This talk is concerned with the distributional characteristics of developing countries and the profound impact that different property systems can have on the full human development of the poor. Our conference is focused on the moral importance of capabilities as the touchstone to ethical theories of economic development. I believe that this perspective is correct, and that the greatest moral insight and the greatest human progress result from sustained efforts to align economic development policies with the goal of increasing the realization of human capabilities across the whole of society (Little 2003). However, I also believe that our ability to achieve this goal is highly sensitive to the distributive structures and property systems that exist in poor countries. Poor people in developing countries usually measure their ability to fulfill their most basic human capabilities by their position within the domestic property system: their access to land and credit, their access to the components of human capital (health, clean water, education), and their access to employment. I will argue that the chief determinants of the outcomes for human well-being among poor people in developing countries are the property relations and political arrangements through which development proceeds (the economic structure of the developing country). As a result, ethically desirable equity and welfare goals are difficult to attain within any social system in which the antecedent property relations are highly stratified and in which political power is largely in the hands of the existing elites. This approach thus combines another of Amartya Sen’s important contributions to development thinking—his emphasis on the centrality of the entitlement bundle (Sen 1981, 1983)—with some of the insights of Marx’s political sociology of wealth and poverty (Marx 1977; Marx and Engels 1976). Strikingly, the central viewpoint of this talk is one that was well understood two or three decades ago, when development scholars across a broad swath of academic and policy circles were calling for entitlement reform and land reform (Adelman and Morris 1973), (Chenery and Syrquin 1975), (Herring 1983). This perspective has been eclipsed in the past two decades by neo-liberalism, and we need once more to pay attention to these crucial factors of agrarian life. (But see a recent review of 25 years of World Bank thinking on land reform; (Deininger and Binswanger 1999).)

My argument, then, is that in typical circumstances of the less-developed world, progress on the goals of improving the well-being of the least-well-off and reducing stratification is unlikely without substantial institutional reform: in particular, redistribution of property rights and political powers in the favor of previously dispossessed classes (landless, land-poor, share-tenants, urban workers, etc.). Absent these forms of fundamental redistribution, we should expect that the pattern of income stratification will not substantially change. So let us spend a few minutes today revisiting some of these issues of
inequality, property, and the distribution of the benefits of economic development.\(^1\)

1. Who benefits from agricultural modernization?

Consider an example of economic progress without commensurate gain for the poor of the region: the effects of the Green Revolution in the rice-growing regions of Malaysia. James Scott provides a careful survey of the development process in Malaysia in *Weapons of the Weak* (Scott 1985). The chief innovations were these: a government-financed irrigation project making possible double-cropping; the advent of MV rice strains; and the introduction of machine harvesting, replacing hired labor. Scott considers as relevant parameters the distribution of landholdings, the forms of land tenure in use, the availability of credit, the political parties on the scene, and the state's interests in development. His chief finding is that double cropping and irrigation substantially increased revenues in the Muda region, and that these increases were very unequally distributed. Much of the increase flowed to the small circle of managerial farmers, credit institutions, and outside capitalists who provided equipment, fertilizers, and transport. Finally, Scott finds that the lowest stratum—perhaps 40%—has been substantially marginalized in the village economy. Landlessness has increased sharply, as managerial farms absorb peasant plots; a substantial part of the rural population is now altogether cut off from access to land. And mechanized harvesting substantially decreases the demand for wage labor. This group is dependent on wage labor, either on the managerial farms or through migration to the cities. The income flowing to this group is more unstable than the subsistence generated by peasant farming; and with fluctuating consumption goods prices, it may or may not suffice to purchase the levels of food and other necessities this group produced for itself before development. Finally, the state and the urban sector benefits substantially: the increased revenues created by high-yield rice cultivation generate profits and tax revenues that can be directed towards urban development.

Scott draws this conclusion:

The gulf separating the large, capitalist farmers who market most of the region's rice and the mass of small peasants is now nearly an abyss, with the added (and related) humiliation that the former need seldom even hire the latter to help grow their crops. Taking 1966 as a point of comparison, it is still the case that a majority of Muda's households are more prosperous than before. It is also the case that the distribution of income has worsened appreciably and that a substantial minority—perhaps 35-40 percent—have been left behind with very low incomes which, if they are not worse

\(^1\) Riad El-Ghonemy provides developed arguments concerning the relationship between land reform and poverty alleviation; (El-Ghonemy 1990). Benedict Kerkvliet provides an ethnographic-scale study of these issues in rural Philippines; (Kerkvliet 1990).
than a decade ago, are not appreciably better. Given the limited absorptive capacity of the wider economy, given the loss of wages to machines, and given the small plots cultivated by the poor strata, there is little likelihood that anything short of land reform could reverse their fortunes. (Scott 1985:81)

This example well illustrates the problems of distribution and equity that are unavoidable in the process of rural development. The process described here is one route to "modernization of agriculture," in that it involves substitution of new seed varieties for old, new technologies for traditional technologies, integration into the global economy, and leads to a sharp increase in the productivity of agriculture. Malaysia is in effect one of the great successes of the Green Revolution. At the same time it creates a sharp division between winners and losers: peasants and the rural poor largely lose income, security, and autonomy; while rural elites, urban elites, and the state gain through the increased revenues generated by the modern farming sector.

2. Property relations, political power, and distribution of income

The distributive characteristics of rural development schemes are largely determined by the specifics of the institutional arrangements through which these work, including chiefly the form of ownership of land and the distribution of political power. This perspective works within a framework of analysis that identifies the social relations of production, and system of surplus extraction that they represent, as the fundamental determinant of the distribution of income, wealth, and political power.2

We may distinguish broadly between two families of development strategies: those that funnel development through existing property relations and political power alignments and those that involve a redistribution of property and political power in favor of the dispossessed. In the circumstances of many parts of the less-developed world, the existing property relations define an agrarian class structure based on highly stratified land

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2 This framework is very elegantly described by Robert Brenner: "Class structure . . . has two analytically distinct, but historically unified aspects. First, the relations of the direct producers to one another, to their tools and to the land in the immediate process of production—what has been called the 'labour process' or the 'social forces of production'. Secondly, the inherently conflictive relations of property—always guaranteed directly or indirectly, in the last analysis, by force—and by which an unpaid-for part of the product is extracted from the direct producers by a class of non-producers—which might be called the 'property relationship' or the 'surplus extraction relationship'. It is around the property or surplus extraction relationship that one defines the fundamental classes in a society—the class(es) of direct producers on the one hand and the surplus-extracting, or ruling, class(es) on the other" (Brenner 1976).
ownership, and existing political institutions that are highly responsive to the political organizations of the elite defined by this property system. We may say that “neo-liberal” strategies of development are those that aim at diffusing technology, new investment funds, expertise, etc., through these existing private property arrangements, and then let the distributive chips fall where they may. “Redistributive” strategies undertake to alter these fundamental institutional arrangements in such a way as to confer more power, autonomy, and welfare on the least-well-off strata of rural society.

In addition to analysis of the property relations defining economic activity and interests it is also important to provide an analysis of political power at the local and national level. Given that different strategies affect local interests differently, and given that the strategy chosen will result from a complex political process involving various affected parties, it is crucially important to know what players will be most able to influence the goals and implementation of the development plan. In what is otherwise a sustained denial of the claim that the Green Revolution has exacerbated inequalities, Hayami and Ruttan write, “It is a common observation that, in a society characterized by extreme bias in economic and political resources, it is difficult to bring about institutional reforms that are biased against those who possess substantial economic and political resources. A disproportional share of institutional credit and subsidized inputs will, in such situations, be directed into the hands of the larger farmers. . . . It is extremely difficult to implement institutional changes that are neutral or biased toward the poor in a society characterized by extreme inequality in economic resources and political power” (Hayami and Ruttan 1985:360).

Thus it is necessary to locate the process of rural development within the broader context of class politics and political power in the developing country. As one particularly salient example, consider the political prospects for a program of land reform within a national politics dominated by the rural elite. Land reform runs contrary to the most fundamental interests of the rural elite, and this elite generally has substantial or even decisive political power. Land reform can only be the outcome of a political process—either through the exercise of state power or through revolutionary action on the part of land-poor peasants. If it is the former, however, the interests of the individuals, coalitions, and organizations involved will play a determining role in the way in which institutional

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3 Redistributivist perspectives emphasizing the importance of agrarian reform can be found in the research of V. K. Ramachandran and his colleagues (Ramachandran 1991; Ramachandran and Swaminathan 2002, 2005). See also Gillian Hart’s writings on agrarian reform in Southeast Asia (Hart, Turton, and White 1989).

4 Land reform is one type of agrarian reform that can significantly improve the distribution of income and well-being in rural societies. The importance of credit reform in poverty alleviation strategies in rural India is emphasized in (Ramachandran and Swaminathan 2005).
changes are adopted, and the various players have greatly unequal powers. Ronald Herring puts the point this way: "Although land reforms are universally argued for in terms of social justice and economic efficiency, the political reality in South Asian societies is that such reforms are promulgated by ruling elites largely composed of, or structurally or electorally dependent on, agrarian elites" (Herring 1983:3).

It would appear likely, therefore, that the outcome of a process of rural reform through existing political arrangements will be sharply tilted towards the economic interests of the rural elite (Riedinger 1995). So long as this elite retains decisive political power, the goals of land reform are difficult to achieve. Thus Ronald Herring writes, "Land to the tiller is a direct attack on private property and seems to presuppose an organized and militant peasantry, a revolutionary situation, or some extraordinary concentration of power, perhaps from outside the indigenous political system (as in Japan and Taiwan)" (Herring 1983:50). This line of reasoning suggests that a successful policy of land reform requires very exceptional circumstances; in any nation in which the dominant political and economic elite is the landowning class, land reform looks very improbable.\(^5\)

3. The distributive features of neo-liberal development schemes

Rural development that flows through existing private property relations has a built-in structural tendency towards favoring the interests of the rich over the poor—large landowners over small, owners over tenants, and managerial farmers over hired hands. Such schemes do not do very well at improving the welfare of the lowest stratum of rural society, and they work to extend rather than narrow rural inequalities.

These conclusions rest on several converging lines of argument. First is a political point: development strategies are the object of intense political activity within the developing country, and the extreme inequalities in political powers between large landowners and peasants guarantee that the former will have the preponderant voice in this political struggle. As a result, we should expect that development strategies will emerge that are biased towards the interests of the landowner.

Second, there is a structural tendency stemming from the character of stratified property holdings themselves that leads to deepening inequalities between landowners and landless workers. Excluding tax revenues, incomes are generated through two basic sources—income on property (rent, profit, interest) and income from wages. The effect of rural development is to increase the productivity of rural farming systems—ultimately, to increase the yields on land. These increased yields are then converted into increased

\(^5\) Somewhat different analysis is needed for a large and complex nation such as India. In this case there is a much broader range of political powers and interests at work, with a substantial urban sector whose interests may sometimes join with those of the rural poor against the rural elite. See Atul Kohli’s careful analysis (Kohli 1987).
earnings for the owners of land and other capital resources. Wages would increase only if the demand for labor rose; but to the extent that mechanization is part of the package of technological changes that are introduced, the opposite is more likely. Thus there is a tendency for the larger share of the gains through innovation to flow to the owners of land and capital. (See Ramachandran’s analysis of landless workers in rural India; (Ramachandran 1991).)

This tendency leads to greater inequalities between land owners and the landless; but another important feature of rural inequality is that between large and small owners (managerial farmers and landlords, on the one hand, and subsistence peasant farmers, on the other). How does rural development affect the micro-farmer? There is much debate on this question in the literature, but several factors appear fairly clear. The very small farmer faces serious barriers to successful implementation of technical innovations of the Green Revolution. First, his plot is very small—often too small to fully satisfy subsistence needs. He has little access to credit, since he has little collateral and little political influence. His current cultivation is frequently a food crop, whereas the available spectrum of innovations are oriented towards riskier market crops. And many—though not all—of the available innovations are indivisible, requiring a minimum acreage to be efficiently used. This is particularly true of mechanized innovations—tractors, harvesters, etc. Finally, the small farmer is in the most precarious economic position: frequently heavily indebted, with few cash reserves, a bad harvest or slump in the commodity market can lead to the loss of the land that he owns or rents. Moreover, as the potential return on land increases through development, there will be more pressure on the smallholder to relinquish his land. Thus foreclosure, abrogation of tenancy, and intimidation should result, pushing some small farmers into the wage labor sector. The net result is that it would appear as a practical matter that larger farmers and landowners are in a substantially better position to implement Green Revolution technologies; to the extent that this is so, however, we would expect a widening gap between earnings on the two types of farms. And we should expect a significant slippage in the number and size of small farms, as peasants are proletarianized or marginalized by changing economic circumstances.

4. Technology, inequalities, and property relations.

The issues of equity and stratification that I am raising here have been much discussed in the development literature. But there the question is usually a somewhat different one: do modernization of agriculture and technological innovation all by themselves lead to a worsening of inequalities and the welfare of the rural poor? I suggest, however, that this is not the right question to ask, inasmuch as it emphasizes the technical changes of the Green Revolution rather than the institutional arrangements through which innovation occurs. Defenders of Green Revolution technologies hold that these new techniques confer benefits
that are largely neutral across classes, while critics hold that the technologies favor richer farmers. I will make several points on this subject, however: first, that it is the institutional arrangements through which development occurs rather than the technologies themselves that determine the distributive impact of modernization; and second, that within the spectrum of available Green Revolution technologies, some favor large farms and some small. (See (Otsuka, Cordova, and David 1992) for a review of some of the interactions of these effects in the Philippines.)

A number of agricultural economists address the question of whether Green Revolution technologies favor large farms over small. There appears to be a rough consensus that the technologies themselves are largely neutral across farm size, and that they do not inherently have the effect of increasing stratification. Thus Robert Herdt (1987) summarizes the experience of the Green Revolution in the Philippines, and argues that there was no clear bias in these technological changes in favor of large farms. Small farms incorporated green technologies as readily as large; there was no tendency for farm size to increase; real wages for farm labor rose slightly. In a similar vein Hayami and Ruttan (1985) argue that MVs and agricultural modernization do not have the effect of increasing rural inequalities.

However, these authors also conclude that the local institutional arrangements—property and political power—decisively influence the distribution of the benefits of innovation. Thus Hayami and Ruttan write:

> The potential gains from technical change set in motion both private and bureaucratic efforts to capture the gains from technical change in the form of institutional rents rather than allowing the market to partition the gains among factor owners and consumers. The possibilities for bias in institutional innovations are greatest in societies with highly unequal distribution of economic and political resources. (Hayami and Ruttan 1971)

And in his survey of the rural development experience of Mexico W. Randall Ireson emphasizes a similar conclusion.

While the findings reported here do support (Nicholson 1984) general contention that Green Revolution technologies by themselves do not increase inequality, the landholding context in which technologies are introduced is found to affect their

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6 Herdt's study (Herdt 1987) is based on an IRRI research project consisting of a 15 year study of two wet rice areas in the Philippines. The project surveys patterns of land tenure, technology, yields, and income distribution and changes in each of these over the period of the study (during which time the green revolution technologies became available).
relative impacts across farm groups. (Ireson 1987)

Most research on Mexico has emphasized an increasing income inequality in the agricultural sector as well as a strong institutional bias in favor of large commercial farms. (Ireson 1987)

The importance of land distribution patterns as a crucial element of agricultural structure must be acknowledged. The data analyzed here clearly indicate the effect of land concentration on increasing income concentration and also the influence of landholding inequality on the different effects of technical change. Perhaps, rather than continuing to debate the distributional consequences of technical change, the development community should pay more attention to the effects of resource concentration on technical change and income concentration. (Ireson 1987)

Finally, in his major study of the rice economy of Asia, Randolph Barker argues that the Green Revolution technologies themselves do not create greater inequalities, but that unequal ownership of land and capital leads to greater inequalities of income through technical change (Barker, Herdt, and Rose 1985). Barker comments that the decisive factor determining distribution is the set of property relations and institutional arrangements present.

If ownership of these resources is concentrated in a few hands, then their earnings will likewise be concentrated. . . . The effect of resource ownership on the distribution of earnings is so great that any effect caused by technological change is marginal. . . . That does not say that when incomes are increased because of a technological change, all participants benefit equally. On the contrary, they benefit in proportion to their ownership of resources and the earnings of the resources. . . . The important factor determining who receives the direct income benefits is the ownership of resources. (Barker, Herdt, and Rose 1985)

These observations corroborate the basic point to be argued here. Herdt, Barker, Hayami and Ruttan, and others have shown that modernization and green technologies themselves do not induce inequalities; rather, the inequalities are generated by the institutional arrangements through which these innovations are introduced. Thus new technologies confer benefits and burdens only through the lens of the property relations and relations of political power that exist in a given country. In this sense the technologies themselves are neutral; it is the property relations and political institutions that are the decisive mechanism of distribution.

It is also worth noting that, given typical institutional arrangements in many parts of
the less developed world—i.e., private ownership of land, stratification of landholdings, and credit through private or semi-private banks—there are sharp differences between different new technological options. Some technological innovations are biased towards large farmers, while others favor small holders’ interests, and still others appear to be equally available and beneficial for all strata. New seed varieties are equally available to large and small holders; while expensive capital equipment and irrigation technology is only available to larger farmers and those with substantial credit available. Thus Green Revolution technologies do not form a seamless package of innovations, but rather a differentiated set of options with differential consequences for different classes.

5. Agrarian reform

The argument to this point may be summarized in these terms. The fundamental determinant of the distribution of income within an economy is the set of property relations through which production occurs. Property relations in the less developed world are typically highly stratified, with a small class owning the majority of wealth (chiefly land). Ownership of wealth confers both high income and substantial political power; so large wealth holders are able to absorb innovations and to influence the political process of planning in a way advantageous to their interests. In most developing economies there is significant stratification of landholding, with consequent stratification of income. In an agrarian economy, land ownership is the primary source of income. So without land reform, it is difficult to see how the lower strata of rural society will be able to improve upon their distributive share of income generated by the rural economy.

From this we may draw a conclusion: development that proceeds through existing economic and political institutions will tend to reproduce and perhaps intensify inequalities between classes. This analysis suggests that if we are interested in a process of development

7 “It is critical to recognize that modern technologies are not homogeneous in their effects on agrarian structure. Advances in mechanical technology are usually accompanied by scale economies, resulting in economy in management effort as well as in the use of labor in production. . . . Biological technology, in contrast, is generally embodied in divisible inputs such as improved seed and fertilizer and requires intensive on-the-spot supervisory management decisions. Its effect is to raise the relative efficiency of small family farms and promote a unimodal farm-size distribution” (Hayami and Ruttan 1985:332).

8 “Although the Green Revolution is usually considered to be a package of changes, its different components interact with landholding patterns to produce different effects, some of them contradictory, on income inequality. The political context of farm-level decision making and resource allocation is a third area crucial to understanding the dynamics of technical change” (Ireson 1987:363).
that reduces the structure of inequalities, it must be grounded in a set of institutional reforms that redistribute property rights and political powers. In a word, development strategies that aim at reducing inequalities must embody a program of agrarian reform.

What is agrarian reform? It is a process through which property relations and political powers are redistributed in such a way as to favor the interests of the rural poor. Ronald Herring puts the point this way:

Agrarian reforms worthy of the name transform rural society through alterations in the property structure and production relations, redistributing power and privilege.

(Herring 1983)

The political obstacles to agrarian reform are obvious, both in theory and in history. For as we have already argued, agrarian reform is directly contrary to the economic interests of the politically powerful. (See Herring’s revisiting of land reform in Kerala in his more recent study (Herring 1991).) Thus agrarian reform appears to presuppose a dramatic increase in the political power and influence of the rural poor. And secondly, the problem of institutional design—the creation of property arrangements through which efficient, modern agriculture may proceed while serving the ends of equity and welfare—is a knotty one.

The obstacles to a rational and equitable process of agrarian reform are several. First, there is the problem of pre-reform distribution of political powers. Existing elites have both the interest and the opportunity to defeat and sabotage fundamental reform. Second, the problem of designing effective and fair institutions is non-trivial, and may be expected to require an extended time of experimentation and error. Finally, even with well-designed institutions there will unavoidably be a period of transition that will pose potentially disruptive problems. There are substantial problems of transition; if property arrangements are to be significantly altered, various players will have counterproductive incentives during the transition. For example, if oxen are to be confiscated in the next period, then the owner of the ox has no incentive to keep the ox alive; he may consume it, drive it to death, or in other ways attempt to make use of its value before confiscation. More innocently, as new institutions come into existence it is necessary to rally support from various segments of rural society for them, and this requires raising public confidence in their efficiency, fairness, and stability.

The earliest demand voiced by the rural poor is for fundamental land reform—a "land to the tillers" program. The goal of such a program is to level out land ownership by confiscating the holdings of large landowners and distributing them to the land-poor and landless. The result of such a program in most environments is a system of peasant proprietorship of small plots worked with family labor. Fundamental land reform addresses several of the chief aims of agrarian reform: in particular, it addresses the problem of rural
inequality and it substantially reduces or destroys the political power and influence of the rural elite.

A program of fundamental land reform by itself is insufficient, however, if it fails to address problems of efficiency. Small holdings with inadequate access to credit are not a feasible basis for modern high-yield agriculture; but without sustained development in agriculture, it will be impossible to raise either average welfare or the welfare of the least-well-off stratum. Moreover, a peasantry that has achieved the patchwork of smallholdings implied by this system will politically oppose further transformations of the agrarian system.

6. Entitlements, agrarian relations, and capabilities

Creating a social economy in which all persons can fulfill their human capabilities as fully as possible is the ultimate moral good of economic development. This requires a social system in which people have adequate access to life’s necessities—food, clothing, shelter, clean water, health care—and to the necessities that permit the flourishing of their human talents—education, employment opportunity, and freedom. So far, so good. But what must be achieved in order to create such a social order? The central thrust of the arguments I have reviewed here is that structural inequalities, entrenched through property systems that systematically limit the material resources controlled by the poor and legal-political systems through which the voice of the poor is systematically reduced to a whisper, are the greatest obstacle to even limited realization of this goal. So a central objective within poverty-alleviation policies in the developing world must be a renewed attention to property reform and grassroots democracy.
References


Inequality and Well-being


