



PROPERTY RIGHTS

# Land: Learning from the Chinese

As South Africans debate expropriation, land ownership and redress, it is worth studying China's experience in the 1950s, when 550m peasants saw their land transferred to the state.

The complexity of the debate about land expropriation without compensation can ultimately be summarised into two questions: Should land be expropriated without compensation? And, if so, who should own the expropriated land?

Much media attention has focused on the first, with the focus often on how such a policy will scare off foreign investment. But it's the second, ultimately, that will determine the success of any attempt at redress and wealth creation.

The two proponents of a policy of land expropriation without compensation in SA – the ANC and EFF – stand on very different sides regarding the answer to the second question: the ANC has made it clear that ownership should be in private hands, while the EFF has forcefully and repeatedly made the case that the state should be the custodian of all land. Its policy would see the state expropriate all private farm land and lease the land "equally" to the people of SA.

**Dali Mpfu, national chairperson of the EFF and a respected advocate**, has defended this stance by referring to China in a 2017 tweet: "Chinese land is owned [...] by the state and it has registered the highest consistent economic growth in the world!"

Mpfu's example is an interesting one, and worth exploring.

Indeed, Chinese economic growth over the past four decades has been a historically unprecedented 8% a year. But Mpfu would do well to note that this growth was not a consequence of agriculture.

Between 1990 and 2016, the share of agriculture in GDP has fallen dramatically from 26.5% to 8.5%. This was associated with massive urbanisation; in 2016, 57.4% of the total population lived in urban areas, a dramatic increase from 26% in 1990. Far fewer people now live off the land, and those that have moved to the (often new) cities, are remarkably better off.

This is because land is not the valuable commodity it was in the 19th and 20th centuries. As a way to empower people, land is probably the least useful asset nowadays, because it requires significant investment in physical and human capital to make it productive.

Even in the 20th century, agriculture could only thrive with significant state intervention in the form of marketing councils, favourable tariffs and other measures – measures that came at the cost of the South African consumer.

In the 21st century economy, living off the land – without significant capital investment – will limit the ability of those that most need access to good education, health services and opportunities for social mobility that are found in cities.

Think of it this way: If I stole your Intel 286 computer in the 1990s, and returned it today, is that redress? Perhaps. Will it allow you to prosper today? Absolutely not.

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This is even more true if the expropriated land is owned by the state. Returning to Mpfu's example of China: Between 1955 and 1957, 96% of China's 550m peasants were dispossessed of private property rights – the largest movement from private to communal property rights in history.

As Shuo Chen and Xiaohuan Lan show in a 2017 paper published in the *American Economic Journal: Applied Economics*, the results of this process was devastating for peasants, and the Chinese economy. The authors use data of 1 600 counties that launched the movement in different years, and find that in the year of the dispossession, the number of cattle declined by 12% to 15%. In total, almost 10m head of cattle were lost. Why? Because people started killing their own animals to keep the meat and hides once they realised that they'll lose the property rights to the use of those animals, and they didn't trust the state to safeguard what used to be theirs. This loss also affected grain output, which fell by 7%.

We know that Mao was not discouraged by this initial production shock. No, he doubled down. This initial process of land dispossession set the stage for the Great Leap Forward movement of 1958, which in turn led to the worst famine in human history that killed an estimated 30m people.

China's process of collectivisation should be the example that Mpfu and the EFF leadership study. If they want more evidence of how collectivisation collapses an economy, they need look no further than Tanzania's *ujamaa* and Operation Vijiji, a much understudied but enlightening experience.

Or ask our Zimbabwean neighbours about their land reform programme. As Tawanda Chingozha, a PhD student in the department of economics at Stellenbosch University, shows with sophisticated satellite imaging technology, Zimbabwe's land reform programme caused a significant reduction in the quantity and quality of crops harvested, and not only on formerly white commercial farms. The empirical evidence against state-owned land ownership is unequivocal. Land is an emotive issue because the memories of dispossession, forced removals, and apartheid segregation remain vivid for many. Others are simply unhappy with the slow process of economic progress in the past decade, and see in land a source of safety and security.

**But if land is expropriated and private property removed, the hope of economic progress will be nothing more than a mirage.** We have smart people in South Africa. Surely we can find a way of redress that actually empowers people – and won't replicate our disastrous past policies that subjugated the poorest to a life of poverty on the periphery of progress? ■

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