Land Reform in Uttar Pradesh

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IN the present struggle for economic development it has become axiomatic that land reform is a prerequisite to any advance. The reforms which are considered essential are the abolition of landlords and other intermediaries between the state and the actual cultivator. The concept of land reform is a legal one a matter of titles and land reform legislation in India since independence has generally been directed towards the abolition of certain titles to land and the transfer of title from landlords to tenants. It is certainly believed that such reforms are necessary before progress can be achieved, and there also seems to be a widespread feeling that the reforms will lead to progress.

The history of land tenure and an analysis of modern agricultural conditions in Uttar Pradesh lend little support to proponents of reform; insecurity of tenure, harshness of legal administration, and exploitation of the cultivator were all well on the way to being taken care of fifty years ago.* Present reform programmes, despite their revolutionary phrasing, continue the policies developed by the British administration.

Pre-British System

Before the British came to India the economy was organized in self-sufficient villages, which in turn were groupings of large families. Economic relations were governed by caste and custom. Above the village, but not essential to its life, were Kingdoms and empires taking a share from the grain heap and trying as best they could to maintain law and order. There was no buying and selling; the order of economic life had no place for a price mechanism. The great change in Indian economic organization occurred when the British introduced the concepts of ownership, sale, and the rental market. The old Indian system did not clearly differentiate between economic and political power, nor between such power and social status. Everyone had rights in the produce of the land, obligations to the village, and a greater or lesser ability to enforce his will upon others. The zamindar was originally a collector of taxes, but this statement is misleading by itself. Unlike the tax collector of today the zamindar might also be the leader of the highest, caste in the village, headman of the village, and senior member of clan with hereditary rights over the village. Who can say how many of these characteristics make a man an owner in our sense? The question never arose.

The complexity of rights in land and to the produce of land was so great as to make reasonable any one of several different distributions of titles and rights. Every member of Indian society had some sort of claim upon the land from the raja's right to land revenue down to the ploughmen's right to a share in the village grain heap.

Assumption of Market Economy

The British thought that the maximum of material welfare and economic progress would be achieved by leaving decisions to those who produced for sale on the market. This was a mistake of crucial importance: a failure to realize that rational market behaviour occurs only when the owner of land is producing for a market. In UP neither the landlord nor the cultivator were doing so. Markets only allocate resources to their most productive uses when the factors of land, labour, and capital are intimately connected through working mechanisms. Pressures in one sector must set up self-correcting changes in other sectors. Real connections between markets were lacking and the most important market for economic progress, the capital market, did not exist in any useful form. The nature of the error has never been appreciated by the reformers who believed and still believe that the error lay in some mistake in the distribution of rights among the various claimants. An analysis of the problem shows that true reform lies in another direction.

The history of ownership in UP during the first half of the nineteenth century shows the British moving into a society disrupted by rajas, talukdars, and zamindars competing for power. For each piece of land the British recognized one person or group as "owner" and much land was given to the wrong persons. When the "right" person got the land he received with his title more power than he had ever enjoyed, while the sale of land for arrears of revenue created a new class of owners. About 1820 the British realized that many cultivating tenants had justifiable claims to a special position on the land and the revenue officers set about recording these customary rights. Cultivators of twelve years' standing were given an inalienable but inheritable interest in the land, including permission to hold at a reduced rent. So began the gradual encroachment of tenants upon the rights of owners. The policy of increasing tenant rights at the expense of landlords received a setback with the annexation of Oudh and the "Mutiny", for virtually absolute ownership was given to rebellious talukdars who would submit peacefully. In the seventies and eighties Land Revenue and Rent Acts transferred more of the powers and profits of ownership to the tenants. In the early part of this century tenants were guaranteed seven years at the same rent, and twenty years later all tenants received a life interest in their land with rents fixed by a Rent Officer. In 1939 these tenancies were made heritable. The two outstanding characteristics of land policy in UP were the transfer of the attributes of ownership to tenants, and the persistence of a land market as the framework for agricultural organization. While it is true that the owners lost rights which we associate with ownership, landlords and tenants could jointly exercise all the rights of ownership by combining.
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The revenue officers were trying to arrive at those rents and values the district, and, in effect, all of the agricultural produce, of similar land recently sold, rents freely arrived at elsewhere in the district, and, in effect, all of the elements which rational men on a market would take into account. The revenue officers were trying to arrive at those rents and values which a properly functioning market would reach automatically, but which the Indian market did not achieve.

Labour. In evidence submitted to the Royal Commission on Agriculture, the UP Government said that a reduction of five per cent in rents would increase the tenants’ standard of living by two or three per cent, while an increase of five per cent in acreage or output (e.g. from better seeds) would make the peasant twelve to forty per cent better off.

There can be no doubt that fluctuations in price were a cause of distress during the depression of the thirties, but prior to this time the trend of prices was upward. In UP prices did not show a downward trend before 1920 although agricultural prices in world markets did. The cultivators were hard hit by the fall in prices. They were immune in so far as they produced for their own consumption, but the amounts to be paid for rent and interest on loans had to be raised by selling their produce. However, rents were shortly reduced to the 1900 level by government order. Landlords were less affected except by the fall in rents. Sale values of land were maintained during the thirties and so could meet their obligations in the last resort. While the depression of the thirties was a disaster, it cannot explain the failure over the preceding hundred years.

Why the Market failed
The market failed because the market organization was not complete. Changes in relative values should shift factors from less to more productive employment. In UP there was little accumulation of capital and consequently labour had no place to go but to the land. During the thirties the standard of living in the urban centres rose, but there were not nearly enough industrial establishments to absorb the excess labour. Such savings as there were tended to go into higher land values for reasons of security and prestige. In addition, much agricultural production was consumed on the holding and so market prices had no effect on output. Price and production series clearly show that relative prices had no effect on the management of land. Without real choice, the market system cannot achieve optimum allocation.

On the other hand living standards failed to rise because there was a failure of capital accumulation. Under any system the ratio of land and capital to men must be raised if India is to progress economically. This is a matter of technology. No change in titles to land can solve
it, but the places where more capital would revolutionize agriculture are legion.

For instance, "overpopulation" is not a shortage of land, for capital can always substitute for land, bring new land into cultivation, and increase the productivity of old land. The ability of land to support population depends upon irrigation, reclamation, fertilizers, seeds and breeds, education, equipment, buildings, farm layout, drainage, and choice of crops and rotations. Change and improvement in all these require capital and there will be no major increase in the output of agriculture until measures such as these are taken, no matter who owns the land or receives the return from the productivity of the soil.

**Capital Alone Can Raise Productivity**

The uses of capital to raise the productivity of Indian agriculture and the standards of living of the ryots are not limited to agriculture. Increased productivity in other fields will improve the purchasing power of the ryot, but even more important, there must be capital investment in industry and services to provide the materials and power for the improvements in agriculture. The technological improvement of agriculture rests as much on the capital development in other spheres as it does on the capital development in agriculture itself.

Beyond the technological considerations, there are matters of organization. If the market is to be used to regulate the economy and distribute its produce—and for the time being such will be the case in India—then the market must be so organized as to fulfill its functions. We have already seen that during the period of British occupation the various markets were not integrated, and that in particular the capital market was underdeveloped.

**The Real Issues**

Discussion of the future of Indian agriculture has centred on the questions of large mechanized vs small peasant farms; and of co-operative vs collective vs State farms. But these are not real questions. The only alternatives which are possible at present are small peasant farms and peasant co-operative farms, and here the Government's desire for co-operatives comes up against the cultivator's desire for his own plot. The real problems of development are capital accumulation and the size of holdings. It is foolish to cast the
problem of capital development in terms of large mechanized farms. Capital improvements are divisible down to the spadeful of manure. Small peasant holdings need steel tipped ploughs, iron harrows and water rather than tractors. The only source of capital is agriculture: industry and commerce need all the resources they can raise and then more. Thus the conclusion is that the burden of revenue and rent, far from being decreased, should be increased in order to finance capital improvements.

The failure of the Inn I market and the zamindari system of the nineteenth and first hair of the twentieth century can be attributed to the rudimentary or partial state of development of complementary markets and the lack of capital development to support those markets and to provide the wherewithal of agricultural improvement. It remains to be seen what the land reform legislation of UP has done towards remedying the situation.

The zamindars have been abolished. In the process the wealthier ones suffered an appreciable degree of expropriation. Alongside of the general objective of eliminating "an Obstacle to economic development," the zamindars were abolished in order to equalize wealth. So far as this secondary objective goes, there can be no objection to the zamindari abolition. Expropriation, total or partial, direct or through the mechanism of low compensation and differential rates of rehabilitation grant, is as good a way as any to equalize wealth. (Although why the same results could not have been achieved by a capital levy and estate duties this writer does not understand.)

No Direct Assault

It is on the major count, the stimulus to development, that the merits of the land reform legislation looks so questionable. At no point does the reform legislation make a direct assault upon the basic problem. Land reform gave all titles to land to the state, which in turn has made the village governments trustees. However, the situation of those on the land has not changed appreciably. Landlords have lost the land which they formerly rented, and have received in exchange only partial compensation, but they hold the rest of their old land as bhumidars with most of the rights of ownership. Most tenants have become sirdars, which is merely to say that they are now privileged tenants of the state rather than of a landlord, and they continue to pay the same rent.

Far from a small minority of zamindars exploiting the vast majority of tenants, perhaps a quarter of the agriculturalists were zamindars. All but one or two thousand were middle or small zamindars, so the expropriatory measures did not affect many landlords. In addition to expropriating the larger zamindars, land reform abolished the rental market, dealt a death blow to the mortgage market, gave occupancy rights to a few more of the fringe of unprotected tenants, and allowed the tenant to make any desired improvement on the land. All four changes could have been achieved by four amendments to existing legislation at much less cost and with much less social upheaval.

Strongest Case for Legislation

Perhaps the strongest case for legislative reform of the rural areas can be made in the fields of fragmentation and subdivision of holdings. It is here that the organizational structure of agriculture needs to be changed, and it is here that matters of right and title stand in the way of change, or rather that people hold title to the wrong plots of land. But the trouble is not at the level of the landlords. The fragmentation problem occurs at the level of the tenants. Changes in the possession of rights and titles as between landlords, state, and tenant do not affect the actual distribution of plots. What is important is to change the layout of the operating farms. It has been argued that change in the system of titles is necessary before consolidation of holdings can be undertaken, but this seems doubtful since the Punjab has gone much farther in consolidating holdings than UP although its tenancy laws are by UP standards very backward.

Since the passage of the land reform bill the government has undertaken to force the consolidation of fragmented holdings. This is all to the good, but even with consolidation, holdings will be too small. What is needed is a movement from the land into industry. To achieve economic size for each folding more than six million cultivators will have to move a staggering prospect. But much can be done. If only a million to a million and a half would move, provided those that move are the "right" ones. The "right" ones are those with holdings of two to four acres and of more than ten acres.

People with less than two acres are really labourers with garden plots, and not dependent on their land. People with more than four acres can make ends meet, and even achieve economic holding if they acquire the land of those who have left. The crisis group is made up of those holding two to four acres, which is not enough land to be cultivated efficiently, and requires a doubling in size to reach efficiency. Cultivators with more than ten acres are efficient, but if they move they will release far more land for others than departing small holders. If a million or more of the groups with two to four acres and those with more than ten acres left the land, there would be enough to bring the remaining cultivators over the six acre minimum needed for economic efficiency. A labour draft system might be avoided by the use of subsidies and penalties.

Ratio of Capital to Men

Because there were no alternative uses for the factors of production, the market mechanism failed to achieve the rapid progress which was hoped for. The solution to present poverty must then be either in making the market function properly or in substituting another system which will increase the ratio of capital to men. Land reform in UP did neither. The market remains, but so do the gaps between the land market and the other factor markets. Since nothing was done to correct the basic faults of the old zamindari system, there is no reason to expect that the new bhumidari-sirdari system will be any more effective in alleviating poverty in rural UP.

Under the stimulus of the Five Year Plan and with the development of resources undertaken by the States, the lot of the cultivator should improve. If this happens it will not be because the zamindari system was bad or because the new system is good, but because capital resources have been developed and alternate employments with higher productivities have been provided.