Why Mugabe's land reforms were so disastrous

Alexander Hammond and Marian L. Tupy

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South Africa's government has recently flirted with the idea of changing its constitution to let the state expropriate farmland without compensation. They need only look north to Zimbabwe to see the disastrous consequences of this kind of policy.

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

The results of Mugabe's harebrained populism were only too predictable.

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.

The result was a devastating food shortages in a nation once dubbed the "breadbasket" of Africa. Total food production fell a staggering 60 per cent 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.

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 per cent 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. 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.

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 percent – a rate 30 million times higher than that reported by the Zimbabwean government. At this point the daily inflation rate averaged 98 per cent, this means that prices effectively doubled every 24 hours.

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 per cent 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. 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.

Alexander C. R. Hammond is a researcher at a Washington DC think tank. Marian L Tupy is editor of HumanProgress and a Senior Policy Analyst at the Center for Global Liberty and Prosperity.