

second-rate workers to take charge of the organisation. This may give the appearance of quick success. But it will not be lasting because the peasant has to be won not only on the first day, but on every day thereafter. This can be done only by first-rate workers who combine in themselves the necessary idealism, political consciousness and technical knowledge. It is extremely important that the leaders of the cooperative farm are given a minimum of technical training before they take up their jobs. Only then, will they be in a position to introduce superior techniques of cultivation, plan the most useful kinds of

developmental project and invent better methods of organisation. A cooperative farm will show the expected results only if it is guided by such leaders on the spot.

It is obvious that few underdeveloped countries have such a ready stock of personnel to draw upon and the pace of cooperativisation has to be slow to begin with. A few hundreds of successful examples in the first round, rather than thousands of hastily-started and badly-organised farms, will stabilize the system and make it a perennial source of energy for the total economic development. The process,

however, can and has to be speeded up also by undertaking large scale training programme. Some people, on the other hand, want to make this difficulty an excuse for scrapping the programme altogether. But there is simply no other way, if the country is to forge ahead and not mark time. For, there seems to be no other means of guaranteeing a sizable amount of agricultural investment within a short period of time, such that the total investment effort made possible by the consequent increase of agricultural output can give our economy the necessary thrust for overcoming its stagnation.

#### (IV)—Less Radicalism

## A Workable Operational Framework

Manmohan Singh

*Ceiling should be imposed not on the ownership of land but on the extent of land that a landlord can keep for self-cultivation with the help of family labour, and existing techniques. This ceiling will have to be much lower than the ceiling on ownership that is envisaged in the recent legislation on the subject.*

*All land in excess of the ceiling limit, say 8 to 10 acres, will continue to be owned by the same land-owner but shall be compulsorily leased out to the village community on payment of a fair rent.*

*The village community shall arrange for the land so received to be managed by the multi-purpose cooperative of the landless labourers.*

*The rent to be paid by the cooperative to the land-lords through the village Panchayat shall be fixed by the rent tribunals set up by the Government.*

THAT our agricultural policy should be one which promotes the twin objectives of laying a firm foundation of a process of self-sustained growth both in agriculture as well as industry should be pretty obvious. Yet we often find the issue, being discussed in terms of agriculture versus industry. There is one view that in a subsistence, overpopulated agrarian economy, industrialisation alone will provide a lasting solution to the agricultural problem by diversifying the occupation pattern and thus removing the extreme overcrowding in agriculture. That a programme of rapid industrialisation requires an increasing marketable surplus of agricultural products (if their imports are ruled out for balance of payments reasons) is duly recognised even though, in the long run, industrialisation itself is expected to increase this marketable surplus (by making possible an increase in the size of holdings to their economic level as a result of diversion of surplus manpower to non agri-

cultural sector). Thus the problem of agricultural re-organisation in this view would have to wait a prior, speedy process of industrialisation. And the transitional problem of procuring sufficient marketable surplus of agricultural commodities is sought to be taken care of by a proper combination of a system of incentives to increased production and a system of agricultural taxation.

This view seems to be based on the experience of Japanese economic development, where a programme of rapid industrial development since the Meiji restoration went forward with feudal relations in agriculture. The problem of an adequate marketable surplus was taken care of by an oppressive system of land taxation, whereby the peasant was forced to part with a greater part of his output. The basic problem of agriculture, in this view, is that of an uneconomic unit of cultivation and that this problem will be solved only when a sizable part of surplus

agricultural labour force has been diverted to other occupations. Yet if the Japanese experience is any guide, this is not going to be an easy solution for it was only in 1920 that the Japanese farm population was stabilised. Till then, the programme of industrial development was not rapid enough to absorb the entire addition to agricultural work force which was taking place as a result of population growth. If it took the Japanese 50 years, it is not going to be any easier for us, when some of the factors (like large scale exploitation of the masses) which favoured Japanese speed of industrialisation, are no longer feasible under Indian conditions today.

#### Framework Must be Changed

Even if the problem is viewed in a limited perspective as being one of securing an adequate farm surplus for industrial development, without large scale organisational changes it is likely to be extremely difficult of solution.

If the emphasis is on incentives to *get* greater marketable surpluses, this is likely to waste itself in inflationary rise in prices, for a majority of farmers, living on subsistence, have hardly any surplus to offer. Meanwhile, with every increase in population, the problem of overcrowding and uneconomic holdings is likely to increase in magnitude. Thus the effect of price stimuli to bring forward greater marketable surplus is likely to be very limited in an economy where for a great majority of farmers such stimuli have no meaning whatsoever. If on the other hand, the chosen instrument for securing greater food surpluses is a comprehensive system of agrarian taxation, this is also likely to meet great difficulties, inherent in increasingly taxing a great number of subsistence, scattered, and poverty ridden farmers. Apart from the administrative difficulties and considerations of equity, this is also likely to raise awkward political problems for a country wedded to adult franchise and parliamentary democracy.

Of course, the problem would be Jess difficult to solve if simultaneously there is an increase in agricultural production. This is not to deny that even within the existing organisational framework, there is a scope for such increase. It does not follow, however, that this organisational framework is one conducive to rapid economic development. For a programme of economic development involves stepping up the rate of saving and investment, and assuming that consumption is already at the subsistence level, the saving rate can be increased only by siphoning off a greater part of the marginal increase in output for development purposes. And it is at this point that the existing structure is proving particularly deficient. In an economy where the vast majority of peasants have been living in extreme poverty, income elasticity of demand for food is likely to be near unity, so that left to themselves, by far, the greatest part of any moderate increase in production, they are likely to utilise for increased consumption rather than increasing savings and investment. And a practicable system of incentives and taxation will also be ineffective *in* diverting a part of this increased output for develop-

ment purposes for the reasons mentioned.

#### Criteria for New Pattern

If the need for changes in agricultural organisation is recognised, what then, are the criteria for an efficient organisation which a new pattern ought to satisfy? Obviously, it must be one which not only encourages an increase in agricultural production, but also, makes it possible for a sizeable part of this increase to be ploughed back for the investment in agriculture and makes available an expanding marketable surplus for the needs of economic expansion in the industrial sector. This second criterion supposes that in the new environment, a greater part of profits would be devoted for investment rather than current consumption by the farmers themselves, or else, the system of agrarian taxation would be such that the tax revenue would increase progressively with a rise in output (in principle as Mrs Robinson teaches) there is no difference between profits and taxation both having the objective of siphoning off a part of consumers' incomes. If the profit margins were lower, the price paid by the consumers would be lower also, thus increasing the real purchasing power of a given amount of money. Same would be the case with tax reduction. If it is an indirect tax that is being reduced the effect is an increase in the real purchasing power of a given money income (assuming that the tax falls *on* consumers). If it is a reduction in direct taxes, the end result is also an increase in the purchasing power of the individual concerned.

If the promotion of rapid economic development is the only criterion which an organisational framework ought to satisfy, then one can make equally strong case both for capitalist farming as well as collective farming of the Russian type. As a result of industrial revolution in England, subsistence agriculture gave way to production for the market and for profits. This expropriation of the subsistence farmer by the capitalist farmer increased both the total output of agriculture as well as the marketable surplus which was 30 badly needed to feed a rapidly growing population. There took place an increase in total output, because the capitalist farmers had both the ability as well as the incentive to

bring about the necessary improvements in the art of farming. Practically, the same results have been achieved by the collective farming in the U S S R — the collective farmers as against the previous cultivators have the ability as well as the incentive to increase production and collective farms are much easier to tax also so that a workable system of agricultural taxation can easily divert a part of agricultural produce to meet the requirements of the industrial sector.

#### Purpose Behind Savings

The more important part of the new programme is the vast organisational changes that are to be brought about in the near future in our agricultural economy. This involves the imposition of ceilings on existing holdings as well as on future acquisition of land. The surplus land is to be given over to the landless labourers to be jointly cultivated in cooperative farms. Also an increasingly important role is to be assigned to the Village Panchayat and it is through this agency that surplus manpower available, is to be utilised for development in the rural sector. Ultimately, the pattern visualised is one of joint farming where all persons pool their lands and a part of output is paid out as ownership dividends, and a part as reward for actual work on land.

There are two purposes for which ceilings on land holdings are to be imposed one is an end in itself and the other, a means to an end. As an end in itself, it is designed as an evidence of the egalitarian bias of the party in power. The other is to facilitate the growth of joint farming. And joint farming, apart from providing the advantages of the economies of scale, is thought to be a necessary condition for the utilisation of surplus manpower.

What are the economic effects of ceilings? Will it adversely affect the yield of land or not? Though the proposal for ceiling has been discussed for the last many years, there is hardly any data, to evaluate the effect of this measure, on the yield of land. The Congress and the Government seem to attach some importance to the fear that the imposition of ceilings may adversely affect the standards of cultivation and the proposal for joint farming is partially motivated to allay these fears. Obviously, the adverse effects,

if any, would very much depend on the limit fixed for the ceilings rather than, the mere fact of ceilings being imposed. The Agricultural Labour Enquiry found that more than two third of the cultivated area is composed of holdings exceeding ten acres.

### **Low Ceiling Will Not Affect Production**

If the aim of ceilings is to bring about more or less equal distribution of land among the agricultural population, then the ceiling would have to be fairly low, say 8 to 10 acres (The average, availability of cultivated land per capita works out at 1.6 acres and assuming a family of five members, this works out at 8 acres per agricultural family). Superficially, this might lead to a deterioration in the standards of cultivation but in the conditions prevailing in our country it need not do so. For the mere fact that a holding is a large one, does not warrant the conclusion that it is being cultivated as a single unit. More often than not—one does not exactly, despite proliferation of statistics—the land is parcelled out in small fragments to be cultivated by tenants. And there is also a frequent change of tenants so as to prevent their acquiring certain rights to that land.

Thus from the point of view of a minimum technically efficient unit, a programme of land redistribution is not likely to aggravate the existing situation while from the incentive point of view, the new arrangements would offer a definite aid to increased production as compared to the existing arrangements. Unless one argues, that land would pass from more efficient to less efficient hands, there is not much weight, in the contention that imposition of ceilings, even at so low a figure as 10 acres, would seriously affect the standards of cultivation. For all practical purposes, the actual work on the farm is even now done by the tenants and farm labourers and these are the people who will be the beneficiaries of the new programme.

### **Lease of Surplus Land**

Of course, the financial resources at the disposal of these beneficiaries may not be as great as with the previous rich land-owners, so that their ability to effect improvements may be very much restricted, and this difficulty will be aggravated if

the new owners are asked to pay their contributions to the compensation pool. At the time of Zamindari abolition, the peasant was encouraged to acquire bhoomidari rights by paying a certain sum to the compensation pool, and lured by the prospect of owning land, he utilised all his resources to that end. The result was that little money was left for effecting improvements on the farm, and in the absence of any well developed cooperative system, many peasants had to resort increasingly to the village money lender. This is one reason why our land reforms have failed to make any significant impact on productivity per acre. Perhaps a properly developed system of service cooperatives could meet the requirements of farmers for effecting improvements.

In order to avoid payment of vast sums of compensation to the land-owners, things can be so arranged that ceilings are imposed not on the ownership of land but rather on cultivation of land. What I visualise is a programme whereby lands owned in excess of the limit imposed for self cultivation with family labour are compulsorily leased out to the village community which in turn redistributes it among the needy families on payment of fair rent. This arrangement will secure almost all the advantages of the ceiling proposals while avoiding at the same time the payment of compensation by the State or the new beneficiaries.

Thus a programme of land reforms that ends up with the imposition of ceilings on holdings, if backed up by a proper organisation of service cooperatives, may well lead to a sizeable increase rather than a decrease in output.

### **Joint Cultivation**

There is one difficulty, however. If population is increasing, and not all of this increase is being absorbed in industry, this will progressively reduce the per capita availability of land, below its present level, and this might well result in a deterioration in the farming standards, leading to an aggravation of disguised unemployment. Moreover, even if there takes place a sizeable increase in output as a result of more intensive cultivation, there is no guarantee that this increase will express itself in the form of an increase in marketable surplus of agricultural commodities to sustain

the growth process and not be eaten up on the farms. This later possibility cannot be ruled out, because at low levels of livings, a major part of the increase in output is likely to be spent on consumption. Thus a programme that ends up with the imposition of ceilings, and the redistribution of surplus land among the vast number of land hungry peasants, to be cultivated on an individual basis, is not likely to be one which can effectively meet the challenge of economic development.

This does not mean, however, that ceilings on agricultural holdings should not be imposed as part of a wider plan to promote joint cultivation. And if joint cultivation is desirable, it can be argued that without the imposition of ceilings, it cannot succeed. Obviously, in a country where caste and religious prejudices already divide the people, the presence of big land-owners along with landless workers will not lead to the smooth working of the cooperatives, and the whole thing may be managed in the interests of big land owners; whether it actually happens or not, the small peasants and the landless workers are likely to be extremely suspicious of the motives of the big land owners. Therefore, a cooperative among the peasants, with more or less equal status, is likely to be more successful than one in which people of widely different status take part.

### **Work for Underemployed**

The great merit of the system of joint cultivation is that it makes it possible to utilise the unemployed and the under-employed, the surplus manpower in the villages and to utilise it in the rural sector itself. Within the rural sector, there is a great scope for activities like bunding, undertaking flood protection work, building minor irrigation works, afforestation and drainage which, from a social point of view, are highly productive but are unremunerative for the individual. If undertaken single handed, none of these productive activities may be profitable, because the costs involved would be excessive compared to the benefits accruing to the individual farmer. In the framework of individual enterprise, therefore, such improvements may never come on the agenda. Not only are such works highly productive, they are relatively costless, in the sense that even with the existing tech-

nique of production, a suitable change in agrarian organisation can release a large number of workers for such work without agricultural production having to suffer.

When land is jointly cultivated, all persons in excess of those, needed for actual cultivation, can be drafted for these development works. These development activities in turn will greatly add to productive efficiency of land. With enlightened leaders, all the increase in output need not go to increase consumption. A proper balance between increased consumption and accumulation may be easier to attain, the problem of agrarian taxation will be less intractable from the administrative and other points of view. Since the utilisation of surplus manpower hitherto wasted will greatly add to the productive efficiency of agriculture, an increase in consumption might well go hand in hand with an increase in marketable surplus, and a part of the rising incomes may also be diverted, through taxation, to development activity elsewhere in the economy.

#### Conditions of Success

For the success of joint farming, some degree of equality of status among the participants is necessary in order that all of them have a stake in improving the productive capacity of land. How to bring about the necessary degree of cohesion and homogeneity among the participants? One way to do it, is to abolish all individual rights in land and vest such rights in the village community, so that all the people joining the cooperative organisation stand on an equal footing. Obviously, such a solution is impractical in the conditions prevailing in our country. The other course of action, thought out by the Congress Party, is to impose ceilings on land holdings, thus reducing the extreme disparities of income and wealth in the village. The surplus land so received is to be managed by a cooperative of the landless labourers on behalf of the village Panchayat. Later on, landowners are also expected to join the cooperative.

Obviously, the extent, and to a large degree, the success of cooperative farming would depend on the amount of surplus land made available to it. The latter, in its turn, would depend on the limit selected for ceilings, and on the extent of loopholes (provided deliberately or

knowingly) in the legislation. Not only is the ceiling limit proposed very high (in Punjab, it is 30 standard acres for non-refugee landholders and 50 standard acres for refugee land-owners) but because of the loopholes, landlords, through dubious transfers of land among relatives and other, have succeeded in arranging things in such a way that very few can be shown to possess land above the legal limit. (In the Punjab, a recent amendment to the legislation, has actually legalised such transfers, . . . what a splendid march towards socialism!) The result of all this may be that there will not be much of surplus land available for being handed over to the cooperatives of landless labourers.

#### Obstacles to Land Reform

That the actual results of a programme, which is proclaimed as revolutionary, may be so feeble, it is difficult to believe that those in authority do not already know. And the reasons are not far to seek. A genuine programme of land transfers, under our constitution, must involve the payment of a huge compensation to the dispossessed landowners for which the Government has no resources. Despite the fact that these "revolutionary" land reforms are to be completed by the end of 1959, it is doubtful if any discussion as to the amount of compensation and how it is to be met, is taking place. Obviously, the authorities realise, that in the event, not much compensation will have to be paid, because not much of surplus land will be available—thanks to the ingenuity of landowners. The major obstacle in the way of a genuine programme of land reforms, is the stiff opposition of the landed interests, who are strongly entrenched in the State Legislature hence the authorities' connivance at these loopholes which defeat the very purpose of legislation. One senses here also a grand scheme of deception, where radical land reforms are being enacted in exchange for the promises that they will never be made effective.

Thus the Congress approach to land reforms is not going to succeed in ushering a new era of prosperity through joint farming for our agriculture, because of the strong and effective opposition of the landed interests, and the extreme difficulties of compensating

the dispossessed landlords. This does not mean, however, that there is no way out of the present stalemate. It is the author's belief that with a less radical, but more practical approach, we can bring about the needed organisational changes, capable of meeting effectively the requirements of a rapid rate of growth while at the same time bringing about a great deal of equality of opportunity and reduction in the existing disparities of wealth and income.

#### Scheme to End Stalemate

The main features of the scheme are as given below:-

(a) Ceilings be imposed not on ownership of land but on the extent of land that a landlord can keep for self-cultivation with the help of family labour, and existing techniques. This will have to be much lower than the ceiling on ownership that is envisaged in recent legislation. One reason for fixing a high ceiling in the present legislation is to assure a reasonable standard to the dispossessed owner. But if the owner continues to receive a fair rent for the land above the ceiling limit, his standard of living will not suffer. Hence the justification for higher ceiling limit is no longer very strong.

All land in excess of the ceiling limit will continue to be owned by the same land-owner but shall be compulsorily leased out to the village community on payment of a fair rent.

(b) The village community shall arrange for the land so received to be managed by the multi-purpose cooperative of the landless labourers.

(c) The rent, to be paid by the cooperative to the landlords through the village Panchayat shall be fixed by Rent Tribunals set up by the Government. The rent ought to be fixed by such a Tribunal rather than the village Panchayat, because in the initial stages of the scheme, landed interests may dominate the Panchayat and if fixation of rent is left to the Panchayat they might succeed in getting an exorbitant rent fixed. The rent shall be fair in the sense that it will leave sufficient incentive for increased production to the cooperative and shall be fixed for periods not less than ten years so that the cooperatives are assured of the fruits of their additional efforts.

(d) Every year a part of the profits of the cooperative shall be set aside to purchase the leased out land and legislation should be enacted to facilitate such purchases and Land Tribunals appointed to fix a fair price of land. This will result in progressive increase in the amount of land owned by the cooperative farms.

(e) For utilising the surplus manpower for development activity auxiliary to agriculture, e.g. afforestation schemes, drainage, flood protection, etc., the Village Panchayat shall draw up a programme and decide on the respective contribution of the cooperative and the non-cooperative sector of the village.

(f) Some development schemes may require cooperation of more than one village. For that purpose, a coordinating committee consisting of the representatives of the Panchayats shall be constituted to plan out such schemes and decide on the contribution of each village.

(g) The definition of the word landless labourers shall also include those of the occupancy and non-occupancy tenants who do not own any land of their own and who have been earning their livelihood by working as tenants of big landowners. With the imposition of ceilings on the self-cultivated land and the transfer of surplus land to the village community, these people will be deprived of the means of their livelihood. They should, therefore, be allowed to join the cooperative on equal term. The transfer of surplus land to the village community might also adversely affect those of petty landowners who, not owning sufficient land to earn their livelihood, take some additional land on rent from the big landlords. Such people should also be encouraged to join the cooperative either by selling their lands to the cooperative or else by pooling it with the cooperative land on payment of a rent by the cooperative in addition to the reward for actual work on the farm.

However, a premature entry of people with widely different status and interests should be avoided initially as it might disrupt the unity of the cooperative. Disputes about the amount of ownership dividend may arise. By the time the cooperatives come to own a sizeable part of the land which they origi-

nally received on lease, other landowners may also be allowed to join.

#### **Not Radical But Workable**

The scheme outlined above may be criticised as not appearing to be sufficiently radical. It does not visualise sudden expropriation of lands owned above the ceiling limit. The landlord will continue to own such land and he will be entitled to a fair rent for lands leased out to the village community. This is not a great departure from the existing practice whereby landlords get a greater part of their land cultivated by tenants on payment of a stipulated rent. But precisely for the reason that the scheme appears less radical, it is likely to succeed.

It will meet with less opposition from the landed interests and since it does not visualise any big fall in their income suddenly, the tendency to evasion by dubious transfers will be checked (and even if it is there, since the ceilings will be much lower, their ability to do so will be greatly reduced). Second, it does not necessitate any compensation payment, a welcome feature from the point of view of the na-

tional exchequer. On the other hand, it will create an environment where the most downtrodden people of our rural population, the landless labourers, will be able to stand up as free men and all people will have the incentive to put in their best effort, in the knowledge, that they will also be partners in sharing the fruits of progress. Utilisation of surplus man-power in development activities will be made possible. With a part of annual profits of the cooperatives being used to purchase the ownership rights in land, the cooperative sector will be progressively enlarged, disparities in income and wealth steadily narrowed and the country set on the road to a socialist society. No doubt, there will still be opposition to these proposals as is likely to be the case with any genuine reform. There is no reason to underestimate the baneful influence of vested interests on the social policy, nor to lose one's faith in the ultimate triumph of ideas which is the common inspiration of all intellectual efforts, devoted to the understanding of the dynamics of the social process.

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