Macmillan, London, 1989. Page 64.

⁶ Due to the understatement of land productivity through the PIUs provision the actual ceiling in the 1972 land reforms was 466 acres in the Punjab and 560 acres in Sindh for tractor/tube-well owners. If an owner took advantage of the provision for intra family transfers the ceiling came to 932 acres irrigated in the Punjab and 1120 acres in Sindh. (See: M.H. Khan, Under-development and Agrarian Structure in Pakistan, Vanguard Books, Lahore,1981).

⁷ See: Akmal Hussain, Pakistan: Land Reforms Reconsidered, op.cit. Page 59.

The small-farm sector whose yield potential remains to be fully utilized, constitutes a substantial part of the agrarian economy⁸. Since tenants lose half of any increase in output to the landlord, they lack the incentive to invest in technology, which could raise yields per acre. Because of their weak financial and social position they also lack the ability to make such investments.

Small farmers are locked in a nexus of social and economic dependence on the landlord, which deprives the tenants of as much as one third of their investible surplus⁹.

Clearly the objective of raising yields in the small farm sector is inseparable from removing the institutional constraints to growth arising out of tenancy within a structure of social control exercised by landlords. A land reforms programme that gives land to the tiller is therefore an essential first step in providing the small farmers with both the incentive and the ability to raise yields per acre. A Land Reform Programme can be effected by the following policy measures: (i) Establish ownership rights of existing land owners in computerized revenue records. (ii) Allow tenants to purchase the land being cultivated by them, and to buy additional land in a freed land market. (iii) Provide subsidized credit to tenants to acquire ownership of the land they wish to cultivate. (iv) Enable small farmers to form autonomous organizations of their own. Through such organizations small farmers could: (a) acquire the leverage to achieve countervailing power to that of the big farmers, and (b) get equitable access over markets, institutions for the provision of justice and local government. (v) Provide small farmers with technical training in improved agricultural practices for increasing yields. (vi) Establish an institutional framework for providing small farmers with additional credit at market rates for purchase of high quality inputs and establishment of supplementary sources of income through micro enterprise projects.

⁸ Ibid. Page 63.

⁹ For example, recent field survey data shows that poor peasants are losing one third of their income due to asymmetric markets for inputs and outputs. Furthermore almost 39 percent of poor peasants are obliged to work on the landlord's farm without a wage due to the leverage established through indebtedness and extra economic control. There is also evidence of adverse changes in tenancy arrangements during the 1990s whereby the contribution of tenants to input costs in the case of tractor rental, labour, seeds and fertilizers, has increased. (See: Akmal Hussain, et.al. UNDP-Pakistan National Human Development Report, 2003, op.cit. Pages 63 and 64.).

It can be argued that the imperative for land reform today arises not only from the need to accelerate agricultural growth and reduce rural poverty, but also from the need to build a sustainable democracy. A society based on tolerance, equity and the supremacy of law would require overcoming feudal forms that currently prevail in the conditions of production, in society and in the mode of governance.

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