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Pathways to Prosperity

Land Reform Playbook

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The Legatum Institute is a London-based think-tank with a bold vision to build a global movement of people committed to creating the pathways from poverty to prosperity and the transformation of society.

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- Our Centre for Metrics creates indexes and datasets to measure and explain how poverty and prosperity are changing.
- Our Research Programmes analyse the many complex drivers of poverty and prosperity at the local, national and global level.
- Our Practical Programmes identify the actions required to enable transformational change.

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Contents

Overview	2
1. Property Rights, Democracy, and Prosperity.....	7
2. Property Rights Reforms in Full Liberal Democracies: Korea and Portugal	15
3. Property Rights Reforms in Incomplete Democracy Countries: Peru, Chile, and South Africa	25
4. Property Rights that Promote Democracy and Prosperity	39
Appendix. Indicators of Property Rights.....	45

Overview

This report is part of a series of “Prosperity Playbooks” that share lessons on how people have made their societies more open and prosperous. The first playbook focuses on democracy and this second playbook on how land reforms in some countries can contribute to more open and inclusive societies. Its goal is to share knowledge about land reforms with people committed to seeking the prosperity of their societies.

The “Democracy Playbook” reviews how a full liberal democracy is central to prosperity. It argues that this system requires some degree of social cohesion (people understanding that they need to get along with each other) and of political equality (political power is not too unbalanced). It is this political equality that makes it possible for citizens to build and accept institutions that are impersonal and treat everyone without privileges.

The series of Prosperity Playbooks focuses on policies that create greater political and economic access for marginalised groups. This Prosperity Playbook focuses on land reform because, in some low and middle-income countries, land continues to be one of the assets that most impact the lives of the poor. Moreover, agriculture employs a substantial number of workers in these countries and is intricately linked to the large ‘informal’ sector. By contrast, in highly urbanised countries, a focus on land reform is less relevant to prosperity,* and educational access policies are key drivers of upward mobility and prosperity.

In countries with a large population employed in agriculture, if ‘informal’ agricultural workers can improve their livelihoods by securing access to land and property rights, they can gain a greater political voice and better afford to educate their children to succeed economically. A weak system of land property rights, a state that is not trusted by large groups of society, and low economic productivity are key factors in explaining the large size of the ‘informal’ economy.

This report reviews how five countries introduced land reforms. In Korea[†] and Portugal, reforms of property rights contributed to these countries’ successful transition from dictatorship to full liberal democracy. In the other three countries — Peru, Chile, and South Africa — land reform was not as comprehensive or well implemented. Partly as a result, these countries may have found it more difficult to transition to a full liberal democracy.[‡]

The report notes that successful land reforms can play a vital role in transitions to full liberal democracy in some countries because they weaken the political power of traditional elites that block reforms to ‘rent-seeking’, as in Korea and Portugal. These land reforms increased the political power of previously marginalised groups, low-income groups, and rural farmers, contributing to greater equality of access to political power.

The land reforms of Korea and Portugal achieved a radical change in political structure, marginalising large landowners and clientelist political parties and limiting their rent-seeking. These reforms were facilitated by strong support from external actors, i.e., the US in the case of Korea, and the European Community in the case of Portugal.

Korea and Portugal illustrate a fundamental irony in some countries’ protection of property rights. To achieve well-balanced property rights that support development, Korea and Portugal had to infringe

* In these countries, access to education becomes a key to reducing inequality and prosperity for all. Hence, the demands of the 2019 popular protests in Chile. Student leaders have become the new Pancho Villas, agricultural revolutionaries.

† For simplicity, we refer to the Republic of Korea (official)/South Korea simply as Korea throughout this report.

‡ We use the term full liberal democracy for democracies that provide the greatest political rights and civil liberties, including not only the fairness of electoral processes but also the functioning of government, political participation, and culture. See also the discussion in “Democracy Playbook,” Legatum Institute, 2023. See also the Economist Intelligence Unit’s Democracy Index and Freedom House’s Freedom in the World ratings.

and reallocate land rights on a wide scale because limiting the political power of large landowners was a critical step for economic transformation, democratisation, the reduction of rent-seeking, and prosperity. Land reforms in Japan, Taiwan, Ireland, and Italy also played a similar role.

The land reforms of Peru and Chile were implemented in a way that facilitated state control of rural areas. For example, the distribution of land to cooperatives, rather than individual farmers with rights, made the reforms' beneficiaries more dependent on the state and subject to its whims. This situation can generate resentment and distrust of the state, with people perceiving the state as captured by rent-seeking elites who seek to control their lives and create complex administrative processes.

In Peru, since 1992, land titles have been provided to farmers through several programmes. However, given the lag of 20 or more years since the initial reforms, they do not appear to have greatly contributed to reducing inequality. Partly as a result, Peru's high inequality translates into an under-developed political system characterised by opportunistic rent-seeking and weak political parties.

In Chile, the Pinochet dictatorship returned some of the land expropriated by the previous government to its former owners, and a process of re-concentration of land continued. Programmes to provide land titles were implemented but informality in rural land rights persisted. Inequality in Chile today is still very high and the third highest in the OECD, after South Africa and Costa Rica.¹

At the same time, the influence of rent-seeking business groups is pervasive. In many cases, these groups made their fortunes through insider 'crony' privatisations during the dictatorship. Weak social cohesion and a sense of 'unfairness' in Chile help to explain the mass popular protests that occurred in 2019 and the election in 2022 of a radical left-wing political coalition, the Frente Amplio, which includes the Communist Party.

In South Africa, demand for swift and comprehensive land reform has not resulted in commensurate government action. Land reform has been slow-moving and piecemeal and has not addressed high inequality. Land property rights remain a source of unresolved conflict, with two-thirds of black South Africans believing that land must be returned to them regardless of the consequences for political stability.² Income inequality has also worsened and is today the highest in the world and higher than during the apartheid years.

Once a land reform has been poorly implemented, the way back to secure land property rights is long and arduous. In some cases, land reform takes place in the context of an economic crisis that makes governments more dependent on international financial institutions, such as the World Bank. These organisations support programmes for the provision of land property rights in the context of their broader lending support. This strengthens the hands of reformist elements in governments, and some reforms can be achieved, as happened in Peru in the 1990s.

However, democracy is the best way to secure land property rights. Democracy gives citizens a voice so they can defend their land rights. By contrast, a lack of property rights makes citizens vulnerable to government pressure.

Land property rights also support greater democracy by increasing the incomes of the poor and giving these citizens greater power in the political system. Moreover, widely-held land rights help to equalise the legal status of citizens, broadening equal access to the rule of law.* Finally, democracy opens the door to conciliation mechanisms for drawing the informal sector into a more inclusive economy, using formalisation policies and processes that are sensitive to the local context. Instruments need to be cheap and easy to access and be twinned with the updating of land rights registries, the delimitation of property rights through digital mapping, etc.

* Land reform is less likely to help temporary foreign workers, who are often excluded from these programmes. In countries with the emergence of a temporary migrant working class comprised mainly of foreigners, labour reforms associated with improved salaries and better working conditions are more important for these populations.

In summary, successful land reforms give poor farmers and informal workers a greater stake in the economy and a greater political voice. These changes make the state more legitimate, encouraging informal workers to join the formal economy in order to access government services, formal property rights, financing, etc.

Successful land reforms: what have we learned?

When land reform happens

Opportunities for land reform often arise when a country faces existential threats or in post-conflict or revolutionary situations. This is particularly the case when there is opposition to foreign or domestic landowners among the rural population and this population is seen by the government as a source of political support. In such cases, incumbent governments can more easily take the risk of implementing measures to limit the power of landowners.

Land reforms interfere with prevailing land rights

To achieve well-balanced land rights that support development, it may be necessary to infringe and reallocate land property rights on a wide scale. Large-scale reform cannot be implemented simply within a willing-buyer willing-seller paradigm. To be acceptable to landowners, compensation cannot be confiscatory, but may involve below-market prices that are seen as fair.

Successful land reforms:

- **are consensual.** Reforms are implemented in a way that minimises conflict and are supported by national consensus. Radical and conflictive land reforms deter investment and undermine political stability. Such land reforms may provide land to rural populations, but they undermine economic development.
- **target inequalities.** Reforms are best justified because of the need to address large structural inequalities, rather than on ideological or moral grounds. Prosperity requires the opening of society to all groups and the limiting of rent-seeking in the economy. In some countries, this can be accomplished only by marginalising powerful landowners who block these changes. A successful reform contributes to making the agricultural sector more competitive and productive. Slow-moving, piecemeal land reforms are unlikely to change structural inequalities and, in some cases, may backfire. Those who anticipated receiving land through the reform, but did not, may politically punish the reform's authors or even support armed groups or militias to settle scores or pressure for more reform.
- **are comprehensive.** Land reforms must not only distribute property rights but also comprise a consistent support package for land beneficiaries, including credits, inputs, rural infrastructure, access to basic schooling, policies to stem land re-concentration, etc.
- **provide rights to the land.** Land reforms must not only provide land but also property rights. This means providing title deeds, linking land and other property transfers to property registries, linking property and registries to land cadastres, and establishing a mechanism for the timely update of this information. The precise scale and organisation of these rights are context-specific and matter less than their underlying security.
- **rely on strong state capacity.** State capacity is needed so that property is transferred in tandem with land titling, providing protection of property rights and a package of developmental support for land beneficiaries (credit, input, etc.).
- **rely on the availability of funding.** Providing compensation to acquire private property in lieu of force calls for substantial financial resources. Governments in low and middle-income countries often lack these resources and need outside support. International financial support for land reform purchases can contribute to the reforms' success.

This report includes the following sections:

Section 1 discusses the reasons why securing land reform can support democracy and prosperity.

Section 2 reviews land reform in Korea and Portugal and how it contributed to these countries' transitions to full liberal democracy and prosperity.

Section 3 reviews land reform in Peru, Chile, and South Africa and how it may not have facilitated a transition to full liberal democracy and prosperity.

Section 4 presents key lessons of our review of land reform in five countries.

Appendix 1 shows the evolution of property rights in different countries.

Notes

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Soybean farmer with drone remote controller in field. Using modern innovative technology in agriculture and smart farming.
Credit: Bits And Splits.

1. Property Rights, Democracy, and Prosperity

Definition

One useful way to define a property right is as the exclusive authority to determine how a resource is used.¹ Property rights vary in many ways: whether they are privately or publicly held, whether they are formal and defensible, whether they are alienable, whether they are collective or individual in nature, their duration, and whether enforcement is centralised or decentralised. In certain circumstances, long-standing and uncontested informal ownership or customary tenure can provide as much or greater property security as formalised ownership.² However, this is uncommon outside parts of sub-Saharan Africa and Oceania. More typically, property rights are stronger to the extent that they are formalised, registered, and have relatively few consequential restrictions on their use and disposal.

Property rights regimes can be driven by the direct actions of government, but they can also be shaped by broader social and political factors such as economic inequality,³ class-based political competition,⁴ ethnically-based political competition or affirmation,⁵ enforcement capacity and political will,⁶ social status,⁷ and population growth and demographic change.⁸ These factors shape both access to and the operation of property rights.

Secure property rights support economic development by encouraging accumulation, production, and economic dynamism.⁹ When property rights are secure, individuals can make productivity-enhancing investments without worrying that their property or investments may be arbitrarily seized. Because of the transparent and enforceable nature of ownership and interests, individuals can leverage property as collateral for financing to improve their assets or invest in human capital. Secure property rights can also underpin more liquid property markets, which can put property into the hands of those who would use it most efficiently.¹⁰

These dynamics apply to a wide range of assets and markets, from agricultural land to mining, manufacturing, and even intellectual property rights in advanced technologies and pharmaceuticals. Property rights recognition and protection devices have evolved in these domains to include things like land cadastres and property registries, legislation over sub-soil mining rights, patents for intellectual property, brands, and manufacturing processes.

Property Rights over Land

Property rights over land are especially important in low and middle-income economies where rural populations are considerable and land is either exploited directly as a livelihood or used widely to capitalise investments in other economic sectors. Secure property rights over land as an asset are anticipated to have similar positive consequences to property rights over other physical or intellectual assets. Research demonstrates that well-established and secure property rights are critical for the functioning of rural land markets, for generating incentives to invest in agricultural production and infrastructure, and for increasing access to private credit.¹¹ Secure land access also supports the accumulation of human and physical capital.¹² It is, therefore, widely accepted that property rights, even if not always formal or individual, strongly support efficient exploitation of land.^{13,14}

It follows that incomplete property rights can inhibit accumulation and production by depressing the value of land and making it difficult to sell, lease, partition, or leverage as collateral for borrowing. Insecure or incomplete land rights can encourage an emphasis on planting short-term crops¹⁵ and a reticence to fallow land for fear of counter-claims or appropriation,¹⁶ which can reduce long-term land productivity and deplete soils. Widespread property informality can scare off foreign investors and capital.¹⁷ In addition, it can generate contestation over ill-defined and poorly documented property delimitations.¹⁸ This last consideration encourages individuals to remain on their property to

protect it against counter-claimants, rather than migrating seasonally to work, and makes it more difficult to sell land.

Weak or absent property rights may also result in contestation and conflict. They open the door to contestation within communities and cooperatives over who should do what work, how much they should receive in return, who makes decisions, and who gets access to what land over time. They may also generate contestation between communities because the boundaries and limits of landholding are less clear.

All of this generates rural dissatisfaction, even if land beneficiaries initially support reform. Over time, the problems start to outweigh the perceived gains. This is a recipe for a dysfunctional and underproductive rural sector.

Despite the anticipated positive consequences of secure property rights, incomplete rural property rights are endemic throughout most of the developing world. This is somewhat puzzling given that so many countries have pursued some type of land reform during the past century, providing an opportunity not only to equalise land access but also to secure rights for new property holders. Land concentration has fostered poverty, underdevelopment, conflict, and dictatorship in many countries. Smallholders, tenants, and wage labourers could not — or were not permitted to — accumulate enough land or capital to save, invest, and send their children to school where they could be trained to work in more dynamic economic sectors.¹⁹ Instead, they worked for large landowners in socially and economically subservient relationships that fostered resentment and economic stagnation.

A lack of property rights deprives citizens of the legal resources and economic security needed to support their livelihoods. It also makes them more vulnerable to government pressure and manipulation. Democracy gives these citizens a greater voice and a powerful mechanism — the vote — through which to enhance their property rights. Democratic governments have far outpaced authoritarian ones in extending rural property rights. The same is also true of other economic sectors.

Citizens armed with stronger property rights are far better equipped to hold their governments accountable. Property rights can raise the incomes of the poor, narrowing the wealth gap with the rich. This gives them greater political weight with politicians. Widely-held property rights also equalise legal status in a way that comes to be reflected in court proceedings and the broader legal infrastructure. This supports the strengthening of the rule of law.

Land and Poverty

For the world's rural poor, land is their main productive asset. Most of the rural poor, and some of the urban poor, depend on agriculture as their principal source of income. Land also serves as social insurance in the developing world. It provides not only employment and income but also sustenance, a place to live, insurance against infirmity and age, and security for future generations. Rural relationships have an enormous impact on society in developing countries. In 1950, 71% of the world's population was rural. As of 2010, the figure reached 49%. In most of sub-Saharan Africa today, the level of ruralisation is similar to that in Western Europe in around 1850 and to that in most of Latin America in around 1900, and rural populations are continuing to grow.²⁰ Poverty is concentrated in these rural areas. Slightly over three-quarters of the 1.2 billion people in extreme poverty (the "dollar-poor") were rural in 2002.²¹ Furthermore, most of the rural population works in agriculture. In 1950, 67% of the world's economically active population worked in agriculture, and that figure remained at 45% in 2000.²²

Conversely, when much of a country's population is urban, increasing land access through land reform has a relatively limited impact on reducing poverty and inequality. However, access to land is very important for rural populations.

Background to Land Reform

In around the 1940s, many scholars and policymakers began to advocate land redistribution to tackle poverty and inequality in the developing world and encourage development.²³

Land reform can fundamentally transform the material and social well-being of the poor in developing countries. It is, therefore, viewed as a type of affirmative action or as a substitute for income and employment transfers that is analogous to the Western European welfare state. Although definitions of land reform vary, most share one often-stated end: the reduction of rural poverty by transferring the control of farmland to the land-poor. Land reform can increase the well-being of rural workers by increasing income from land for the land-poor, raising demand for labour, and creating farm enterprise opportunities.²⁴

Redistributive land reform was proposed as a solution to directly improve peasant livelihoods, facilitate human capital formation, and pave the way for new public goods and services. It was further seen as a particularly attractive solution due to the generally inverse farm size-productivity relationship: land reform can contribute to rural well-being given that, all other things being equal, small farms are often more productive than large farms.²⁵

Some countries launched themselves to the forefront of the world economy in just a few decades on the back of land reform. Korea, Taiwan, and Japan became economic dynamos after their land reforms, and far more equal societies. Other countries have had more tempered success. For instance, tenancy reforms in India have lowered rural poverty in that country.²⁶ Similarly, land allocations in contemporary South Africa have increased consumption and household living standards.²⁷

However, most countries that have implemented land reform during the past century have thrown away its development potential. Russia, China, Mexico, Cuba, and Zimbabwe used land reform programmes to destroy their domestic enemies — large landowners — and shore up rural political support. The same story played out in Eastern Europe during the time of the Soviet Union and in much of South America in the latter half of the twentieth century.

In many of these countries, the roots of contemporary underdevelopment and authoritarianism can be traced back to the political allocation of property and property rights that followed land reform. A host of factors drove neglect of property rights. Many governments were concerned about reform-induced disruptions in food supply and economies of scale in agriculture and opted to force beneficiaries into collectives or cooperatives. These systems also facilitated extracting rural surplus for the purposes of industrialisation and managing growing urban populations. Some governments distrusted capitalism and worried that private smallholders would shift to subsistence agriculture or be pushed off the land by market volatility and forced land sales. Other governments lacked the capacity and infrastructural power to establish and enforce secure property rights.

Beyond myopia, ideology, and limited state capacity, many governments failed to grant their citizens property rights over land because they were dictatorships. Governments with the will and capacity to implement major land reforms are often authoritarian. Dictatorships are at an advantage when trying to eliminate the power of large landowners but prefer to embed their own authority in the countryside and control rural populations. For these dictatorships, land reform is a convenient tool for destroying rival elites in the countryside while keeping rural workers under their influence.

Land Reform without Property Rights

Unless these dictatorships face pressure from foreign actors or seek to stave off an existential threat, they choose to hand out property without providing secure property rights. This forces land beneficiaries into a relationship of dependence. By withholding property rights, these regimes obliged land beneficiaries to turn repeatedly to the state for agricultural loans, credits, and basic security. In this case, land reform becomes a path for a dictatorship to control rural populations, rather than a path to democracy and prosperity.

The result is that many countries that have pursued land reform have wrecked rural property rights. The strategy of widely distributing property without rights activates a set of additional political mechanisms that provide an opportunity to enmesh land reform beneficiaries in relations of dependence on the state. In turn, these mechanisms can be used to pacify the countryside and create a politically pliable and dispersed support base that underpins authoritarian stability.

The choice for rural dwellers who live without property rights is clear: toe the regime line and gain vital assistance, or forego benefits and face a life riddled with the market distortions and complications that arise from lacking property rights. This stark choice binds land reform beneficiaries who lack property rights to an incumbent regime by making the regime indispensable for simply scraping by in everyday life.

The redistribution of land without property rights is also attractive for another related reason. Widely doling out land gives the government a unique opportunity to know who rural dwellers are and where and how they live. Land reform agencies often also collect a host of additional information about land beneficiaries, such as what they intend to produce on their land, how large their families are, and what relations they may previously have had with large local landowners. All of this enables the government to interact with land reform beneficiaries more efficiently and at less cost in the future, making them a tempting source from which to extract political support at a low cost.

Furthermore, by converting would-be one-time land grants into a repeated series of negotiations with beneficiaries over continuing support through state agencies that monopolise crucial rural inputs and subsidies, regimes can continually update their information about land reform beneficiaries.

Finally, when rural individuals receive property without rights, the difficulties associated with selling land and protecting it from counter-claimants encourage land reform beneficiaries to remain in rural areas where populations are more dispersed and collective action barriers are high. Incumbent regimes can step in to resolve the most problematic issues related to frozen rural land markets, such as transferring property between rural dwellers (or ignoring these transfers), while keeping most rural dwellers tethered to rural areas.

In comparison with countries where land reform includes robust property rights, countries that withhold property rights face a host of pathologies. Urbanisation in these countries takes place more slowly, rural inhabitants become trapped in the countryside with no opportunity for upward mobility, and the rural-urban divide and associated rural-urban inequality grow.

Resentment and distrust of the state grow among those in the informal sector. They rightly perceive the state as captured by rent-seeking elites who choose to manipulate them and make their lives difficult, rather than assisting them. This discrimination and lack of responsiveness erode the state's legitimacy and contribute to rejection of the state's rules and use of the informal market. The informal sector not only disdains this state but also fears it. The state's ability to monitor the informal sector and hold leverage over its livelihoods impedes collective action in the form of strikes, protests, unionisation, and other forms of associational life. It also leads many people to hide their true feelings about the government when asked by outsiders in surveys or interviews.

Despite these pathologies created by withholding property rights, many political leaders benefit personally from these policies. Withholding property rights may make some political leaders better equipped to forestall social protests and use the countryside as a political counterweight to cities. Many political leaders are willing to pursue only their own self-interested political goals although it means poor economic outcomes for their people and growing inequality.

The way back to secure property rights in these places has been long and arduous. There are two main paths. The first is when a financial or debt crisis strikes and forces a country to turn to international financial institutions like the IMF or the World Bank for a lifeline. These institutions often demand property rights reforms and enhanced rule of law in exchange for lending support. Classic examples include Mexico and Peru. Crisis-stricken governments may accept these conditions to survive and forestall a popular backlash.

Weak or absent property rights that follow from land reform also tend to result in more informality. Once these problems emerge, they cannot be easily fixed later. That is because communities change over time: people come and go, new generations replace the old ones, and economies shift. In these situations, land is transacted in the informal sector and de facto ownership drifts away from its link with property registries and land cadastres. This cannot be easily corrected because attempts to do so become contested. Claims and counter-claims arise for the same piece of land if transfers cannot easily be tracked and their legitimacy or legality are in question. The courts cannot resolve these disputes in a simple fashion because each case has broader ramifications for the property rights system. The result is persistent informality, which limits economic growth, development, and the rule of law.

These international interventions to strengthen property rights and the rule of law also have broader downstream consequences. They weaken the clientelist grip of parties and rent-seeking in agriculture. In turn, this can spark infighting among elites over whether to continue trying to control people (including using more repressive tools because everyday policy manipulation becomes less easy) or whether to open politically. Internal regime splits and diluted tools of citizen control ultimately increase the likelihood of a transition to democracy.

Large landowners themselves — those who escaped the land reform or accumulated land in its wake — may support some of these changes. Over time, modernisation and urbanisation have driven large landowners to capitalise and commercialise their enterprises, generating less demographic pressure on their land. Furthermore, landowners are often making some of the earliest investments in banking, industry, manufacturing, and transportation, where they prefer strong property rights protection to mitigate expropriation risk and investment uncertainty.

Changes to property rights do not occur overnight. The informal sector may have suffered decades or even generations of abuse and discrimination by the state. Conciliation may be needed to draw the informal sector into a more inclusive economy by using the tools of the state to formalise their status. Formalisation policies and processes, if they are to take root, must, therefore, be sensitive to the local context, gather input, and consider experiences with informality. They need to be cheap and easy to access since those in the informal sector are more likely to experience poverty and have lower levels of education. They must also be twinned with other aspects of state strengthening such as the ordering and updating of property rights registries, the delimitation of property rights through digital mapping, and the establishment of clear lines of responsibility for key functions among government agencies and between different levels of government.

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- 13 The importance of land formalisation and individual ownership in securing property rights is an area of more active debate than the importance of property rights themselves. See e.g., Brasseur, Anne-Sophie, Frédéric Gaspart, and Jean-Philippe Platteau. 2002. "Land Tenure Security and Investment Incentives: Puzzling Evidence from Burkina Faso." *Journal of Development Economics* 67 (2): 373–418. [https://doi.org/10.1016/S0304-3878\(01\)00190-0](https://doi.org/10.1016/S0304-3878(01)00190-0); Ellickson, Robert C. 1993. "Property in Land." *The Yale Law Journal* 102 (6): 1315. <https://doi.org/10.2307/796972>; Goldstein, Markus, and Christopher Udry. 2008. "The Profits of Power: Land Rights and Agricultural Investment in Ghana." *Journal of Political Economy* 116 (6): 981–1022. <https://doi.org/10.1086/595561>. For instance, there is a rich history of communal property holding, particularly among indigenous groups, but common property resources should not be conflated with the nature of property rights for collective groups (Ostrom, Elinor. 2003. "How Types of Goods and Property Rights Jointly Affect Collective Action." *Journal of Theoretical Politics* 15 (3): 239–70. <https://doi.org/10.1177/0951692803015003002>). Collective groups can hold a full bundle of property rights just like private individuals. It is the status and organisation of the holder of property rights, as opposed to the rights themselves, that differ between private individuals and groups.

- 14 Demsetz, Harold. 1967. "Toward a Theory of Property Rights." *The American Economic Review* 57 (2): 347–59. <http://www.jstor.org/stable/1821637>; Feder, Gershon, and David Feeny. "Land Tenure and Property Rights: Theory and Implications for Development Policy." *The World Bank Economic Review* 5, no. 1 (1991): 135–53. <http://www.jstor.org/stable/3989973>.
- 15 Do, Quy-Toan, and Lakshmi Iyer. 2008. "Land Titling and Rural Transition in Vietnam." *Economic Development and Cultural Change* 56 (3): 531–79. <https://doi.org/10.1086/533549>.
- 16 Goldstein, Markus, and Christopher Udry. 2008. "The Profits of Power: Land Rights and Agricultural Investment in Ghana." *Journal of Political Economy* 116 (6): 981–1022. <https://doi.org/10.1086/595561>.
- 17 Songwe, Vera, and Klaus Deininger. 2009. "Foreign Investment in Agricultural Production: Opportunities and Challenge." *Land Policy and Administration* 45: 1–4. In other cases, it can attract foreign investors who seek to capitalise on informality by acquiring land cheaply or illegally.
- 18 Boone, Catherine. 2014. *Property and Political Order in Africa*. Cambridge: Cambridge University Press; Deininger, Klaus. 2003. *Land Policies for Growth and Poverty Reduction*. World Bank Policy Research Report. Washington, DC: World Bank and Oxford University Press; Klaus, Kathleen. 2020. "Political Violence in Kenya: Land, Elections, and Claim-Makin." Cambridge: Cambridge University Press. <https://doi.org/10.1017/9781108764063>.
- 19 Cinnirella, Francesco, and Erik Hornung. 2016. "Landownership Concentration and the Expansion of Education." *Journal of Development Economics* 121 (July): 135–52. <https://doi.org/10.1016/j.jdeveco.2016.03.001>; alor, Oded, Omer Moav, and Dietrich Vollrath. 2009. "Inequality in Landownership, the Emergence of Human-Capital Promoting Institutions, and the Great Divergence." *Review of Economic Studies* 76 (1): 143–79. <https://doi.org/10.1111/j.1467-937x.2008.00506.x>.
- 20 Boone, Catherine. 2014. *Property and Political Order in Africa*. Cambridge: Cambridge University Press.
- 21 Lipton, Michael. 2009. *Land Reform in Developing Countries*. Routledge, p. 148. <https://doi.org/10.4324/9780203876251>.
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- 25 Deininger, Klaus. 2003. *Land Policies for Growth and Poverty Reduction*. World Bank Policy Research Report. Washington, DC: World Bank and Oxford University Press.
- 26 Besley, Timothy, and Robin Burgess. 2000. "Land Reform, Poverty Reduction, and Growth: Evidence from India." *The Quarterly Journal of Economics* 115 (2): 389–430.
- 27 Keswell, Malcolm, and Michael R. Carter. 2014. "Poverty and Land Redistribution." *Journal of Development Economics* 110 (September): 250–61. <https://doi.org/10.1016/j.jdeveco.2013.10.003>.



Women wearing traditional clothes in hopes of a good year in Korea.
Credit: YCPMKK Gallery.

2. Property Rights Reforms in Full Liberal Democracies: Korea and Portugal

A small number of countries have got land reform and property rights protection “right”. Most notably, they include East Asian countries after World War II where the United States played an important advisory role (Japan, Korea, and Taiwan), several European countries (Ireland, Italy, and Portugal), and the Baltic states in the inter-war period under democracy.

The discussion that follows examines two prominent cases, one from East Asia (Korea) and the other from Europe (Portugal). The figure below presents data on property rights and political development in these countries from the Varieties of Democracy (V-Dem) dataset. In both countries, there are important improvements in property rights around the time of land reform. This happened in the late 1940s and 1950s in Korea and in the mid-1970s in Portugal. In both cases, property rights are followed by shifts to greater democracy. This transition happens more quickly in Portugal than in Korea. Authoritarianism persists for several decades in Korea after its first major property rights reform but, when democracy later arrives in the country, secure property rights help it to take root and deepen quickly.

Property Rights and Democracy in South Korea

South Korea* provides a classic example of using land reform and property rights security to achieve development and democracy. The country was impoverished and feudal until World War II. Over 80% of the population lived in rural areas.¹ Less than 3% of farm households held over 60% of total arable land.² Half of farmers were insecure tenants, and another one-third were part tenants.³ Tenants were responsible for the costs of cultivation and rents comprised 50–60% of the crop. The Korean War then wreaked havoc with the country's economy.

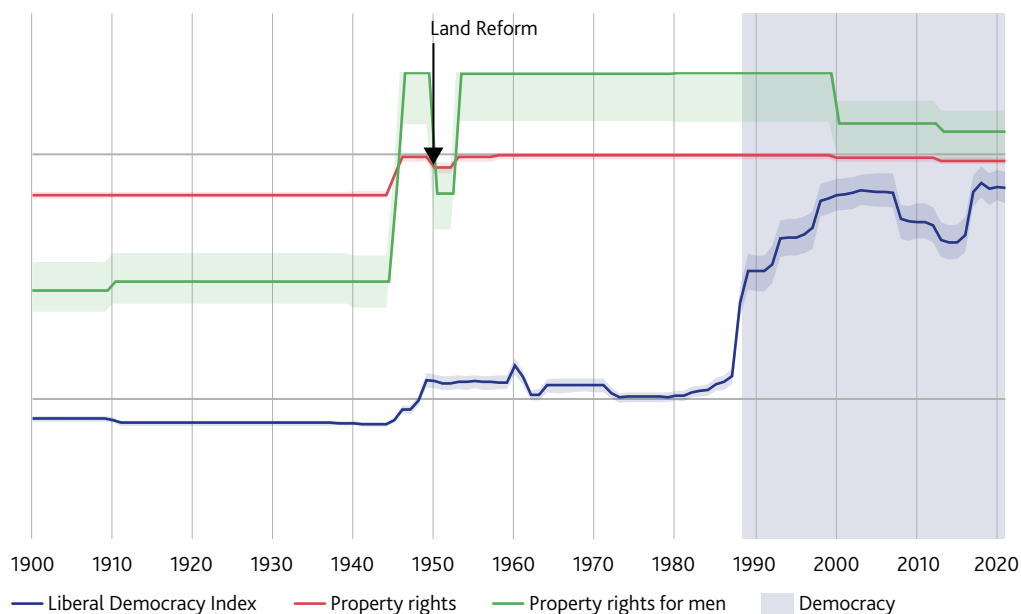
Korea sought to eliminate Japanese colonial influence and shore up its self-sufficiency through radical land reform. There were two reform phases: one by the occupying US military government in 1948 and another by the Korean government in 1950. The primary goal of the US effort was to counter communist insurgency and eliminate Japanese influence from its colonial era in Korea. However, this effort foundered in the face of disagreement among the allied powers regarding Japanese assets in Korea and opposition from conservative, landowning members of the Interim Legislative Assembly. The military government bypassed the Assembly and distributed land formerly owned by Japanese landlords, which had come into its possession during the war. Former tenant households acquired up to 2 hectares of land at a sale price that was three times average annual production, and the instalment payment was set at 20% of annual grain production over a 15-year period.⁴

The Korean government then formulated a more ambitious plan to redistribute land controlled by Korean landlords. A new legislature in which landowners had a weaker position passed the reform in 1949. The Ministry of Agriculture and Forestry began administering the reform in 1950. The government set a landholding ceiling of 3 hectares and made farmland owned by non-tillers subject to expropriation. It expropriated these lands within two years, granted land to poor tenant farmers — many of whom tended small rice paddies — and supported them with favourable agriculture policies. Beneficiaries had to pay a small amount for their plots — 30% of the annual harvest over five years — and in exchange received individual private property deeds with full rights of mortgage and disposal once they had completed payment. Landowners were compensated according to the valuation of land at 150% of its annual average crop yield, payable in cash in 30% instalments annually for five years at the government-set price. The value of these bonds quickly eroded against a backdrop

* Shortened to Korea hereafter.

of very high inflation. The land reform conducted by the state was complemented by private sales to tenants by landowners who anticipated the reform. In fact, slightly less than half of tenanted land subject to the reform was distributed by the government, with landowners directly selling over half of the targeted land just before the land reform began.⁵

Property rights and Democracy in Korea, Evolution over time



For the first time in Korean history, these farmers could afford to send their children to school instead of the fields. Within a generation, the country became urban and well-educated, home to a booming economy. Members of the lower social classes entered the civil service, military, and industrial sectors in large numbers in a way that democratised and invigorated them. Similar transformations followed land reform in Japan and Taiwan. All these countries adopted a similar formula: cultivate a small farming sector, use the surplus to build export-oriented manufacturing, and nurture these sectors through financial institutions held on a tight leash by the government.⁶

Another critical element was the enhancement of the state's autonomy from the landowning class, freeing it to support an alternative path to development: industrialisation. Former large landowners were nonetheless encouraged to participate in this shift. They were given land bonds as payment for their land and could use them preferentially to invest in government-supported businesses aimed at national development.

Korea, Japan, and Taiwan faced immense pressure to get land reform "right". These countries faced existential threats from China and North Korea so their land reforms sought to rapidly stabilise the countryside and forestall communist appeals to peasants by improving their economic and social conditions. Land reform was underpinned by growing, focused state power and nudged along by US advisers. Rather than mismanaging and manipulating land reform and property rights, they implemented it quickly, with a clear set of guidelines that set new expectations and rules of the game for both former landowners and new smallholders. They then used complementary state policies and programmes to support the new trajectory.

East Asian Land Reforms and the US role

In the post-World War II Asian cases, the United States played an important role in supporting the land reforms that granted land and property rights to individual families, rather than collectives or states. The US worked with like-minded domestic officials and bureaucrats who were already preparing land reforms.⁷ Political leaders in these countries had some autonomy vis-à-vis the landlord class, which had long dominated the countryside, and were already laying the foundations for state developmentalism. Political and economic challenges associated with systemic vulnerabilities were acute, particularly the linked threats of foreign attack from North Korea and China and domestic instability as a result of rural discontent and communist infiltration of the countryside. This was especially the case in Korea and Taiwan. Governments began to quickly build expert-based and coherent bureaucracies that could collaborate with organised private actors to spur national economic transformation, and this began with rural development and import substitution.⁸

As in Korea, land reform in **Japan** began under US military occupation. In October 1945, the interim Japanese government independently drafted a land reform bill to devolve land to the tiller. The US issued its land reform mandate in December of that year. Seeking to bring an end to the feudal era and rewire the political basis of Japanese power, the US occupation authority worked, under the direct oversight of General MacArthur, with domestic actors to implement a final, sweeping land reform that incorporated property rights for smallholders.

Taiwan, like Korea, had a post-World War II landlord class with close Japanese ties, given the island's history of Japanese colonialism. The incoming Kuomintang (KMT) party forces from mainland China saw these landlords as a threat to their power and quickly sought to destroy them through land reform. Their land reform efforts were aided by the US, in part through the Joint Commission on Rural Reconstruction (JCRR). This assistance differed from that of the US occupying forces in Japan and South Korea during the major structural overhaul of their post-war economies. Nonetheless, it played an important role in land reform. The JCRR helped to reorganise farmers' associations, which were important in mediating landlord-tenant disputes, setting rents, and surveying local land ownership, among other land reform implementation functions. The JCRR also conducted cadastral surveys and provided agricultural credit. Behind the nature of aid to Taiwan was the desire to help it rapidly industrialise to withstand the palpable geopolitical threats from neighbouring communist China. As in South Korea, private property rights were granted to land reform recipients.

Property Rights and Democracy in Portugal

Portugal implemented a mass redistribution of property in the context of its revolution in the mid-1970s and, in the 1980s, strengthened property rights under democracy in a way that brought it into the fold of what became the European Union. The reforms were controversial and imperfect but ultimately enhanced equality and the quality of the country's democracy.

In a similar fashion to southern Spain and southern Italy in the early to mid-twentieth century, the Portuguese countryside south of the Tagus River, which bisects the country, was governed primarily under the *latifundio* system. *Latifundios* in the south were owned by middle and upper-class land-owners (mostly absentee) and were worked by landless peasants who lived in adjacent agro-towns.⁹ This contrasted with northern Portugal where land ownership mainly took the form of small low-yield parcels of land owned and worked by lower-class farmers primarily for subsistence. The *latifundios* were chronically underdeveloped and, from the mid-1950s through to the early 1970s, yields were drastically lower than in the rest of Europe.¹⁰ Many landholdings were not used for farming and the choice of less labour-intensive crops, such as cork and eucalyptus trees, meant widespread unemployment and poverty in the countryside.



Shepherd with flock of goats grazing beside road in Portugal.
Credit: Cellio7.

Landowners at the time nonetheless had the solid backing of Portugal's authoritarian government, known as the *Estado Novo* under Salazar. Portugal fought a series of increasingly unpopular wars in the 1960s, as it struggled to retain control of colonial possessions such as Angola, Guinea-Bissau, and Mozambique. In April 1974, a group of junior military officers mounted a coup that toppled the regime. This group of officers, which became known as the Movement of the Armed Forces (MFA), immediately won considerable popular support.

After the MFA seized power and cut Portugal's overseas colonies loose, Portugal cycled through a series of short-lived military and civilian governments. Military officers effectively controlled these governments and large landowners found themselves sidelined from power for the first time in decades. Some 60% of the population still lived in rural areas¹¹ and the circumstances were ripe for land reform.

The MFA set its sights on the south of the country where landholding inequality was highest and, between 1975 and mid-1976, rapidly seized half of all privately-owned land under Decree Laws 406 and 407. Because land quality and growing conditions varied widely across the country, government bureaucrats created point values for specific crops and soil classes at the local (parish) level in the months preceding Decree Law 406. This system enabled land reform officials to assign points to specific properties and determine how much land in excess of a points ceiling should be expropriated from a given property.

The point system was based on the average value of income from agricultural production for one hectare of irrigated land according to tax records. This was set at 1,000 points and properties valued at above 50,000 points under Decree Law 406, equivalent to 50 average irrigated hectares, were subject to the expropriation of land in excess of this threshold. Owners of properties above the threshold were allowed to reserve a portion of their land up to the limit of 50,000 points. The principle of compensation was laid out in the law but the details were left to subsequent legislation. Many landowners were offered interim compensation through government bonds but never received final compensation.

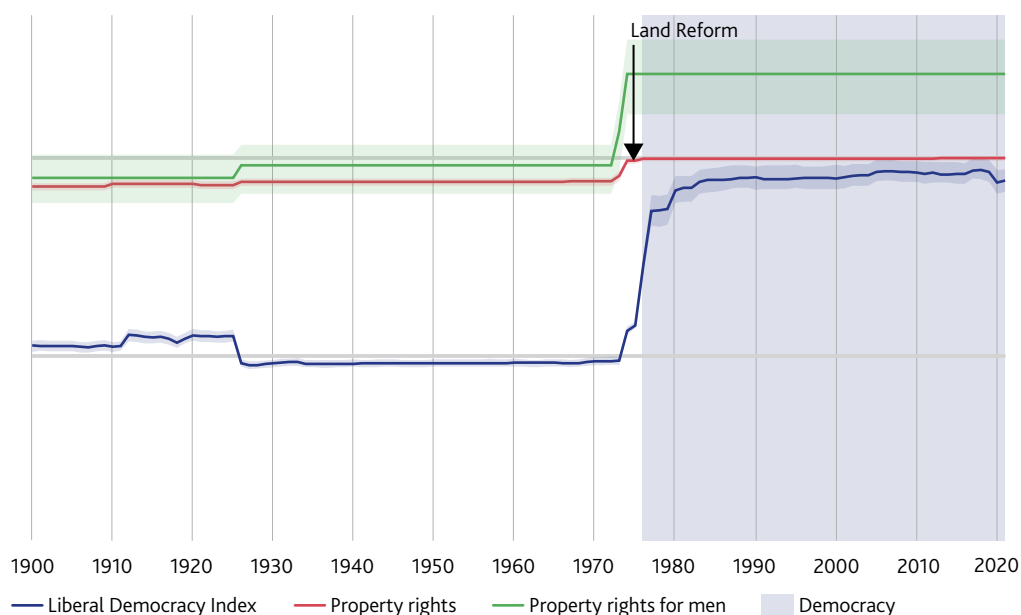
These laws also arranged to provide credit and nationalised state-irrigated land to new agricultural cooperatives formed by previously landless rural workers.

In Portugal's revolutionary environment, the government did not always control the land reform. Rural workers pushed the reform forward by forcibly occupying large estates. Government expropriations sometimes initiated land transfers (especially after occupations ended in December 1975) and, in other cases, followed land occupations. Some landowners tried to resist occupations, including using force against workers, but they had little legal or political recourse with which to hold out for long.

In 1974–1976, Portugal focused mainly on eliminating large landholdings, rather than securing property rights for land reform beneficiaries. However, various governments did dedicate energy to restructuring property rights. Worker-owned cooperatives emerged as the dominant form of organisation on collectively occupied lands, with over 500 new production units established, each averaging nearly 2,000 hectares.¹² This was a contested process. The Communist Party sought to turn occupied lands into state-run farms, whereas the Socialists advocated worker-run cooperatives. There was no ideological or social consensus among workers regarding the preferred form or scale of property rights and, even within the government, the preferred form of property rights was contested.*

* Even some radical generals such as General Vasco Gonçalves initially opposed cooperatives, arguing at an MFA assembly on January 4, 1975: "Are rural workers already sold on the idea of cooperatives? Are small farmers? ...We run grave risks politicizing ourselves so rapidly." (Quoted in Bermeo, Nancy G. *The Revolution Within the Revolution: Workers' Control in Rural Portugal*. Princeton: Princeton University Press, p. 52).

Property rights and Democracy in Portugal, Evolution over time



Ultimately, the government-imposed cooperatives across the board. These cooperatives typically joined several large farms together. While enhancing direct land access for labourers, this process generated greater land concentration. Most cooperative enterprises were run by an elected board of directors and fiscal council that served as the executive and legislative bodies, respectively. All workers had a single vote, owned one share in the cooperative, and attended general assemblies that held elections and made long-term production decisions by vote.

The government, however, retained legal ownership of the land. Property rights were incomplete and insecure. Many workers came to view government loans and credits as tools of manipulation and control. In addition, the Socialists complained that the Communist Party used its links to workers and cooperatives to clientelistically obtain votes in its favour.

The Socialists won the April 1976 legislative elections, which paved the way to democracy in Portugal. By the end of 1976, the Socialists had reversed their previous position on cooperatives and began dismantling them and parcelling out the land to private individuals along with complete property rights. The Socialist-led government of Mário Soares appointed António Barreto as Minister of Agriculture. Barreto introduced the concept of the “autonomous farmer” and increased credit restrictions on cooperatives while forcing them to repay debts in a bid to force them into insolvency since they were deeply in debt or under-productive.¹³

Efforts to devolve cooperative landholdings into individual ownership ramped up in 1978 when the right-leaning Social Democrats took power. They passed the Sá Carneiro laws in 1979 and 1981 under which land was seized from cooperatives and distributed to farmers, who applied through a state process to farm the lands privately. Some of these seizures became violent. However, many small sharecroppers and tenant farmers supported the new laws.¹⁴ Over the next decade, many cooperatives were disbanded and their collective landholdings distributed to private, individual farmers.*

External pressure also encouraged Portugal to extend more complete and secure property rights in rural areas. Portugal applied to join the European Economic Community (EEC) in 1977. Meanwhile, its economy faltered and it entered into a loan agreement with the IMF. In seeking to draw Portugal closer to convergence with other Western European economies, the IMF pushed it to diminish

* In some cases, portions of the cooperatives were “reserved” for return to former landowners.

government spending and the role of the state in the economy. This was a key factor in encouraging the government to withdraw generous financial support from cooperatives.¹⁵

Portugal's final integration into the European Economic Community in 1986 pressured the Social Democrat-run government into passing a further set of laws harmonising the country's agricultural policies with those of fellow EEC members. This dovetailed with a 10-year effort by the EEC to invest in Portuguese agriculture and bring it into line with that of other EEC members in terms of production, infrastructure, and marketing. Together with the late 1970s laws, these initiatives effectively buried what little remained of cooperative farms.

Although these reforms were controversial, they helped, paired with greater equality, to advance development around the country and accelerate the shift to higher value-added products and services. Enormous, under-productive properties devoted to the monocropping of staples like wheat were replaced by smaller, more capitalised farms. Rural tourism grew enormously, providing supplemental income for farmers and leading others to pursue alternatives to farming.

Secure property rights and smaller-scale farming have also greatly enhanced social and political freedom in the rural sector. For rural dwellers, the autonomy and freedom to engage with politics on their own terms replaced their previous reliance on large farmers or political parties that clientelistically manipulated support under the cooperative system. This has helped to transform the country from one of Europe's most repressive authoritarian regimes half a century ago to one of its most robust democracies.



Farmers at the harvest, collecting grapes for the wine industry in Portugal.
Credit: Joe_McUbed.

Lessons from the Experiences of Korea and Portugal

The experiences of Korea and Portugal illustrate an important irony in the achievement of functional, well-balanced property rights that support development. To reach this point, these countries first had to violate and reallocate property rights on a wide scale. The previous distribution of land and other assets was highly unequal. Powerful landowners manipulated rural workers, opposed economic modernisation, and supported repressive authoritarian rule. Eliminating them by stripping them of their property and property rights through land reform was a critical first step towards development. Only then could these countries modernise their agricultural sector and, from there, go on to modernise society. Slow-moving, piecemeal reforms that do not first address underlying inequalities have repeatedly been shown to have far more modest results and, in some cases, even backfire.

Ideology and state capacity have been critical for functional property rights reforms in countries that have managed successful transformations. This is true among the broader set of countries that have got land reform right: Japan, Korea, and Taiwan in East Asia, countries like Ireland, Italy, and Portugal in Europe and, between World War I and World War II, the Baltic states. In all these cases, land reform occurred just after conflict or revolution. Incumbent governments sought to remove foreign and large domestic landowners who stoked rural resentment, sowed the seeds of rural labour militancy, and were rival powers. They then focused state resources on supporting rural development, providing property rights protection to land beneficiaries, and stemming land re-concentration.

In contrast to the experiences of East Asian countries, the European cases provide examples of large-scale land redistribution and property rights reforms in democratic or transitional countries.

Other Successful Examples of Land Reform

Reforms in Ireland, Italy, and Portugal took place in different contexts. Analogous in some ways to the revolutionary background of Portugal's land reform, Ireland's land reform occurred during the Irish independence movement and meant the large-scale transfer of land and property rights from privileged British landlords to a wide swath of poor Irish tenants. Italy's land reform occurred just after World War II against a backdrop of residual poverty and the threat of communist labour organising in rural areas. In the early 1950s, the Christian Democrat government expropriated large landowners in seven major regions of the country and granted their land and secure property rights to family farmers.

The interwar Baltic countries of Estonia, Latvia, and Lithuania were all nascent democracies when they undertook large-scale property redistribution. In these cases, the governments expropriated ethnic minority out-groups, such as the Baltic Germans in Estonia and Latvia.

These out-groups lost their political power at the end of World War I and were swept out by newly empowered peasant majorities and an emergent nationalism that transcended social class and turned its back on communism. Governments in all these cases granted individual property rights to land beneficiaries and supported them with agricultural inputs and credits.

With external funding and clear expropriation parameters, Colombia has been able to move forward on land reform with the collaboration of property owners. This country's long-standing but slow land reform was expanded in 2011 by the Victims Law. It allowed the state to take control of illegally or improperly obtained land and to use regional 'land funds' to grant this land as reparation to citizens displaced during the civil war. This programme was funded by the United Nations, the Organization of American States, the United States, and other countries. Later, this reform was itself expanded to include some under-utilised private land as part of the peace agreement between the government and the Revolutionary Armed Forces of Colombia (FARC).

Notes

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- 2 Cho, Jae Hong. 1964. *Post-1945 Land Reforms and Their Consequences in South Korea*. Indiana University.
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- 15 Ibid, p. 193.



Peruvian farmer showing fresh potato.
Credit: Ruslana Iurchenko.

3. Property Rights Reforms in Incomplete Democracy Countries: Peru, Chile, and South Africa

Countries like Korea and Portugal supercharged their development by levelling inequality, radically reallocating assets, and granting property rights to land reform beneficiaries. Many countries that followed this formula also transformed themselves into economic powerhouses.

However, not every country achieved the outcome of Korea or Portugal. Why have more countries not adopted this well-established blueprint? The main reason is that it is typically authoritarian governments that pursue land reform but they also seek to entrench their authority in the countryside by withholding property rights from beneficiaries. For these governments, granting land without property rights is not merely an oversight or a political blunder: it is one of the most politically valuable policies that land redistribution permits. There are exceptions. A number of democracies like Brazil, the Philippines, and Namibia are pursuing land reform and delivering property rights to beneficiaries. However, with the exception of Brazil, it is often on too small a scale to have enough of an impact on development and democracy.

The following discussion examines three illustrative cases: Peru, Chile, and South Africa. The figure below shows information on property rights and political development in these countries taken from the Varieties of Democracy (V-Dem) dataset. Property rights did not strengthen significantly in Chile or Peru in the context of land reform or in its immediate aftermath. In Peru, they held steady in the 1970s, despite the country's large transfer of land from large landowners to peasants. Property rights ticked up slightly in Chile in the late 1960s and early 1970s during land reform, but not by very much. Both countries, it turns out, redistributed land while pushing rural beneficiaries into cooperatives where they lacked property rights.

The figures show that property rights only strengthened later when the governments that had implemented the land reforms were long gone. The delay in Chile was 10–15 years while, in Peru, it was closer to 20 years. Even then, in both countries, property rights over land remained incomplete in many areas. In Peru, the land reform does not appear to have contributed to strengthening democracy given that the country experienced a dictatorship in 1992–2000 under Fujimori and then a dysfunctional democracy. In Chile, institutions are stronger, but weak social cohesion has resulted in high political instability with mass political protests in 2019 and the election of a radical left government in 2022.

The experience of South Africa since the end of apartheid differs from the cases of Peru and Chile. South Africa has implemented a market-based willing buyer-willing seller land reform in which beneficiaries have received property rights. These property transfers have occurred under democracy but are too small in scale, generating discontent with the slow pace of transformation in the country and not contributing appreciably to its development path. Other government programmes to broaden land access have been mismanaged.

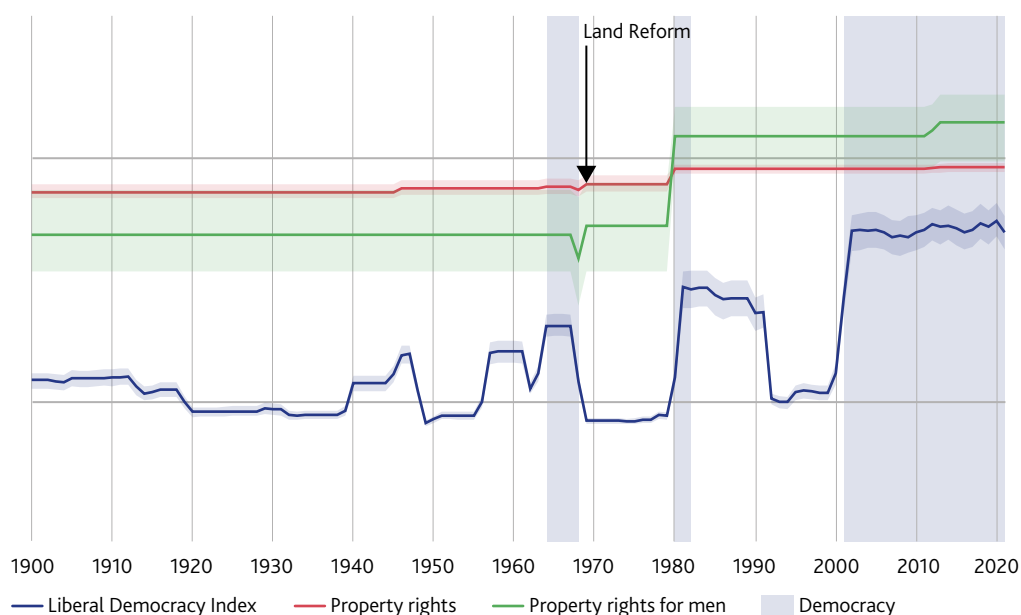
Property Rights and Democracy in Peru

Land ownership and use were a cornerstone of the Peruvian economy well into the 1960s. In the early 1960s, most of the population was rural and 50% of the economically active population worked in agriculture. Landholding inequality, however, was severe: according to the 1961 agricultural census, the largest 1% of landowners held 80% of private land. Land tenure relations varied widely, but were archaic in many regions, especially in the semi-feudal haciendas of the highland sierras. Many workers in these haciendas were indebted, abused, underpaid, or forced to contribute free labour to the hacienda.¹

The position of landowners became more precarious in the early to mid-1960s. Peasant organisers staged a series of large-scale strikes and land invasions in the southern highlands. A series of short-lived military regimes in 1962–1963 sought to undercut the most serious flashpoints and expropriated several large estates in the La Convención and Lares valleys in Cusco for distribution to peasants.² However, the policy was ad hoc and went no further.

A land reform law did manage to make it through Congress in 1964 after a return to democracy, but landholding interests severely watered it down and its practical effects were extremely limited.

Property rights and Democracy in Peru, Evolution over time



Transfer Process

Major redistributive land reform finally occurred after the military again seized power in 1968. This marked the start of 12 years of highly interventionist military rule that reshaped Peru's economy and social structure. In 1969, the dictator General Velasco initiated land reform through Decree Law 17716. It set strict landholding ceilings at 150 hectares on the coast and 15–55 hectares in the sierra, depending on location. It legalised the expropriation of land, capital assets, and animals on properties larger than the ceiling. The law also enabled the expropriation of land that was farmed under oppressive land tenure relations such as forced labour. In a 1975 revision of the law, landholding limits were lowered to 50 hectares on the coast and 30 hectares in the highlands.

The government expropriated and redistributed roughly 15,000 properties, covering nearly half of all agricultural land (10 million hectares), making this one of Latin America's most sweeping agricultural land reforms, along with those of Bolivia, Chile, Cuba, Mexico, and Nicaragua. The reform redistributed land in active private use, abandoned or long-fallowed private land, and agriculturally unproductive (often public) land (eriazos). Expropriated land was typically redistributed to cooperatives,

mainly to former enterprise or hacienda workers who had laboured on the property and, in some cases, also to adjacent indigenous communities living on marginal lands. Cooperatives that received land were obligated to repay its value to the government over a 20-year period, along with any debt that the cooperative took on to finance inputs, mechanisation, or other investments. Although the reform left out key sectors of the rural poor, especially marginalised indigenous groups, many peasants benefitted materially and land tenure relations in Peru changed drastically. The land reform was most active between 1969 and 1976. It then tapered off after Velasco was pushed out of office by General Morales Bermúdez.

The Velasco government also expropriated foreign mining companies and privately-owned Peruvian companies deemed to be in the national interest, including banks, oil companies, utilities, fishing enterprises, and major newspapers. The regime created state enterprises with monopoly privileges that hobbled private businesses in the cotton, sugar, minerals, coca, and petroleum export sectors.³ Furthermore, it created manufacturing laws (e.g., the Industrial Community Law) that specified worker participation in profit distribution and worker shareholding and participation in company management in all industries.

Large landowners were mostly caught off-guard by the reform and few managed to sell or split their properties in anticipation. Furthermore, they had no legal recourse or institutional foothold to block reform. The progressively shrinking landholding ceilings also limited collective action among landowners by slowly winnowing them down. As a result, the land reform was largely peaceful, though many landowners were harassed by former workers and fled to cities. To undercut resistance, the government also paid expropriated landowners for their property in long-term government bonds. It paid those with high-quality land 10,000 soles (about \$300 USD) up front and the rest in bonds with fixed annual interest payments redeemable in 20 years at 6%, 25 years at 5%, or 30 years at 4%. However, in many cases, the government delayed issuing these bonds and, across the board, their value was later eroded by inflation, and the government has only recently begun making payments on some of them.⁴ Furthermore, the face value of compensation was far below market value because land was valued at the typically low level reported several years earlier by landowners for tax purposes.

Property Rights

Peru's government did not grant property rights to the beneficiaries of land reform. It created two principal types of cooperatives: *cooperativas agrarias de producción* (agrarian production cooperatives, or CAPs) and *sociedades agrícolas de interés social* (agrarian social interest societies, or SAISs). A CAP was composed of permanent labourers jointly responsible for managing a single estate. A SAIS, by contrast, was an association of permanent labourers from several neighbouring estates as well as local communities that did not share in the land, labour, or capital of the estates, but could participate in their management and receive a share of their profits.

The government retained co-ownership of cooperatives until they had repaid the value of the land to the government over a 20-year period, along with any debt they had taken on in order to finance inputs, mechanization, and other investments. Few of these payments were ever made. Ownership was never transferred to cooperatives during military rule. The regime also prohibited land sales, leasing, and the use of assets as collateral for loans. This was true even for the small number of private households that were granted individual plots under the reform.

The government also pushed beneficiaries into the National Agrarian Confederation (CNA), a hierarchical agricultural-sector organisation that established corporatist control over peasant actions and provided critical credits, loans, and subsidies that, given their lack of property rights, peasants could not obtain from the private sector. Together, the state-run Agrarian Bank, the Agricultural Development Bank, and the CNA were used to provide compliant and active peasant groups with the bulk of credit, inputs, and investment.

Many peasants opposed this arrangement and pressed for more individual production and less collective land. However, their pleas were ignored. Others tried to subvert or evade government cooperatives.

Legislation in 1980 and 1981, shortly after Peru's return to democracy in 1980, facilitated the fragmentation and transfer of many cooperative farms to their members. Cooperatives could petition to change their status, and many did so throughout the 1980s. However, there was no explicit government programme or agency to aid in parcelisation and no agricultural census took place while it was occurring. Economic crises and a brewing internal conflict further complicated the provision of property rights to the small farmers who emerged from the breakup of cooperatives. Only roughly 10% of all land parcels in Peru were formally registered by 1990.⁵

In the early 1990s, faced with a major economic crisis, civil war, and IMF pressure, President Fujimori took further steps to break up the remaining cooperatives and provide property rights over rural land. Encouraged by advisors such as Hernando de Soto, who liaised with international financial institutions to guide reform, Fujimori initiated a large-scale land titling programme known as the Special Land Titling and Cadastre Project (PETT) as part of broader liberalising economic reforms. PETT was approved in 1992 and began operating in 1993. It was managed by the Ministry of Agriculture with the objective of formalising rural land rights around the country, including mapping property boundaries, creating a land cadastre, and distributing and registering titles centrally. It received financial and technical support from international organisations like the Inter-American Development Bank.

By 2007, PETT had distributed formal land titles over approximately 1.9 million rural plots. Over 1 million titles were issued between 1996 and 2002. Roughly 45% of rural plots were titled through PETT and follow-up registration efforts (Bandeira et al. 2010). The level of implementation differed between the highlands and the coast: 70% of land in coastal areas was titled in this period compared to only 28% in the highlands. Land formalisation has continued in the past decade. These efforts have to some extent boosted agricultural productivity, educational attainment, and equality in rural areas, but rural poverty remains persistent in these areas.⁶

Consequences

The consequences of the lack of rural property rights in Peru have been very long-lived, even though the country subsequently spent decades trying to strengthen property rights. Weak property rights drove inequality and poverty, harmed agricultural production, and increased urban bias as the gap between the poor in the countryside and those in urban areas grew.⁷

However, further strengthening of property rights is unlikely to deliver much more positive outcomes because Peru's rapid economic growth in the 1990s and 2000s increased informal land sales and transfers and fostered the entry of mining companies. Consequently, relatively equal, albeit poor, rural areas with widespread land informality following the military's land reform became more unequal decades later, with poverty existing alongside prosperity. Land registration appears to have helped lock in this new status quo and residual underdevelopment remains difficult to overcome. Reinforcing this dynamic, the earlier pattern of underdevelopment in the wake of land reform could continue to drive ongoing behaviour linked to investment and accumulation, again further entrenching the remaining negative consequences of weak property rights over the longer term.

Peru's political system also still struggles with the legacies of weak property rights. Lingering poverty and inequality have made it easier for political parties and politicians with authoritarian tendencies to mobilise voters by offering low-value particularistic benefits, rather than progressive programmatic policy platforms. This environment has contributed to corruption, clientelism, and Peru's exceptionally weak party system.

Property Rights and Democracy in Chile

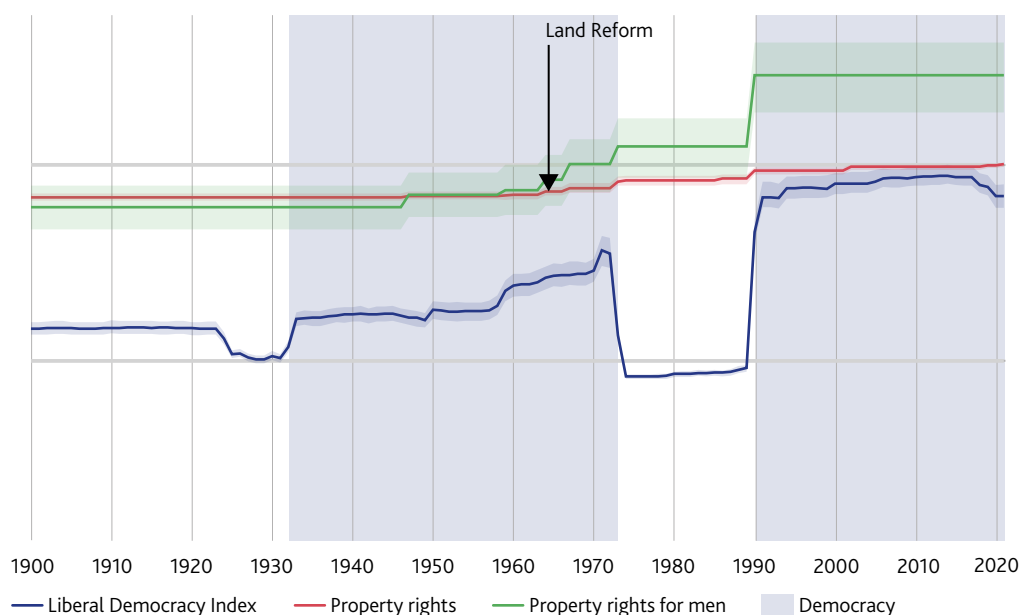
Large estates predominated in Chile at the end of the nineteenth century and into the early and mid-twentieth century. They had their origin in the enormous land grants (*mercedes*) and trusts (*encomiendas*) given to conquistadors and other Spanish families by the Spanish crown centuries earlier. Over time, landowners established large resident workforces of dependent labourers known as *inquilinos*. By 1928, a mere 2.5% of landowners held 78% of arable land.⁸

Governments in the mid-1900s began to grapple with growing pressure for land reform. President Jorge Alessandri introduced a land reform bill that was passed in 1962. At that time, 31% of the country's population was rural.⁹ This Law 15020 introduced a clause providing for the “social responsibility” of property ownership and permitted the expropriation of unproductive land. However, largely because of landowners’ opposition and political power, the law was complex and full of loopholes and, in cases of expropriation, did not permit deferred compensation or valuations other than that determined by the market and enforced by the courts.



Farmer collecting avocado harvest in Chile.
Credit: Oscar Gutierrez Zozulia.

Property rights and Democracy in Chile, Evolution over time



Transfer Process

In 1964, President Eduardo Frei brought the Christian Democrats to power for the first time, with a progressive platform known as "Revolution in Liberty". In 1965, he submitted legislation to Congress to replace Law 15020. While Congress debated the bill, Frei began reform on land purchased from private landholders under Law 15020. Between November 1964 and July 1967, the land reform agency acquired 478 large farms, representing a total of more than 400,000 hectares.¹⁰ Many of these were acquired through negotiated settlements of payment in instalments over 10 years.

After considerable debate, Congress finally passed a new land reform law (Law 16640) in 1967. It empowered the government to transform public property for land reform purposes and acquire private land for redistribution to peasants. Expropriation of private property was legalised for reasons of large farm size (above 80 basic irrigated hectares),* deficient land use, abandonment, unauthorised subdivision of farms (to evade the large-farm provisions of Law 16640), lack of compliance with new progressive labour laws passed just before the agrarian reforms, or public infrastructural use. The government also purchased property from willing sellers. Some 3.5 million hectares, or 13% of the country's farmland, were brought into the reform sector under Frei.¹¹ Compensation for landlords expropriated due to excess landholdings took the form of 10% in cash and 90% in 25-year bonds, with less in cash for abandoned or poorly used properties.¹² Property valuations were based on the land's current appraisal for tax purposes plus the market value of improvements.¹³

President Salvador Allende, who was elected in 1970 with a minority of votes, deepened land reform in a highly conflictive manner. The backlash of the traditional elite to these reforms resulted in the bloody military coup of 1973. Some land was then returned to its initial owners and other land auctioned off, favouring politically connected individuals. This locked in inequalities and a perception of unfairness.

Allende expropriated over 5 million hectares of land (30% of farmland) by vigorously applying Frei's land reform law and enforcing landholding ceilings. Part of these expropriations were driven by the forcible occupation of large estates by rural workers. Between Frei and Allende, a total of 43% of Chile's agricultural land was expropriated or purchased from private landowners.¹⁴ Allende also

* A basic irrigated hectare was a standardised unit detailed in the law. It was used to assess productivity, with reference to irrigated land in the Melipilla area of the Province of Santiago.

nationalised the country's banks, as well as over 150 other firms, including more than 50% of Chile's largest companies and the powerful copper industry.¹⁵

While landowners could not muster the numbers to block land reform legislation, they tried to oppose it in other ways. Many filed legal challenges to expropriations after the Frei reform, which prevented the government from assigning formal titles pending court rulings.¹⁶ When the Allende government began validating land occupations by expropriating occupied land, some landowners responded by forming bands and fighting for control of the territory.¹⁷

Land Reform

Chile's land reform spread weak property rights around the countryside. Most peasant beneficiaries were incorporated into rural cooperatives (known as *asentamientos*) in which beneficiaries lacked individual titles and other core property rights. The state held cooperative land titles. The official justification for this focus was that cooperatives would permit more efficient farming and the incorporation of more campesinos into the redistribution process.¹⁸ Cooperatives were initially envisioned as a transitional arrangement: after five years, they could determine whether they wanted to divide the land and receive individual titles or obtain a title as a cooperative unit.¹⁹ In either case, beneficiaries were required to pay the value of their land over a 30-year period, including a down payment. Full property rights, including inheritance rights, were not registered until this balance was fully paid.²⁰ The government actively encouraged cooperatives to stay intact: it regularly denied applications for individual titles on the grounds that individuals were not capable of sustaining a farm on their own.²¹

Many peasants grew frustrated with the lack of property rights. In September 1971 and early 1972, members of Christian Democrat-affiliated campesino groups marched on Santiago to demand the state begin dividing cooperatives and issuing individual property rights and even cooperatives affiliated with the Allende government petitioned for the right to individual property.²² One of Allende's final acts as president was to veto a Christian Democrat-sponsored bill that would have guaranteed that titles were granted to reform beneficiaries after two years.²³

Part of the frustration was due to the economic distortions caused by the cooperatives. Most cooperatives lacked administrative resources and capital equipment, and the links between work and pay were weak. Many cooperative members began working small household plots and selling their produce on the black market above official prices.²⁴ At the same time, however, government incentives encouraged some conditional support for cooperatives: subdivision meant the loss of important monthly advances and benefits from the state.

Land Reform Reversal

The Pinochet dictatorship toppled Salvador Allende in a military coup in 1973. It quickly annulled the land reform law and sought to strengthen property rights protection. It issued a series of decrees to guarantee tenure security on private farms: first, for those with less than 40 basic irrigated hectares and, then, those with 40–80 basic irrigated hectares. The dictatorship also broke up collective farms. By 1979, roughly 30% of the total land expropriated in 1965–1973 had been returned to its former owners, a third was subdivided into family farms for rural workers who could make the best case that they had lived and worked on the farm prior to expropriation and had not participated in land occupations, and the remainder was auctioned off or retained in the public sector for forestation projects.²⁵ Members of the nascent financial sector purchased most of the land sold on the market since many former landowners now lacked the capital to purchase new land.²⁶ New landowners, both those that operated family farms and those that purchased land through auctions, received titles to their property.

Despite the land reform reversal, landholding was considerably more equal in the mid-1970s than it had been in 1965. Some 50,000 new farms had been created and half of the country's agricultural land was held by small farmers.²⁷ However, these gains in equality were eroded in the subsequent decade. Many reform beneficiaries and reinstated landowners were forced to resell their land in the

1970s and 1980s. The government provided almost no technical aid or credit to former cooperative members who became family farmers, and many had to sell off machinery or livestock to repay past government production credits.²⁸ In addition, many reinstated large farmers struggled to adapt to more modernised agriculture.²⁹ Middle-class landowners fared best and were also given generous government credits.³⁰

Despite the government's greater emphasis on property rights, the land reform reversal, and land transactions in the 1970s and 1980s, many farmers were still left with unregistered or informal land. Some who were untouched by the land reform also had informal land rights. The government initiated a land regularisation programme in 1979 and, by 1985, had regularised some 108,000 rural titles out of an estimated 200,000 rural families who held land without titles.³¹

Property rights protection by the Pinochet regime went far beyond land. A new constitution in 1980 stipulated that private property rights, including intellectual property, and the right to engage in commerce and start a business were sacrosanct. This also implied refraining from targeting any economic activity for discrimination and promoting the free entry of new actors. Eminent domain could be deployed by the state in a limited fashion and any expropriations undertaken by the government had to be compensated at market value.

The country's emphasis on property rights survived the transition to democracy in 1990 and is still strong today. However, property rights remain imperfect and the legacy of the battle over property itself remains highly contested. The World Bank invested in further land regularisation in Chile in the early 1990s, further reducing — but not eliminating — rural informality. Apart from efforts to title indigenous communities, subsidise land purchases for these communities, and grant them state-owned land, there have been no further efforts to redistribute private rural land.

Consequences

Inequality in Chile is now at similar levels to the Pinochet era. Influence peddling by the wealthy — some of whom made their fortunes through connections with Pinochet and insider 'crony' privatisations — is pervasive. Many of the poor are both distrustful and wary of the state since promises of help have been previously reversed and many view the system as stacked against them. This toxic mix exploded in 2019, fuelling widespread street protests that struck at the heart of the country's reputation as a beacon of stability and progress in Latin America, gained in four decades of market economy. The protests catalysed a process of constitutional reckoning and an effort to increase equality and inclusion. However, no resolution has been achieved, despite broad popular discontent with the status quo. The election of a left-wing coalition, which includes the Communist Party, was followed by the September 2022 referendum that rejected a new Constitution.



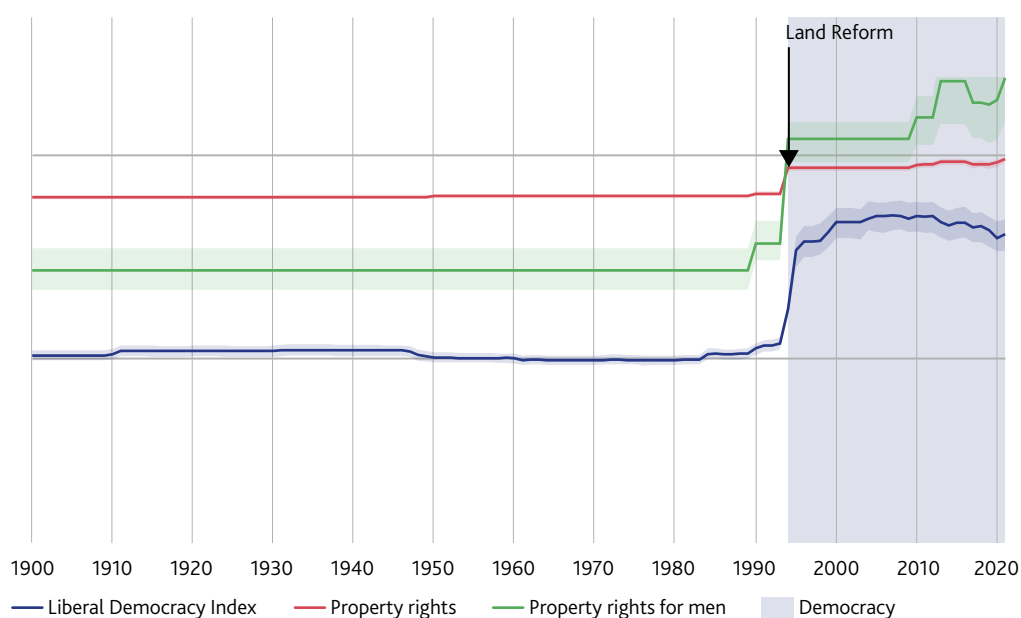
Vineyards in Chile.
Credit: Patricio Appel.

Property Rights and Democracy in South Africa

Land appropriation was at the core of the colonial project in South Africa and continued after the country's independence from Great Britain in 1910. Blacks were progressively relegated to marginal, poor-quality land as indigenous South Africans were pushed off their ancestral lands. At the end of apartheid, 86% of all farmland in the country (78 million hectares) was held by 60,000 white farmers.³² The 13 million blacks on the remaining poor-quality land, many of whose forebears had been dispossessed through racially discriminatory practices such as the 1913 Native Land Act, clamoured for the restitution of their land rights. This was particularly important given that over 45% of the population lived in the rural sector.³³

It is, therefore, no surprise that land redistribution has since been a cornerstone of efforts to democratise economic and political opportunity. Upon the transition to democracy in 1994, the South African government promised to redistribute 25 million hectares of agricultural land (about 30% of the country's total) by 1999 to redress historical racially-based land dispossession. It then instituted a market-based willing seller–willing buyer reform in line with the World Bank's recommendations.

Property rights and Democracy in South Africa, Evolution over time



Transfer Process

Through this land reform programme, which came to be known as the Land Redistribution for Agricultural Development (LRAD) programme, the South African government purchased voluntarily offered private farmland at market value rates paid upfront in cash and then provided grants to farmers to enable them to purchase land. The programme required applicants to live on or near the land they sought to acquire. Grants were awarded on a sliding scale and required a matching contribution. Government grants and applicants' matching contributions were pooled into funds administered on behalf of a small group of potential beneficiaries and were then used to purchase private land.

Between 1994 and 2007, the LRAD and other programmes peacefully guided the transfer of 4.2 million hectares to black farmers but this was a small share of the country's total farmland.³⁴ Research demonstrates that land transfers through the programme generated higher consumption and household living standards for land beneficiaries in the medium term.³⁵ By 2022, land redistribution to black farmers had expanded to 7.3 million hectares.³⁶ These farmers receive clear title deeds to their property, though in some cases this has been delayed by restitution claims over the same land.³⁷

The government has also implemented other programmes in parallel to land redistribution. For instance, it has acquired nearly 2.5 million hectares of farmland through its Proactive Land Acquisition Strategy (PLAS) under which it subsidises beneficiaries to start commercial farms on state-owned property with leases that can be converted to ownership if a farm proves successfully productive. However, the programme is riddled with corruption and mismanagement and the vast majority of farms have failed.³⁸ The government has also restituted another nearly 4 million hectares of land to individuals and groups that could trace land dispossession since 1913, though government statistics on this are unclear and much of the land has come from the state rather than private farmers.³⁹ Another programme provides monetary compensation — but not land — to blacks who could demonstrate ancestral dispossession through the Standard Settlement Offer.*

Under growing popular pressure for greater reform, President Jacob Zuma announced in 2013 that the willing seller–willing buyer principle would be dropped in favour of a “just and equitable” redistribution principle that would enable the expropriation of private land. The deadline for land restitution claims, which previously had to be submitted by the end of 1998, was extended to 2018 by Parliament in February 2014.

Progress on advancing reform nonetheless stalled. The ruling African National Congress (ANC) party spent years formulating and reformulating an Expropriation Bill to facilitate and guide a process of forcible private land acquisition. Many South Africans have protested about the government’s slow pace of reform and two-thirds of black South Africans believe that land must be returned to them regardless of the consequences for political stability.⁴⁰

Amid this contention and considerable pushback from white farmers and business interests, the Expropriation Bill finally passed in September 2022. It remains to be seen how the government will apply it in practice. However, it comes at a challenging time for democracy in South Africa, which has been undermined by the ANC’s grip on power and its failure to deliver robust and equitable economic development.

Consequences

While significant, progress on land redistribution has fallen far short of the government’s initial promise. Meanwhile, income inequality in South Africa has remained extremely high and is, in fact, even higher than at the end of apartheid.⁴¹ Blacks comprise 80% of the population but, on average, earn a mere sixth of white citizens’ earnings, according to census data. Unemployment has been above 20% for years.

* An additional 1.7 million hectares have been acquired by black farmers in the private market, though little of this is likely to have been from the large farm sector dominated by white farmers. See Kirsten, Johann, and Wandile Sihlobo. n.d. “Land Reform in South Africa: 5 Myths about Farming Debunked.” *The Conversation*. <https://theconversation.com/land-reform-in-south-africa-5-myths-about-farming-debunked-195045>.

Lessons from Property Rights Reforms in Peru, Chile, and South Africa

One of the most important lessons of property rights reforms in countries that have transitioned from dictatorship to incomplete democracy, as illustrated by Peru and Chile, is that land reform processes that grant only property without providing formal rights largely fail to improve productivity and people's livelihoods. These reforms distort and undermine work incentives, generate contestation, fuel informality, and do not support development. Dozens of countries have made the same mistakes and met with the same outcome as, for example, in the case of Mexico (see Box).

Weak Land Rights – Mexico

As in Chile and Peru, landholding inequality was extremely high in Mexico until the early twentieth century. The Mexican Revolution kick-started a process of land reform by expropriating large landholdings in favour of communities that became known as *ejidos*. However, the *ejidos* lacked both individual and community-level property rights. Over time, agricultural production and investment in these communities lagged behind private-sector agriculture. This generated rural stagnation and poverty. However, in many ways, underdevelopment made it easier for the authoritarian ruling party, the Institutional Revolutionary Party (PRI), to remain in power for decades because clientelism and patronage were cheaper and easier to deploy. This only began to change when the country started to implement property rights reforms in the early 1990s. This contributed to Mexico's transition to democracy in 2000.

This pattern is not limited to Latin America. It was also seen in countries in North Africa after their independence, Eastern Europe and Central Asia under communism, the Middle East, and parts of South and Southeast Asia. Reallocating property without property rights is probably the most common mistake of land reform programmes.

The case of Chile also highlights another lesson: land reform without considerable social consensus can create chaos and political instability. Similar processes of land reform also generated a backlash from the traditional elites in Guatemala in the 1950s. Lack of social cohesion and the dominance of the military in these countries make it difficult to implement comprehensive land reform policies and reduce the power of the traditional land-owning elites.

South Africa provides a lesson different from either Peru or Chile. Its experience shows how difficult it is for many democracies to implement property rights reforms on a large enough scale to satisfy public demand without considerable funding and outside support. South Africa is not alone in this struggle. Some states in India faced similar difficulties with property reforms after independence although, in general, they have managed them better than South Africa. The Philippines and Brazil have also attempted reforms along these lines. Brazil has been more successful, due to its financial capacity. It has also used land in the Amazon to expand farming land, although this has come at great cost to the environment. Many land reform settlements are now hot spots for deforestation.⁴²

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- 40 Gibson, James L. 2009. *Overcoming Historical Injustices: Land Reconciliation in South Africa*. Cambridge: Cambridge University Press.
- 41 Albertus, Michael, and Victor Menaldo. 2017. *Authoritarianism and the Elite Origins of Democracy*. Cambridge: Cambridge University Press. <https://doi.org/10.1017/9781108185950>. p. 2. In 2021, the Gini coefficient in South Africa was 63, the highest in the world.
- 42 Carrero, Gabriel Cardoso, Philip Martin Fearnside, Denis Ribeiro do Valle, and Cristiano de Souza Alves 2020. "Deforestation trajectories on a development frontier in the Brazilian Amazon: 35 years of settlement colonization, policy and economic shifts, and land accumulation." *Environmental Management* 66(6): 966-984.



Farmer picks grapes during the harvest in South Africa.
Credit: LongJon.

4. Property Rights that Promote Democracy and Prosperity

The “Democracy Playbook”¹ argues that some state capacity, constrained by an impartial judiciary, democratic accountability, and social cohesion, is key for prosperity. A full liberal democracy requires some political equality so that the distribution of political power is not excessively unbalanced. This political equality allows citizens to build institutions that are impersonal and treat everyone without privileges, especially the state and the rule of law.

Successful land reforms are key to democracy because they have the potential to increase political equality and counterbalance the interests of powerful land-owning elites. In many societies, these elites can block the opening of the society to other groups (working class, middle class) and attempts to limit their rent-seeking activities.

This report shows how, in Korea and Portugal, land reforms were successful in weakening the political power of the traditional elites and giving greater political power to previously marginalised groups. Successful land reforms gave poor farmers and other low-income groups a stake in the economy, greater political equality, and a greater voice in politics. These factors have played a key role in supporting the transition from dictatorship to full liberal democracy in Korea and Portugal. Similar processes took place in other countries — for example, Japan and Taiwan in East Asia after World War II, and Ireland and Italy in Europe.

Given the success of these land reforms, (violating property rights to achieve property rights that support prosperity), one would expect that many countries would want to follow this reform path. However, these successful reforms took place under special conditions: they were the result of an overriding factor that made them almost unavoidable, and they were carried out by states with some implementation capabilities. Successful land reforms were mostly implemented as a radical way of addressing external/internal wars/threats and under the support and influence of powerful external actors — the US and (what became) the European Union. Strong capacity was needed so that property could be transferred in tandem with land titling, credits, inputs, rural infrastructure, and access to basic schooling.

However, while land reforms can be a pathway to full liberal democracy and prosperity, they can also be a pathway to dictatorship and poverty — as land reforms in countries such as China, Russia, Zimbabwe, and Cuba show.

The land reforms of Peru, Chile, and South Africa perhaps fall between the successful cases of Korea and Portugal and, on the other hand, the extremely poor results of countries such as Zimbabwe and Russia. Reforms in Peru, Chile, and South Africa have not resulted in full liberal democracy, but neither did they result in a long dictatorship and poverty.

Many factors explain the lack of success of land reforms in these three countries. They include a weak capacity to administer the reform and provide development support (Peru, South Africa), governments’ desire to control land reform beneficiaries politically (Chile and Peru), the reversal of reforms (Chile), and the slow and limited nature of the reform (South Africa).

Today, these three countries face severe political crises, a lack of trust in government and its institutions, weak social cohesion, widespread perceptions of ‘unfairness’ and lack of state competence, and a very unequal income distribution. The situation is such that the political stability of the democratic system in these countries may be at risk. Chile and Peru have experienced large social protests and extreme political polarisation and are currently governed by radical left governments. Meanwhile, South Africa is likely to experience a comparable situation given that it has the distinction of

being the country with the world's most unequal income distribution* — even higher than during the apartheid years.

Property rights are important: property rights in agriculture continue to play a critical role in low and middle-income countries. Although agriculture is becoming a progressively smaller portion of economic activity in many countries, it typically employs a large number of workers. If these agricultural workers can improve their livelihoods through land access and property rights, they can better afford to educate their children to succeed economically. At the same time, large landowners who lose their property in a 'fair' and 'moderate' land reform are more likely to reinvest in other sectors of the economy, rather than leave entirely, as happens in Brazil.

Moreover, a 'fair' property rights reform in tandem with competently implemented development policies can go a long way to increasing the state's legitimacy. Fairness and competence are two key features that are required for citizens to trust the state, the judiciary, and electoral institutions. State legitimacy and trustworthiness are also the first step in allowing the informal economy to join the formal sector, thereby gaining access to government services, formal property rights, finance, etc. The informal sector needs access to all these services to improve the productivity of all the people who work in it — some 60% of the world's population² — particularly in low and middle-income countries.

There are three common challenges for land reform and associated property rights reforms. Each of these creates significant problems for countries that become trapped by them.

The first challenge is that governments must not only commit to but also deliver substantial and comprehensive land reforms. They do not have to be as sweeping as those in Korea or Portugal and could focus on one region at a time, transforming areas locally and, therefore, avoiding the interpersonal conflict that results from patchwork reforms in which neighbours have vastly different outcomes.

Embarking on slow-moving, piecemeal reforms risks not making a dent in inequalities and rural grievances. Slow-moving and modest reforms have not had much success in promoting democracy or prosperity and, in some cases, such as Colombia from the 1960s through to the 1990s, have backfired by generating conflict and contestation.³ One critical problem with these reforms is that they create expectations of change among rural populations that are then not met or, in some cases, only some people benefit but not others who may have more legitimate claims. This fuels grievances and polarisation. Losers who anticipated receiving land through the reform but were disappointed may politically punish the authors of the reform. They may even take matters into their own hands, joining or supporting armed groups or militias who work to settle scores or pressure for more land reform.

The second challenge is to ensure that reforms are implemented cautiously and with efforts to build consensus. There should be a focus on a comprehensive, integral land reform that boosts productivity and focuses on development, rather than retribution or ideology.

Governments should avoid radical property rights reforms that engender violence and pay insufficient attention to rural development. This pitfall scares off investment and creates problems that can weaken the economy and increase poverty. Land reforms in China, Russia, Cuba, and Zimbabwe can be viewed as examples of ideologically radical projects that threaten political stability and the business environment. They can freeze investment throughout the economy, encourage the exit of talented and well-educated people, and undercut productivity and stability. In these cases, rural populations receive land but cannot thrive on it because the broader political and economic environment is negative.

* The Gini coefficient is 63. "GINI Index (World Bank Estimate) | Data." 2011. Worldbank.org. 2011. https://data.worldbank.org/indicator/SI.POV.GINI?most_recent_value_desc=true.

The third challenge is that, when reallocating land, governments must focus on granting the attendant property rights. The precise scale and organisation of these rights are context-specific and matter less than their security. Paying attention to property rights means delivering title deeds, linking land and other property transfers to property registries, linking property and registries to land cadastres, and providing a mechanism for the timely update of this information as facts on the ground change through market-based and other transfers.

Granting property through land reform without paying sufficient attention to property rights for beneficiaries generates numerous problems. It distorts incentives for agricultural production and weakens the agricultural sector over time. People are less likely to invest in the land and farm enterprises if they do not capture the gains from their efforts.

What do we need to implement a successful land reform today?

In addition to addressing the above challenges, there are other factors that governments should consider when implementing land reform:

a. International support for land and property rights reforms: Great financial resources are needed to provide compensation to acquire private property in lieu of force. Governments often lack these critical resources. For example, South Africa's Land Redistribution for Agricultural Development programme has been hampered by corruption, red tape, and disorganised land registries. However, much more land would have been redistributed had more funding been available. *International financial support* for land purchases could make land reform processes more successful.

b. Fair but not market-based compensation for property that is redistributed: Loosening compensation standards for land acquisition can be a slippery slope. Moving from market-based compensation to the principle of "fair" or "just and equitable" compensation can introduce ambiguity into the land reform process. However, the presence of a third-party arbiter can help to manage ambiguities. For instance, institutions like the World Bank could produce clear guidelines to define a "fair" compensation that is below market value but reassures investors. "[T]he fear of adverse economic repercussions associated with the use of the expropriation instrument should not be a deterrent to its use, provided the state is using due process and is willing to pay amounts ultimately judged reasonable by the broader class of owners and the general public, if not by individual owners."⁴ In short, land compensation that is acceptable to landowners cannot be confiscatory, but could be below market prices.

c. Collaboration between government, businesses, property stakeholders, and landless farmers. Landowners are a diverse group: some are highly capitalised and have high productivity and a large employee base whereas others are undercapitalised, have low productivity, and are even absentee. Therefore, to gain support from efficient producers, it is important to focus on redistributing land with low farming productivity, rather than large plots. Resistance from expropriated landowners can also be reduced by offering them participation in other industries, as has been done in Italy and Brazil.

Conclusion

In conclusion, the following are the key lessons from the experiences of successful land reforms:

- Ensure reforms contribute to development by addressing the underlying inequalities in society, rather than being based on retribution or ideology;
- Establish considerable social consensus for land reform, so that it can be undertaken in an ordered manner with political stability;
- Reduce the resistance of expropriated landowners by offering them participation in other sectors of the economy;
- Deliver comprehensive reforms as part of a development package, e.g., include agricultural credits and inputs, rural infrastructure, and access to basic schooling;
- Use the reform to improve productivity, redistributing unproductively used land, rather than simply large holdings;
- Ensure there is sufficient capacity to administer the reform with pace and, if necessary, focus on one region at a time;
- Transfer land to beneficiaries in tandem with land titling and clear property rights, thereby protecting their political independence;
- Provide compensation to landowners that is not confiscatory, but could involve below-market prices while reassuring investors;
- Ensure there is funding available for the reform, accessing international financial support for land purchases where available.

Notes

- 1 Legatum Institute. 2023. "Democracy Playbook."
- 2 International Monetary Fund. 2021. "Five Things to Know about the Informal Economy." IMF. July 28, 2021. <https://www.imf.org/en/News/Articles/2021/07/28/na-072821-five-things-to-know-about-the-informal-economy>.
- 3 Albertus, Michael, and Oliver Kaplan. 2012. "Land Reform as a Counterinsurgency Policy." *Journal of Conflict Resolution* 57 (2): 198–231. <https://doi.org/10.1177/0022002712446130>.
- 4 Binswanger-Mkhize, Hans P., Camille Bourguignon, Rogier van den, Brink. 2009. *Agricultural Land Redistribution: Toward Greater Consensus*. Washington, DC: World Bank.

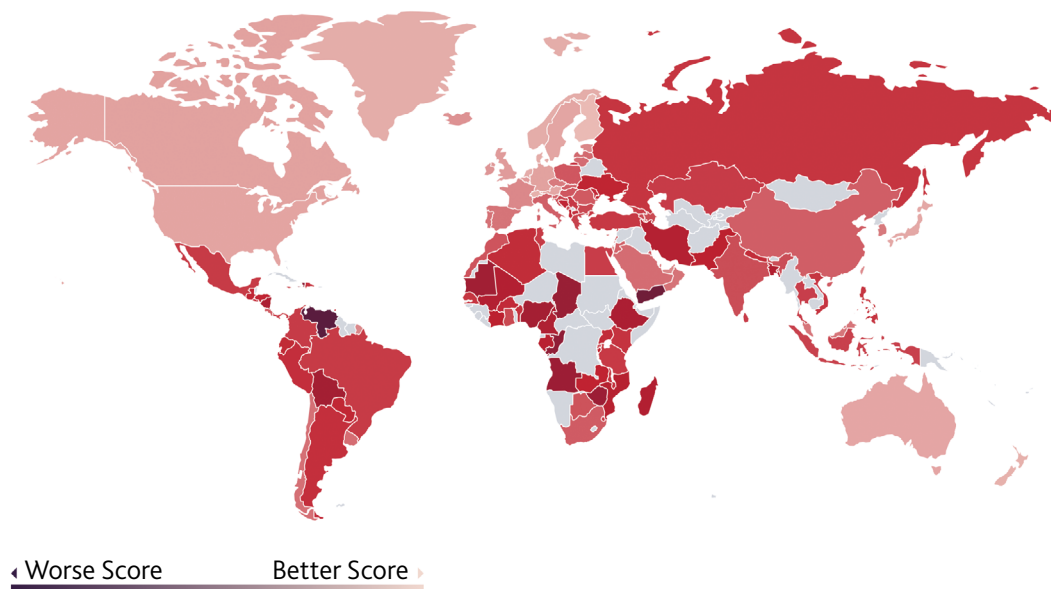


Farmer driving a tractor in a field.
Credit: Capuski.

Appendix: Indicators of Property Rights

Several indicators demonstrate how property rights protection varies around the globe. The first is the International Property Rights Index. It is calculated by the Property Rights Alliance, an organisation dedicated to the protection of property rights around the world and led by the prominent economist Hernando de Soto. This Index has three components: (i) a country's legal and political environment, including information on the strength of institutions; (ii) physical property rights; and (iii) intellectual property rights. In turn, each of these components has multiple subcomponents derived from a variety of sources, including expert, enterprise, and citizen surveys. Lighter colours indicate greater property rights protection.

International Prosperity Rights Index, 2020

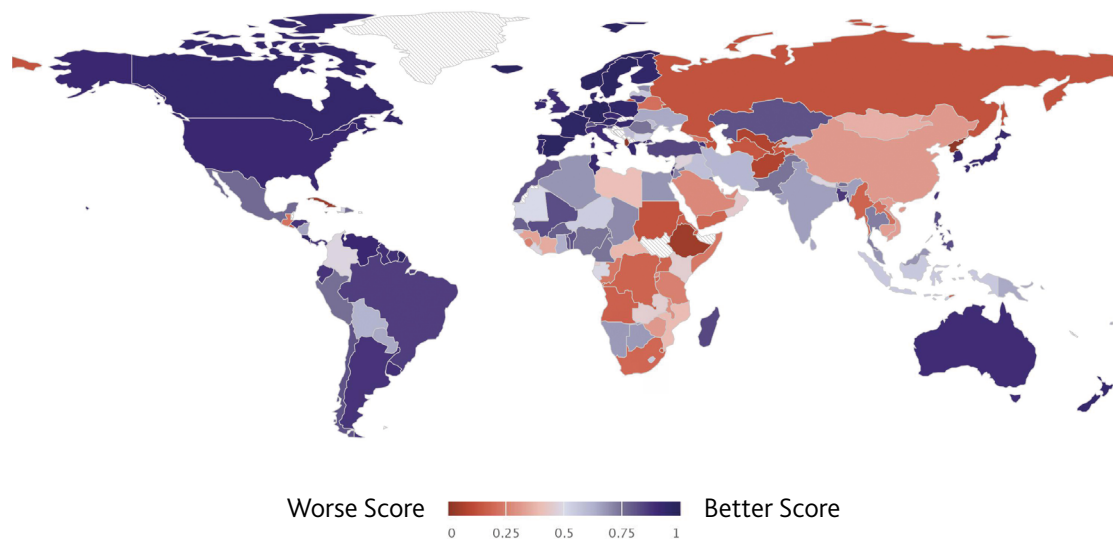


Source: International Prosperity Rights Index, <https://www.internationalpropertyrightsindex.org>.

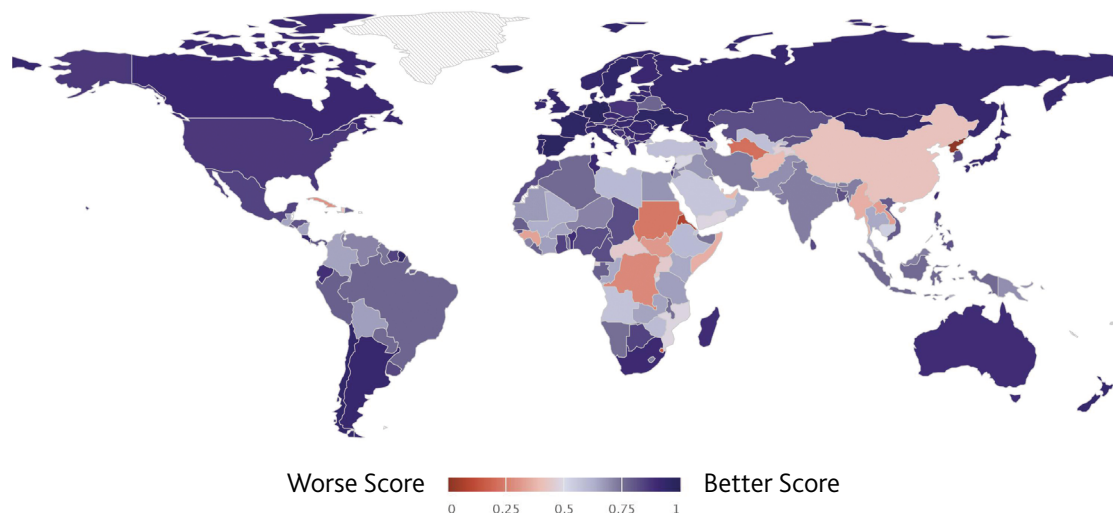
While this indicator is widely used, it only dates back to 2007. There are few property rights indicators with a broad historical span. Perhaps the best are from the Varieties of Democracy (V-Dem) dataset.

One of these indicators captures state ownership of the economy, gauging the degree to which the state owns and controls capital (including land) in the industrial, agricultural, and service sectors. It is based on expert surveys and ranges from weak property rights, in which virtually all valuable capital belongs to the state or is directly controlled by it, and private property may be officially prohibited, to strong property rights, in which very little valuable capital belongs to the state or is directly controlled by it. Darker colours indicate stronger property rights. The strengthening of property rights in many countries since 1900 is clear. Nonetheless, there are wide variations between countries, with some still experiencing very weak property rights, particularly in parts of sub-Saharan Africa, the Middle East, and parts of Latin America and Asia.

Property rights (1900)



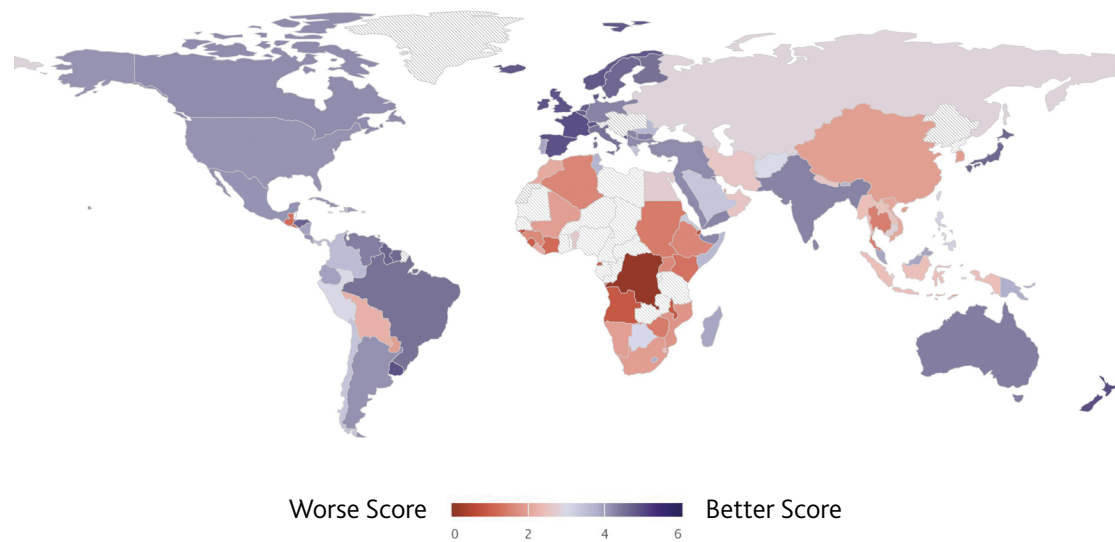
Property rights (2021)



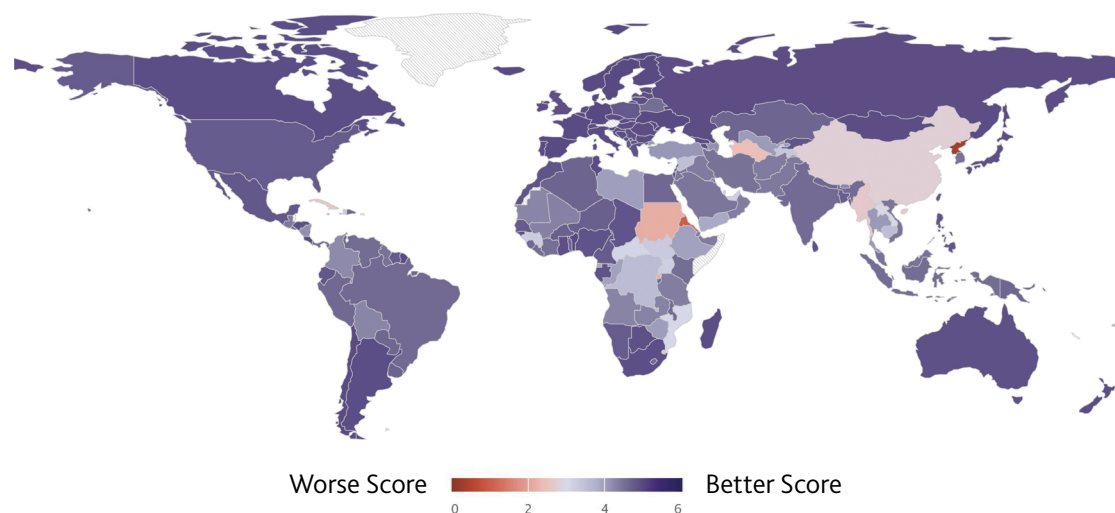
Source: V-Dem data, Highcharts.com.

A second indicator captures the right of men to private property. The focus is on men, given the historical exclusion of women from property rights in many countries. Notwithstanding this gender-based focus, this indicator has some advantages in terms of specificity and conceptual breadth relative to the indicator of state ownership of the economy. It covers the right to acquire, possess, inherit, and sell private property, including land. Limits on property rights may be imposed by the state (which may legally limit rights or fail to enforce them) or arise from customary laws and practices or religious or social norms. This indicator reflects the right to private property as distinct from actual ownership of property. It ranges from weak property rights, in which virtually no men enjoy private property rights of any kind, to strong property rights, in which virtually all men enjoy all, or almost all, property rights. As with the previous indicator, it demonstrates both the general strengthening of property rights over time and the wide variations between countries.

Property rights for men (1900)



Property rights for men (2021)



Source: V-Dem data, Highcharts.com.

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