Chapter 2

TENANCY -ITS INTERLINKAGES AND LAND REFORMS-A BRIEF OVERVIEW

This chapter attempts to present an overview of the literature on tenancy and its interlinkages as a backdrop to the problem of emerging tenancy. In the first section they are examined in the Marxist and neo-classical tradition. Before proceeding to the land reforms process, the nature and character of tenancy in the post land reform period have also been traced. In the second section the need for land reforms, the reform policy models and their rationale are discussed.

I

Tenancy and its Inter-linkages:

In the literature on the agrarian class structure, the phenomenon of class stratification of the agricultural population is fairly recognised\(^1\). At the highest rung of the strata has been the non-cultivating landlords, the major component of whose income has been derived from rent. At the lowest strata landless labourers who derived all their income by selling their labour

\(^1\) The criterion for classification of this agrarian class structure is the labour market transactions (hired in, hired out or neither as developed by Roemer 1982). It fails to accommodate the commonly observed features such as simultaneity of hiring in and hiring out labour, share tenancy and linked market transactions. Eswaran and Kotwal (1989) argued that unequal access to credit as the important determinant of agrarian class structure. To Patnaik (1976) the direction of the flow of exploited surplus and avenues of surplus exploitation is the basis of peasant differentiation. For a detailed account of the views of Roemer (1982) and Patnaik (1976) see Eswaran and Kotwal 1989: 166.
in the market. In the middle, large capitalist farmers operated their holdings entirely with hired labour, whom they supervised: small capitalists who in addition to hiring labour contributed some labour themselves: self cultivators and cultivator labourers, who in addition to working on their land hired themselves out for additional incomes. Among them it is argued that, owner cultivation characterised by small holdings as defined by Chyanov (1966) has been the predominant mode of production in the backward economies of Asia.

However, owner cultivation using family labour has to be supplemented by wage labour during peak agricultural activities and small holdings sometimes augmented by land lease arrangements. It is therefore necessary to have some transfer of land from those who do not cultivate fully or partly to those cultivators who have little or no land at all. Similarly owner cultivators, part or full, do require the services of hired labour as their family labour is either insufficient to meet the requirements or is not willing to do any manual work. Accordingly various arrangements have been devised for facilitating the transfer of these primary factors from

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2 Lenin has divided the Russian peasants into three classes; viz: the rich (Kulaks), the middle (Stredniak) and the poor peasants (Bedniak). Mao-Tse-Tung divided the Chinese rural society into five classes; landlord at the top and rural wage labour at the bottom, in addition to the Lenin's three classes of peasants. In the Marxist ideologies of India, the classification is six fold; in addition to the five classes mentioned, they divide the landlord into feudal and capitalist. Feudal if the income from rent is greater than his income from wage exploitation (See Tharamangalam 1981: 11 – 12).

3 This form of land tenure comprises 79 percent of all farmers and 61 percent of total farmland, according to world census of agriculture. In the Asian backward agricultural economies, it is characterised by small holdings of 2.13 h.a per cultivator (See Otsuka and Hayami 1993: 7)
households endowed with different amounts of these resources. The alternative ways in which these factors are transferred through labour and lease arrangements and their impact on agrarian structure has been a topic of serious discussion in the economic literature on agrarian organisation.

Discussion on land tenancy has mainly focused on the choice between sharecropping and fixed rent tenancy and their relative efficiency/inefficiency, while studies on agrarian labour relations mainly centred on incidence of casual and permanent labour arrangements and of the different remuneration systems.

In the literature on tenancy there have been two schools of thought, the Marxist and the Neo-classical. According to the former the relationship between the landlord (lessor) and the tenant (lessee) has been one of dominance and dependence and that the rules of the game have been shaped by the stronger party (landlord). Therefore the market for land is a source of exploitation or surplus extraction of the tenants by the landlords which is reinforced when the lease market is interlocked with other markets such as credit, commodity and labour. This has been considered a semi-

4 Although lease arrangements is common in the Third World agrarian economies, employment of wage labour dominates the land tenancy contract, Bell and Baverman (1980). But it is a proposition argues Otsuka and Hayami (1993) is totally incompatible with the actual pattern of agrarian organisation of the third world.
5 For a detailed account of various types of tenancy and their relative efficiency see Ibid.
7 This view resembles the classical view that capitalist relations are a direct relationship of domination and subordination between the ruling class and direct producers unmediated through the market and characterised by extra-economic coercion.
feudal institution, which inhibited the modernisation of agriculture in the backward agrarian economies. The involvement of tenants in the market is not triggered by motives of gains from trade but by compulsions of subsistence. It may be seen as a survival strategy reflecting conditions of distress.

Though markets have penetrated into the rural economy, the extent and type of involvement in the market by different sections of the peasantry are not at all uniform. The functioning of the market itself is to reinforce the differentiated bargaining positions of the participants. Therefore, competitive assumptions are violated. Due to the interlinked nature of transactions, the neo-classical individualist market like monopoly and competition and even the different combinations of these markets framework are not applicable to this sort of multiple exchanges observed in backward agriculture (Bharadwaj, 1974: 3). She therefore suggested an alternative classical Marxist framework to explain the interlocked deals in terms of surplus extraction.

Seasonality is an inevitable feature of agricultural production. It is inconceivable that the tenant has enough savings to sustain his family (consumption capital) and meet the expenses of cultivation (working capital). He needs credit until the crop is harvested. Since the tenant has very little to offer as collateral, his access to the organised credit market is
restricted (Easwaran and Kotwal, 1989). He, therefore turns to informal credit market (village money lender) quite often to the landlord who gives him credit on labour contract or on the security of standing crop.

When the landlord combines the functions of a lessor and moneylender, he gets monopoly power in the credit market and may charge a very high rate of interest (Bhaduri, 1977; Mukherji, 1982; Rudra, 1982; Basu, 1984 b, 1989; Easwaran and Kotwal, 1989). The usurious interest rate prevailing in the backward agriculture is explained by Bhaduri (1977) in terms of the ‘default hypothesis’.

Even if the interest rate is not usurious as has been propounded by the neo-classicals, an interlocker has clear advantage over a pure moneylender.

A number of scenarios have been presented:

a) When the moneylender himself is the landlord of the borrower he may be able to extract the entire consumers’ surplus from his borrower through the labour market contract and it may be in his interest to charge in the credit market an interest rate equal to that prevails in the organised sector (Basu, 1989: 150).

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8 He argues that the lender deliberately charges a high rate of interest to cause default and confiscates the collateral kept as security. The essence of the usurious extraction lies in the under valuation of the collateral. The credit market is characterised by risk of default and therefore it is interlinked with asset market to provide insurance against risk of default.
b) When the landlord himself is the merchant, the terms of the lease are not only stringent but includes stipulation as what crop the tenants ought to grow as well as terms of repayment of rent and in the output market to whom and when to sell the produce, (Bharadwaj, 1974; Bhalla, 1976).

c) When the landlord himself cultivates some of his land, it is not unusual for him to extract unpaid or underpaid services from the tenants or his dependants (Bharadwaj, 1974; Basu, 1989).

Such interlocking of the market, it has been argued, increases the exploitative power of the stronger sections because “while there could be limit to exploitation in any one market due to tradition or conventions or due to economic factors, the interpenetration of markets allows them to disperse exploitation over different markets and phase out exploitation over time as well” (Bharadwaj, 1974: 4).

Even if he is not an interlocker but a pure rentier, it is still possible to maximise returns if land is leased out in small plots. This is interpreted as a strategy of extracting labour rent from the share croppers in a hidden and subtle manner” (Swain, 1999: 2661).

To sum up, the land lease market and the simultaneous transaction in the conjoint market is a device for surplus appropriation by the dominant class. While for the weaker class leasing in of land and its interlocking is a
survival strategy and therefore it involves compulsion to meet their subsistence requirements. Such relations are considered to be remnants of feudalism and any policy to undermine them has been considered as a victory for the oppressed peasantry.

On the other side, the neo-classicals argue that tenancy arrangements are not feudal; they are perfectly compatible with capitalist relations between owners of land and tenants (Rudra, 1982; Bhardan: 1989) and that tenants do not constitute a weaker party and landlords a stronger one. The exploiter – exploited relationship gets weakened and transformed into one where the better off farmers lease in land from small holders for whom cultivation becomes difficult. This would happen particularly with the penetration of new technology in agriculture. Such a tendency for leasing in land by large holders has been called ‘reverse tenancy’ (Bhalla, 1976; Gill, 1989; Singh, 1989) or ‘capitalist tenancy’ (Parthasarathy, 1991).

Elsewhere, it has been argued that if there is a well functioning land lease, credit and labour market, that would get rid of all class structure and the Pareto-optimal outcome would be that everybody becomes a self operator. There would be neither any bosses nor any workers; income differences would correspond to differences in land ownership (Easwaran and Kotwal, 1989). But he argues that a well functioning rural markets for
credit, labour, grain and insurance are either non-existing or are imperfect. It is characterised by the prevalence of risk, uncertainty, indivisibility, information asymmetry and moral hazard problems and hence involves substantial transaction costs. These costs include costs of information, negotiation, monitoring, coordination and enforcement of contracts (Bhardhan, 1989: 5).

Because of poor transport and communication facilities market information is scarce and costly to obtain. As a result, market tends to be segmented into the units of small communities. Formal crop insurance is not possible in such markets because of the difficulty to distinguish the effects of natural hazards from that of the moral hazards of the tenants (due to mismanagement like cheating). Since market is too small for specialised agencies to engage profitability in credit, grain and insurance separately there is a strong tendency for many transactions to get interlinked through personalised relationships⁹ (Bhardan, 1980; Hart, 1986; Bell, 1988). They are institutional arrangements to minimise transaction costs and serve as substitutes for missing credit and features markets¹⁰.

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⁹ Such personalised relationship is known as clientilization (Gretz, 1978)
¹⁰ It is argued that such inter temporal interlinked barter transactions save on transaction costs and ensure double coincidence of wants without which imperfectly monetized economics tend to be inefficient (Bhardan, 1989). According to CDAWN School (Coase – Demsetz – Alchian – Williamson North School) transaction costs and institutions that evolved to minimise these costs are the key to the performance of such economics.
Benefits of Interlinked Transaction

The landlords provide consumption credit to his tenants at a competitive interest rate or even free of charge (Rudra, 1975; Bhardan and Rudra, 1981; Jodha, 1984; Nabi, 1986). In order to survive the slack season, the poor tenants (deficient in assets as collateral look for a consumption credit, which he can repay in the form of future labour services. But this will not be acceptable to many creditors except the landlord / employer - creditor who is in great need of a quick supply of labour in the peak season. Sometimes tenancy contract itself becomes a kind of collateral for credit. Thus tenancy serves as an insurance against hunger (Scott, 1976).

Even if the rate of interest charged by the landlord is slightly higher, it is sought to be explained in terms of Lenders’ Risk Hypothesis.11

Sometimes the landlord bears a part of the production cost at the same rate at which production is shared.12 It is considered to be an insurance against natural hazards. He insures his tenant against unexpected hazards by reducing rent in the event of crop failure and taking back the reduced amount in better years.

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11 This was proposed by Tun Wai (1958) and Bottomley (1975). It is argued that while advancing loans the lender faces risk of default. Hence a premium has to be added to the normal rate of interest. Once this factor is taken into account, the effective interest rate turned out to be no higher than the interest rate prevailing in the organised sector.

12 The provision of inputs or cost sharing involves an element of de facto production loans to poor tenants and a device for sharing risk faced by the tenants (Otsuka and Hayami, 1993). It also serves the objective of acting as an incentive for the application of variable inputs in socially efficient amounts by the tenants (Chadha and Bhaumik, 1992)
On certain occasions the landlord gives gift, for instance when one of the members of family of the tenant is sick or on the occasion of marriage; he also uses his connections when his tenant is in trouble. The tenants in turn reciprocate, say, by rendering his and his family’s loyal service not only in farm production but also in social and political activities. Such relationship that would result in mutual benefit is commonly called a ‘patron–client’ relationship. When exchanges are multi-standard entering simultaneously into a number of contracts it is a device to reduce transaction costs (Bhardan, 1980; Hayami and Kikuchi, 1982).

To recap; for the neo-classicals the interlocked contracts are considered as an institutional adaptation to underdeveloped imperfect markets in agrarian economies aimed at allocative efficiency. It represents a symbiotic relationship where both parties benefit. The tenants enter into interlinked transaction voluntarily as it improves their welfare and not characterised by any extra–economic coerson. The transactions therefore are contractual and that the tenancy arrangements are not feudal; and that

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13 Patron is a special case of dyadic (two persons) of which one is of higher socio-economic status (patron) who uses his influence and resources to give protection and (or) benefits for a person of lower status (client) who for his part reciprocates by offering general support and assistance including personal service to the patron. See Otsuka and Hayami (1993: 17) instances of triadic relations were also reported by Bhalla (1976).

14 It is argued that the institution of tenancy, in particular, share cropping and its interlocking do some economic functions. Therefore it is warned that “if in our reformist zeal, we do not pay enough attention to the underlying economic rationale of such institutions and their interconnections and hack away part of them, we may not always improve and may even worsen the lot of the poor tenant—labour, the intended beneficiaries of the tenancy reform programme. There are many examples in recent history of well intentioned land redistribution programmes rendered counter productive” (Bhardan, 1989: 238).
the tenants do not necessarily constitute a weaker party and the landlords a
stronger one.

**Changing Character of Tenancy**

A number of theoretical and empirical studies in the Marxist and
neo-classical tradition on interlinked lease markets are available. Both these
approaches rest on the implicit assumption that there is a dichotomy
between the landlords and the tenants. While the landlords, being drawn
largely from the land owning categories are rich / pure rentiers, the tenants
comprising the class of poor / landless depend on the landlords for lease
contract as well as support to meet their consumption and (or) production
needs. Such a dichotomy fails to capture cases of the big cultivators
entering the land lease market as lessees and small land owners appearing
as lessors.

In the recent years the condition of tenancy and tenurial relations
have undergone changes consequent upon the radical land reform measures
and organisation and mobilisation of the peasants coupled with Green
Revolution strategies adopted in many states. Such developments seem to
have curbed feudalistic tendencies in Indian agriculture and facilitated the
ushering in of the owner cultivating middle peasants. Still remnants of
feudalism are extant. Therefore, neither of the approach, it has been argued,
is sufficient to explain the changed scenario. This calls for a fresh look into the tenancy and its dynamics.

A study by Parthasarathy (1991) at the national level on the basis of N.S.S. data, reported that there has been considerable shrinkage in the lease market. This tendency, it is argued, is due to the acquisition of ownership of land by the former tenants and landless labourers consequent upon land reforms.

A trend towards ‘reverse tenancy’ and the emergence and growth of capitalist tenancy has also been observed (Vyas, 1970; Rao, 1974; Bardhan, 1976; Nadkarni, 1976; Singh, 1989; Parthasarathy, 1991; Thomas and Thomas, 1999b).

This has happened in regions where technological break-through has penetrated. Such tendency towards capitalist tenancy, it has been argued, is stronger in the middle farmer group thus giving rise to an inverted ‘U’ shape in the relationship between the lessors and owner farmers (Parthasarathy, 1991). Their entry into the lease market, it seems, is to augment the scale of cultivation to reap the benefits of improved technology. Such trend is more pronounced in agriculturally developed regions like Punjab (Singh, 1989; Parthasarathy, 1991), West Bengal (Chadha and Bhaumik, 1992) and Kerala (Thomas and Thomas, 1999b).
Nevertheless the new production technology has promoted some landowners from higher groups as well to enter the lease market as lessor (Chadha and Bhaumik, 1992; Thomas and Thomas, 1999b).

In the lease market there seems to exist no one to one tie up between a lessee and a lessor: Nor is there the existence of a pure tenant class (Swain, 1999). By and large they, belong to owner-cum tenants (Chadha and Bhaumik, 1992). This reflects the lessors’ preference for lessees who have adequate experience in farming and providing a better security for obtaining rent (Bharadwaj and Das, 1975; Chadha and Bhaumik, 1992). Moreover lessors are observed to have freedom to take all decisions relating to production (Bhardan, 1989; Parthasarathy, 1991; Swain, 1999).

Organisation and political mobilization of the tenantry with support of the government seems to have brought about changes in the tenurial relations (Oommen, 1970; Alexander, 1973; Oommen, 1974; Paulini, 1978; Tharamangalam, 1981; Raj and Tharakan, 1983; Herring, 1983; Kannan, 1988; Chadha and Bhaumik, 1992). In consequence, in some states like Kerala, tenancy / landlordism of all sorts have been abolished and tenants became owners of the land they held. In regions where such ownership has not been given conditions of tenancy has been reset to the tenants’ favour (Chadha and Bhaumik, 1992). The transaction between
them has been increasingly restricted to land lease market alone, pushing interlocking to an insignificant position (Parthasarathy, 1991; Chadha and Bhanmik, 1992). With regard to the form of tenancy the trend is towards fixed produce contract (Ibid) and in some regions fixed cash contract, that too in advance (Thomas and Thomas, 1999b).

However, such evidences are not conclusive. There are certain studies whose findings support some propositions of Marxist approach. It is reported that tenancy was for compulsive involvement in the market to both lessees and lessors. While for the lessees it was the lack of employment opportunities and not any extra - economic coersion (Harikumar, 1991; Easwaran, 1994; Swain, 1999) for the lessors, the lack of adult males to supervise farming due to migration of family head to urban areas for employment. It is also observed that in some regions like Orissa, interlinkages still exist. Tenants and farm servants were subject to exploitation as wages paid were low and interest rate explicitly or implicitly high (Swain, 1999). Poor tenants often turn to informal credit offered by lessor /merchant. Janakarajan (1986) has noted how ‘mandis’ of Tamil Nadu give interest free loans to tenants on condition that they will sell the

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15 In West Bengal, after the ‘Operation Barga’ launched by the Left Government assumed power in 1977, the relation between landlords and tenants got worsened (Chadha and Bhaumik, 1992).
product to the same ‘mandis’. If a farmer fails he is charged an interest rate of 24 percent\(^\text{16}\).

Platteau, Murikan and Delbar (1985) have noted, though in a different context, how in a Kerala region employers / lessors give interest free loans to fishermen on the condition that they would not desert employers during the peak season i.e., they should give their labour and sell their product to the lessors.

In the same vein Nagaraj (1981)\(^\text{17}\) has taken note of South Canara’s (Karnataka) ‘holi loans’ taken in rice from the landlord and paid as paddy. The rate of interest worked out to be 50 per cent irrespective of the duration of the loan. It is repaid with interest after the harvest. The interest for a loan taken six months before the harvest worked out to be 125 per cent and one month before worked out to be 2975 per cent. In Orissa it worked out to be 60 per cent (Swain, 1999).

On the basis of these empirical studies it is argued that the default rate (as developed in the Lenders’ Risk Hypothesis) is not sufficiently high to explain interest rates as high as 120 per cent to 60 per cent which is a common place in rural India (Raj, 1979). Moreover not only interest rate be very high in backward areas but also they can vary a lot (Basu, 2000).

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\(^{16}\) See Janakarajan in Basu, 1989: 165.

\(^{17}\) See Nagaraj in Basu, 1989: 164.
It is argued that in India such a high rate of interest seems paradoxical when the volume and even the share of institutional credit in the total credit market has grown sharply (Panicker, 1987). However there is overwhelming evidence that institutional credit continues to cater to the better off farmers (Janakarajan, 1986; Swarap, 1986).

To sum up: The foregoing discussion on recent trends in the nature and conditions of tenancy though not conclusive seems to suggest that feudalistic tendencies were curbed in Indian agriculture. Still remnants of feudalism are extant. Therefore it is argued that neither the Marxist nor the neo-classical approach by itself is sufficient to explain the present condition.

II

Need for Tenancy Reforms

The land tenure system in most of the developing economies fell into no clear category; sometimes referred to as either semi-feudal or pre-capitalist. The existing system if left to itself is likely to perpetuate indefinitely (Ghose, 1983: 17). This means a perpetuation of rural poverty, agricultural stagnation and social injustice leading to social unrest. Therefore, if the problems of agricultural development are to be effectively resolved, the system has to be evolved into one of the different agrarian
systems, viz, a capitalist or a modernised peasant economy or a collective agricultural system\textsuperscript{18}.

It is argued that such a transition from the existing system to another is not possible in the backward agricultural economies without deliberate actions by the state. Such deliberate actions are often referred to as agrarian land reforms\textsuperscript{19}. Therefore the task of such reforms can be viewed as the creation of an appropriate set of conditions for an eventual emergence of a particular agrarian system (Ibid).

Policy Models

‘Land Reforms’ policy initiated or attempted to initiate in Asian countries are grouped into three basic policy models\textsuperscript{20} (Herring, 1983).

1) The ‘tenure reform’ or the intervention regulatory model. It aims at changes in the terms and conditions of the non-owning cultivators (tenants) to their favour without altering the existing social organisation of production. Thus, it attempts at fixing a fair rent,

\textsuperscript{18} Capitalist system emerged in West Europe and North America, the modernized peasant economy in Japan and South Korea and the collective system in the socialist countries. See Ghose 1983, pp 16-17.

\textsuperscript{19} Land reform is an institutional device of agrarian reform. It can be distinguished from agrarian reforms. The scope of the latter is wider covering not only abolition of intermediaries, security of tenure and ceiling on holdings which land reforms cover but also consolidation of holdings, provision of adequate credit, reduced land tax etc. However, the distinction is not always clear. Hence for the operational purpose we treat the two terms as one and the same.

\textsuperscript{20} In addition to these traditional models a fourth one has been suggested namely non coercive market assisted land reforms. This has been experimented in some countries like Brazil, Columbia and South Africa. In this programme, the state gives the qualified landless or near landless people a grant or a subsidised loan with which to buy land. Such market assisted land reform is similar to a fully compensated land reforms with government paying for a substantial part of the compensation. There are however some key differences. (a) Neither a time scale nor explicit target has been fixed (b) There is also uncertainty as to how many land owners will sell their land (Banerjee, 1999: 265).
security of tenure and a ceiling on maximum rent. It is mainly meant for the abolition of the ‘abuses’ in the existing property relations in land rather than the existing system itself\(^2\). The task of getting the reforms implemented generally lies on the tenants. Hence, in most cases such attempts seem to have ended in failures and sometimes in worsening the conditions of the tenants\(^2\).

2) **Redistributive model.** In this programme a ceiling is imposed on the ownership size in land and the excess is appropriated with or without compensation to the landlord. The surplus land available is redistributed among the landless and sometimes to marginal farmers so as to make their holdings economically viable, either gratis or at a cost. This programme seeks to do away with the feudalism by attacking the very base of the feudal landed elite. Such measures, it is argued, would bring about equity and some economic dynamism into the system\(^2\).

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\(^{21}\) This was the type of reform measures attempted in different times in Malabar and Cochin regions of Kerala during the colonial era.

\(^{22}\) In most of the cases where this type of measures attempted ended up in failure even to achieve its limited objectives. Several scholars warned against such reforms. “Saying and doing nothing is preferable to token reform” (Thormer, 1956: 82). No reform is preferable to ineffective reform resulting in less access to land to the landless even by tenancy. Notable among others are Myrdal (1968), Khusro, (1973) and Banerjee (1999). This phenomenon has been taken note of by the Planning Commission of India in the draft Fifth Year Plan 1974-79. It suggested that half way measures had not only failed to achieve the dual goals of agrarian reform – social justice and increased productivity but had resulted in a net deterioration in the conditions of countless share croppers and tenants at will.

\(^{23}\) This was the programme that was intended and implemented and produced some results through the Paddy Land Act of Sri Lanka (Herring, 1983, PP 9-10). But this policy logic was denied in practice in India.
3) **Land to the tiller model.** This is the radical or most revolutionary of all agrarian reform programmes. It aims at the alteration of the basic system of the landlord – tenant organisation of production. The major components of the programme being abolition and prohibition of rent and landlordism, dejure, a very low ceiling on ownership holdings and the surplus redistributed, and cultivators become the owners of the land they till$^{24}$. The normative ideal is a classical peasant society and economy. Sometimes holdings are pooled and formed by groups, ultimately leading to collective or co-operative system.

**Rationale of Land Reforms**

Land reforms are usually premised on equity (social justice) efficiency, (economic rationality) and political stability (political economy arguments).

At the social justice level, it is argued that those who work on land should get the fruits of their toil. Moreover landlessness and inequality in the distribution of land are man made and the surface of the earth belongs to

$^{24}$ This was the reform model explicated by the theoreticians in Indian National Congress and the Communist Party in Kerala. There has been some disagreement as to who are the actual tillers Thorner(1956). Lands and the fruits there of are to belong to those who do the tilling, the tillers being defined as those who plough, harrow, sow, weed and harvest. Land reforms envisaged and implemented in India, included those who supervise cultivation and sometimes the absentee tenants who take the risk of cultivation as well as the tillers of the soil(Ibid).
no one unconditionally\textsuperscript{25}. Therefore, land should be distributed more or less equally among the inhabitants.

The economic rationale for land reforms rests mainly in terms of agricultural productivity. Basically there are two arguments: arguments for tenure reforms and arguments for redistribution of land. First it is argued that tenancy, in general, and share cropping, in particular, not only adversely affect capital investment but also results in inefficient allocation of resources (disincentive effect of tenancy)\textsuperscript{26}. It is generally held that owner cultivation using family labour (and even hired labour) is more efficient and provides sufficient incentive for investment in land and its development\textsuperscript{27}. Hence the argument for the abolition of landlordism altogether and that such reforms are necessary to unleash the productive forces in society.

\textsuperscript{25} This idea is well laid down in Mahatma Gandhi's observation "that all land belongs to Gopal (literally shepherd) or God or in modern language the State ie the people. Real socialism has been handed down to us by our ancestors who taught us that all land belongs to Gopal. That the land today doesn't belong to the people is too true (Oommen, 1994: 117).

\textsuperscript{26} More than two centuries ago classical economists like Adam Smith (1976) and later J.S. Mill (1848) have taken note of this phenomenon. Their dominant view is that share tenants 'metayage' (prevalent in France at that time) seldom makes capital investment in land as landlord receives a higher part of the increased productivity. Alfred Marshall (1890) formalised the efficiency implication of share tenancy. His formalisation is referred to as the 'traditional neo-classical' or 'tax equivalent approach' (Swain, 1999). His well known argument is that (mostly through his foot note) share tenancy results in inefficient labour input decisions as the tenants receive only a fraction of the marginal product of his labour. Thus if the tenants' share of crop is half the produce, he will apply his resources in the production of crop until the marginal cost of crop is equal to half the value of output. Therefore, per hectare output will be less than optimal (the optimality condition being $MC=MR$). See Marshall (1956: 535). Such production inefficiency is referred as 'Marshallian Effect'. Since then a number of scholars have come up supporting and opposing Marshall's observation. For a detailed account of the issue see Otsuka and Hayami (1993: 29-44) and Swain (1999).

\textsuperscript{27} For instance Shaban (1987) on the basis of ICRISAT data hypothesised that farmers used 10-47 percent fewer inputs on land that they did not own than on land they did own. His point estimate for the resulting loss in productivity was 16 percent after controlling for the differences in the land quality and 32 percent without controlling for such differences.
The second aspect of the economic rationale underlying land reforms is the argument for more equitable distribution of land. It is based on the general proposition that small farms in developing countries tend to be more productive than huge farms. Therefore every acre redistributed from large holders to small should increase aggregate production.

Some recent studies also have suggested that giving land to the poorest can promote efficiency. With more assets the poor are able to obtain more credit and better insurance coverage which help them to invest in land more effectively. The children of the beneficiaries of the land reform may have better health and more education which may make them more

28 It has been generally observed in many countries of Asia, Latin America and Eastern Europe that there exists often an inverse relationship between farm size and productivity per acre. Berry and Clive (1979) summarise recent evidences from a range of countries in Asia and Latin America. The magnitude of productivity difference according to them is substantial. For instance in Pakistan’s Punjab, productivity on the largest farms (as measured by the value added per unit of land) is less than 4 percent on the second smallest size group, while in Munda, Malaysia, productivity on the largest farms is just 2/3 of that on the second smallest size farms. It is estimated that in the Semi-Arid regions of India, profit to wealth ratios are atleast twice high on the smallest farms. See Evidences for the inverse relationship between size and productivity dates back to 1940’s and 1950’s. In the 1960’s, several studies have appeared leading to a size productivity debate in Indian agriculture. Not withstanding such evidences, the conclusions are not universally accepted. Counter arguments and challenges came from Khursh (1964), Saini (1969) and Bhardan (1973). Their argument generally is that the observed inverse relationship is on account of either methodological weakness or insufficiency of data. They hold the view that small farms are more fertile, hence higher productivity sometimes may be a reflection of higher labour inputs per acre in small family farms. It was argued that even if one had hesitation in accepting the inference drawn from studies in farm management that the output per acre generally declined with increase in the size of holding, the weaker hypothesis that output per unit on the small holdings was at least as large as on the bigger holdings was sufficient to justify redistribution of land in favour of the former (Raj, 1990: 33). He argued further that in a society in which the whole apparatus of exploitation is based on ownership of land the redistribution cannot be judged merely in terms of economic viability. Programme of land redistribution is a necessary condition for the transformation of such societies and if they (the small holders) organise themselves as co-operatives we have as yet adequate basis for ruling them out as unviable economically (Ibid, 34-35).

29 The evidence that small farmers are more productive weakens the argument for co-operative farming that had been important in India in the 1950’s. The argument for co-operative farming is premised on the idea that the small farmers could be optimally productive only through aggregation of holdings in co-operatives to achieve economies of scale in production. However, Bhardan (1974) notes that those who were convinced by such empirical evidences have been reluctant to write against co-operative or any other form of joint farming. P. 1371.
productive. They may also be better able to start small business of their own by using their land as loan collateral (Banerjee, 1999: 261).

There is also some political economy argument that favours land reforms. It is premised on the ideal that when the poor people have too little stake in the economy they are likely to resort to crimes, riots and in extreme cases to civil war. It is argued that there seems to exist a correlation between left wing insurgency and extreme inequality in the distribution of wealth, especially in rural areas. Moplah Rebellion of 1921 in Malabar (Varghese, 1970; Panikar, 1979): Tebagha Movement in Andra Pradesh, that emerged against landlords; reaction to 1943 Bengal Famine in West Bengal (Ghimire, 2001), the Shining Path in Peru and Naxalites in Bihar (Banerjee, 1999) and more recently the growing contradiction between the rich and the poor in the rural areas initiated rebellion among peasants and tribals under the leadership of Charu Majumdar in Naxalbari in Darjeeling District, under the guidance of Maoist ideologue during 1960’s (Ghimire. 2001: 185) are few instances.

The Ministry of Home Affairs of India (1969) has also taken cognisance of this aspect when it reported that considerable and alarming violent agrarian unrest had emerged in those areas where the Green Revolution had not only been successful but also accelerated the rich poor polarization.
Land reform policy occupied a central place in the programme of economic development of India in the post independent period. State governments were also directed to implement the programmes. Kerala is generally considered as the only state that has successfully implemented the land reform measures. Besides examining the land reform measures as initiated and implemented in Kerala and their impact, a brief outline of the tenurial history of Kerala prior to the land reforms is also discussed in the next chapter.