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SUBJECT II

LAND AND WATER MARKETS

Land Market - On Dispossession of Peasantry*

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The market in land in the rural areas transfers the rights of ownership and use for agriculture over a period of time from one set of families to another, but is only one among other modes of transfer, including in particular inheritance through which land holdings are passed on from one generation to the next. Logically, therefore, one must look simultaneously at all modes of transfer to understand changing agrarian relations. That is a formidable task.

There is much writing in the neo-classical economic stream on lease markets and the manner they function, but probably not much on the conditions that induce outright sales of land and other assets, especially by small land holders, dictated more by 'distress' than by considerations of economic gain. In contrast, in Marxist literature the focus generally is on the alienation of land from direct producers, linked to the dynamics of accumulation. In this note I will concentrate on the Marxian model of agrarian change, and restrict myself to issues relating to the passage of land through sale.

This means that I will not address questions about lease markets, including the one about eviction of tenants leading to loss of control over land, that has surely contributed to the evolution of agrarian classes in post-Independence India. Neither will I talk about the market conditions in terms of prices and of quantities transacted. My concern is almost wholly with the factors in the land market that promote a change in the 'status' of households, especially at the lower end of the spectrum of land ownership. Finally, this note is more methodological than substantive in content.

I

MODELS

The development of markets in land for agricultural use in Western Europe was an integral part of the development of capitalism and market relations in general. The manner in which these markets developed and the characteristics they acquired through a process of transition to the capitalist mode of production were specific to European history: they evolved from the particular forms of feudal relations which prevailed in European countries before the industrial revolution.

This has, unfortunately, but perhaps not wholly without methodological value, led to the formulation of a generalised model concerned with the dynamics of the extension of market relations to agriculture, encompassing the ways agriculture emerges as a 'branch of industry', getting organised along capitalist lines, with the 'profit motive' dictating the course of events.

In spirit the model is supposed to apply to all social formations so that when agrarian

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histories of the countries in the Third World are studied now with the help of the European model, the implicit assumption is that the process of transition is both universal and unilinear - or, more precisely, that the sequence of events should be the same as it was in Europe - although in detail, historical specificities may introduce much variation: capitalist relations can appear in very many different garbs, often hidden, during the transitional period, under pre-capitalist forms the true nature of which can be unravelled only through an understanding of the European experience. There is an obvious analytical defect here: country- or region-specific factors, such as caste and the existence of 'tribal' sub-populations in India, that play a vital role in land transactions, do not get the attention they deserve in such models. I say this because generality of models of social change need not cover the whole world. And, despite much regional diversity within India, attempts to make country-wide generalisations are worthwhile - but they have necessarily to be based on an understanding of Indian history.

Let us now describe the Marxian model. The centre-piece of this model is the middle peasant - an independent, direct producer, he works on land and so do members of his family; he does not employ others, neither he nor members of his family work for others.¹ He is able to meet the subsistence needs of the family² with his access to a land holding of the required size *under varied juridical conditions*: he may have clear ownership rights to a land holding but more generally his 'control' over land is mediated through different forms of land-leasing or crop-sharing arrangements. Analytically, the model suggests that as markets penetrate into and strengthen in the sphere of agriculture, they operate in agriculture as they do in other economic activities. Economies of scale emerge and the big-eats-small law of the jungle comes into play. Thus at any point of time during the transition, a differentiated peasantry is observed, with the middle peasants in the middle of the hierarchy. Those below are the pauperised peasants and further below are those already proletarianised, dispossessed of their means of production, mainly land. At the other end, a class of capitalist farmers emerges through processes of accumulation, including the exploitation of wage labour. The model thus implies not only mutual equivalences among the processes of capitalist development, dispossession of the peasantry (through the alienation of land), and the development of the land market, but also a further identity of these processes with what Lenin called the development of the home market for the means of subsistence as well as of production (in different terms, the markets for consumption, intermediate and capital goods). How this is brought about is best explained in Lenin's own words:

"The separation of the direct producer from the means of production, *i.e.*, his expropriation, signifying the transition from simple commodity production (and constituting the necessary conditions for this transition), *creates* the home market. The process of this *creation* of the home market proceeds in two directions: on the one hand, the *means of production*, from which the small producer is 'freed', are converted into commodities. Thus even the simple reproduction of these means of production now requires that they be purchased (previously, these means of production were reproduced in greater part in the natural form and partly made at home), *i.e.*, provides a market for means of production and then the product now produced with these means of production is also converted into a commodity. On the other hand, *the means of subsistence* of the small producer become the elements of variable capital, *i.e.*, of the sum of money expended by the employer on hiring workers. Thus these means of subsistence are now also converted into commodities...." (Lenin, 1964,

p. 68).

Lenin (1964, p. 69) says further that "the home market for capitalism is created by developing capitalism itself, which deepens the division of labour and resolves the direct producers into capitalists and workers. The degree of the development of the home market is the degree of development of capitalism in the country"

The content of these quotations establishes within the model the mutual links among the land, labour, capital and commodity markets and enable us while looking at the land market to meaningfully analyse at the same time the growth and development of other markets, subsuming in particular the process of commercialisation of agriculture.

But the question how an independent and self-sufficient direct producer gets alienated from land is left somewhat open: it must be inferred, reading between the lines, that the superiority of large scale production, under strengthening market conditions, is the most important factor in this context. However, Lenin discusses also how small and middle peasants 'survive' through the proverbial 'tightening of the belt' (enduring deprivation) and other means.

The qualifying conditions are therefore of much importance to the applicability of the model and for understanding why the model can fail to explain specific regional histories. These conditions have to be examined and elaborated in specific Indian historical terms if we decide not to abandon the model as wholly useless. They have to be studied above all in terms of why in Indian agriculture - as we shall see - an increasing concentration in land ownership has not emerged, small scale farming persists and is probably a growing phenomenon along with an increase (albeit an unsteady one) in the proportion of agricultural labour in the rural population.

Since we must look at all this in terms of land transfers we have to pay some attention to factors promoting the survival of small peasants: for example, the effects of state intervention not only through land reform but also in input and output markets. This will enable us to make some indirect inferences about the land market.

II

REALITY

In applying the model to the Indian case, much scholarly work in India cites the debt mechanism as the most important means through which land rights (both of ownership and use) are alienated from the peasantry. For example, basing himself on the history of land relations in the Eastern region³ (corresponding to the pre-Independence Zamindari system of revenue collection, in contrast to the ryotwari system elsewhere), Bhaduri (1973, 1983) places the land market within a general framework that seeks to explain the nature of 'primitive accumulation' identified with the dispossession of direct producers. In the formalised models set up in this context, he incorporates several elements specific to the regional history and relevant to land transfer such as: forced commercialisation (whereby the small producer is compelled to grow crops for the market and often to surrender the 'control' over output to the moneylender); the generation and accumulation of debt through consumption loans 'contracted' at usurious rates of interest under conditions peculiar to 'informal' credit markets; the significance of moneylending, trading and leasing out of land, often in combination by individual landlords; and so on.

The analysis, far too complex to be elaborated here, leads Bhaduri to the conclusion "that

primitive accumulation does not proceed through competition on the basis of relative efficiency of large and small farms, it fundamentally relies on compulsions created by the mechanism of debt." Because Bhaduri's models are faithful to the Marxian tradition in their simultaneous consideration of *all* markets they explain to some extent why the mutual equivalences among the superiority of large scale production, the emergence of a concentration in land ownership, the process of commercialisation and so on, may fail to hold under certain historical conditions. The underlying integrated approach also enables us to gain some insights into the large inter-regional variation in conditions of land alienation that are undoubtedly present in the country.

However, the empirical validity of the models has been disputed (Rudra and Bardhan, 1983). When 'stylised facts' of history are treated axiomatically in formal models, the generalisations obtained can only be qualified truths. They are useful nevertheless because it is possible to examine carefully these qualifications. To give only one example, consumption loans in the Bhaduri models are taken at high interest rates to meet basic subsistence needs, the necessity for borrowing arising from a lack of access to the small peasant to a sufficiently large land holding. However, there are much data to show that lumpsum expenditures, for example those associated with births, deaths and marriages in the family, contribute significantly to peasant indebtedness and may lead to debt-bondage of different types that persist in India. It is not difficult for us to keep this in mind as we read history through models. Likewise, loans may be reported as interest-free, but the extraction of interest payments, without which borrowing is not generally possible, may be hidden under the extremely variable and complex arrangements that characterise the relations between lenders and borrowers.

For the Eastern region, or, for that matter, for the whole country, even if one accepts the debt mechanism as a most powerful means through which land alienation takes place, the regional diversity in agro-climatic conditions and patterns of land use does present us with a serious problem for analysis. The wide variety of situations that actually prevail and lead to unpredictable outcomes in the land market can best be illustrated through a few examples of studies at the village level:

Rajasekhar (1988) surveying land transfers in one village in the Rayalaseema (a region of Andhra Pradesh), and covering roughly a century (from 1891) with the help of retrospective data comes to the not unexpected conclusion that the strength and pattern of land transfer changed with the changing economic environment. However, he notes that after Independence the most significant transfer was the passage of land from Brahmin landlords (who earlier controlled the village) to rich peasants among the Reddi caste.⁴ Simultaneously the Yadava and the Valmiki (lower) caste peasants have also gained land through the cultivation of wasteland (presumably obtaining rights to ownership through the provisions of land reform).

Contra-intuitionistic findings are also reported in respect of a few villages in the semi-arid areas. Walker *et al.* (1990) have surveyed two villages each in Mahbubnagar (Andhra Pradesh) and Sholapur and Akola (Maharashtra). Their longitudinal studies for the period 1950-1982 show in general a decreasing trend in landlessness and a reduction in inequalities in ownership even as the mean size of holding has declined during this period. More surprising is their finding of a low incidence of distress sales and the absence of any evidence of clustering of sales in 'bad' years. They cite the raising of money for dowries and the

purchase of assets (other than land) as the common reasons for sale.

Such findings are not peculiar to dry areas. Three 'wet' villages (in Tiruchy) studied by Athreya *et al.* (1990) yield similar results. Basing themselves on retrospective information covering two generations they observe a reduction in inequality and say: "The polarization effects of the new technology are certainly not visible in our material." They cite other studies which show a decreasing rather than an increasing concentration in the ownership structure and little evidence of a rapid rate of proletarianisation.

As we have already suggested, it is findings such as these that prompt questions about the validity of generalisations even at the district level. Let us note finally that even in the tribal tracts of the country, where land alienation on a massive scale is a continuing historical reality, the process has probably nothing to do with developing capitalist relations. It is the moneylenders and traders from the plains who appropriate tribal lands despite much legislation aimed at protecting tribal rights. Janardhan Rao (1987) has described this history for the tribal areas of Andhra Pradesh, but his analysis may have wider applicability: to other tribal regions in the country as well.

III

DATA COLLECTION

Let us consider first data of aggregative type. We do have data in abundance on the distribution of land ownership covering the period from the early fifties to the early eighties not only for India as a whole but also for the major states. For the seventies and eighties - a period characterised by rapid technological change in some parts of the country - we have further data relating to regions smaller than states. It is with the help of these data that several scholars have attempted to answer questions about trends in inequality. Unfortunately, however, the data are of very limited value for understanding aspects of the land market.

Although the reasons are well known, it is useful to list them. The transfers of land that produce changes in the overall distribution (and in the concentration of ownership) can be put into the following, analytically distinct categories:

- (a) partitioning of land holdings arising from subdivision among coparceners, governed by law as well as custom;
- (b) gift of land which generally tends to be a transaction within families (in the broad sense) but extends occasionally to outsiders;
- (c) sale of land, for whatever reason; and
- (d) transactions induced by land reform legislation.

This categorisation enables us to see that the sale of land, relevant to issues of land market we are talking about, is only one among the different modes of transfer that actually take place. The combined effect of these factors is unpredictable, but more importantly, we do not have adequate data to isolate the effect of each of these factors on the distribution of land at the aggregate level.

In any case, let us now consider the observed change in the distribution of ownership. The National Sample Survey (NSS) data in this respect show, for all the states and India as a whole, a marginal decline in concentration (over the post-Independence period) with a clearly noticed decline in the prominence of very large holdings. There is also a decline in 'landlessness' among rural households, but this trend is variable across space and time. This observation is a bit difficult to interpret for one important reason: the data refer to 'reported'

holdings and may not reflect the truth about big holdings. It is well-known that ceiling laws are evaded through various mechanisms including 'benami' transfers. Therefore, questions raised about a non-increasing concentration and the conclusion arrived at (by those who have analysed these distributions) have no firm empirical basis. (Indeed, village-level studies by careful observers refer often to the virtual ownership of very large holdings - much beyond specified ceilings - by a few families.) In any case, the data tell us nothing about who is gaining land at whose expense.

But they do show the continued existence of very small household holdings, those below a hectare in size constituting over 60 per cent in rural India as a whole - and a much larger proportion in states such as Kerala and West Bengal where the land-man ratios are very low. There are many factors that contribute to the observed changes in the distribution of ownership, apart from the under-reporting of large holdings. Let us list some of them:

1. The partitioning of family holdings keeps creating smaller holdings continuously over the generations.
2. Land reform contributes to the redistribution, however minimal. In this context the allotment of (especially hutment) land to the landless reduces inequality.
3. Sale transactions change the distribution in unpredictable ways. The Reserve Bank of India data in this respect show that land sale transactions tend to be rare, and take place mainly among owners in the middle and upper land holder categories. There is no evidence to indicate a large scale transfer of land from the poor to the rich. (We should note in passing that the passage of the small fraction of land-which they own - from the poor would not in any case alter the basic character of inequality.)

The data suggest on the whole that small peasants are able to cling to their tiny holdings. No doubt, the support of the state through its various policies is an underlying important factor.

To gain further insights into the changing shape of the land distribution and the characteristics of the market in land, it is clear that the gaps in data have to be filled through field studies, organised at the village level and informed by local histories of the changing conditions of the peasantry, and the specific roles of exogenous factors such as state intervention.

These studies will not yield simple and theoretically elegant generalisations but there is no doubt that the questions we are concerned with, for example, about the operation of the debt mechanism, can be more satisfactorily answered than is possible now.

In particular, we can find who sells land to whom and for what reasons. We can, further, trace, to the extent possible, individual family histories and fortunes over two or three generations. There are of course difficulties in gathering the right type of data, arising from the break-up of families and the migration of branch-families: it is certainly not easy to build up a family history by talking to a head of the household during the course of a structured field enquiry. But villages are enduring identities with specific socio-economic features and much information is always in the public domain. There is ample scope for the determined scholar.

NOTES

1. This, of course, is a specification in the model. In reality, in India as elsewhere, the middle peasant rarely appears in this pure form. The criteria apply presumably to the class of middle peasants as a whole.
2. This is a condition stressed by Mao (see Mao Tse-Tung, 1967).
3. The history of the land market and the process of depeasantisation in eastern India during the colonial period is discussed in Chaudhuri (1975 a, b). Of crucial importance to later developments is the manner in which the position of direct producers had gradually weakened through processes of subinfeudation associated with changes in the Zamindari system.
4. In another study of peasant mobility in Kurnool district, he shows how under famine conditions during 1870-1900 the Reddis were better able than the Brahmins to exploit available economic opportunities and acquire land at cheap rates.

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