BusinessTech

South Africa is on the path to becoming another Zimbabwe if it follows these steps: analyst

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American think-tank, the Cato Institute, recently **published** a warning of the possible effects that expropriating privately-owned farmland may have on South Africa.

In the post published in August, the institute's Marian L. Tupy said that eighteen years ago Zimbabwe embraced a similar policy.

"As a consequence, South Africa's northern neighbour's economy collapsed and the country descended into penury and political violence," he said.

"This scenario is likely to repeat itself in South Africa. An attack on property rights will result in the destruction of South Africa's farming community, dramatic reduction in agricultural productivity, and mass unemployment."

In a follow-up **analysis**, Tupy and fellow researcher, Alexander C. R. Hammond, outlined exactly why Mugabe's land reforms were so disastrous, and what awaits South Africa if it makes the same mistakes.

Confiscation

"In the early 2000s, Zimbabwe's former dictator Robert Mugabe gave the green light to his paramilitary supporters to invade commercial farms, seizing some 23 million acres of land," Tupy said.

"The property rights of commercial farmers were revoked and the state resettled the confiscated farms with small-scale agriculturalists."

Tupy added that most of the new would-be farmers had no real knowledge of commercial agriculture and many soon returned to subsistence farming.

"With much of the country's arable land now uncultivated, agricultural production quickly dwindled. The actual commercial farmers left for other African countries such as Zambia, Nigeria, and Ghana, taking with them their intricate knowledge of farming practices."

Tupy highlighted that this lead to devastating food shortages in a nation once dubbed the 'breadbasket' of Africa.

"Total food production fell a staggering 60% in the space of ten years, while commercial farmland lost an estimated three-quarters of its aggregate value between 2000 and 2001 alone.

That one-year loss exceeded by $5.3 billion all the foreign aid given by the World Bank to Zimbabwe since independence in 1980."

Total collapse

Tupy said that the farm seizures sent destructive ripples throughout the economy.

"Food processing companies and agricultural exporters shut up shop. Some 700 companies closed by the end of 2001 as industrial production declined by 10.5 per cent in 2001 and an estimated 17.5% in 2002.

"Unsurprisingly, export earnings collapsed. Declining domestic production deprived Zimbabwe of the ability to earn foreign currency, resulting in widespread shortages of imported goods, including food and clothing."

Banks – which had previously used land titles as collateral when extending credit to farmers – were suddenly saddled with a lot of bad debt, Tupy said.

He noted that the financial system froze and dozens of institutions collapsed.

"With no guaranteed property rights, foreign direct investment dropped from a high of $444 million in 1998 to a piffling $3.8 million in 2003."

Hyperinflation

To meet its obligations to domestic and foreign creditors, the government ordered the Reserve Bank of Zimbabwe to print more money, sparking the first hyperinflation of the 21st century.

"In November 2008, hyperinflation peaked at a monthly rate of 79.6 billion% – a rate 30 million times higher than that reported by the Zimbabwean government. At this point the daily inflation rate averaged 98%, this means that prices effectively doubled every 24 hours."

Tupy said that the socio-economic consequences of land expropriation were extensive, and Zimbabwe experienced a truly miserable decade between 1998 and 2008.

During that time, its economy contracted at an annual rate of -6.09% and per capita income fell from $1,640 a year to just $661.

"The contraction meant that by 2007 eight in ten Zimbabweans had no formal employment," he said.

"The following year, Zimbabwe's GDP per capita collapsed to a level last seen in 1952. The cholera outbreak of 2008 that afflicted thousands of people merely confirmed the obvious: Zimbabwe was a failed state.

"Ultimately South Africa should heed the warning provided by their neighbour's near total implosion. The economic consequences that flow from a policy of land seizures are as disastrous as they are unavoidable."