

The South African government's recent decision to abandon its Expropriation Bill, aimed at addressing the painfully slow pace of land reform, prompts the question: how can the country move towards a more equitable distribution of land and natural resources 14 years after the end of apartheid? Given the catastrophe in Zimbabwe following Mugabe's land seizure policy, South Africa needs to get it right.

Land reform has always been high on the ANC's agenda. In negotiations over the 1996 constitution it secured the inclusion of provisions to enable it to force through the land reforms necessary to give the black majority a real stake in the country's economy. The constitution includes both a commitment to "the right to land ownership" and an acknowledgment that under exceptional circumstances that right could be suspended to promote land reform. Until recently, however, the government opted not to exercise its constitutional right to expropriate land.

There are three elements to the current land reform programme: redistribution, primarily focused on providing agricultural land to the landless rural poor; restitution to return to its rightful owners land that was expropriated under the 1913 Native Land Act; and tenure reform – legislation to improve the security of tenure of all citizens.

These three measures were supposed to place 30% of agricultural land under black ownership by 2014. So far just 4% has been transferred. The redistribution programme has been compromised by the decision to base it on the principle of "willing buyer, willing seller" which means that white land owners have to want to sell their land, and black purchasers must be able to raise funds to pay the market price. State efforts to acquire land for redistribution have been hampered by landowners' reluctance to sell, and rising land prices.

As the South African Human Rights Commission argued in 2004, "land reform is not an end in itself; it must go beyond mere compensation or settlement and focus on economic empowerment of rural communities. But as a 2007 report by the FW De Klerk Foundation makes clear, it's not just a rural problem. South Africa is already 60% urbanised and this will rise to 70% by 2014. Even if the land issue was addressed, few such of those who moved to towns to find work would return home.

Agriculture contributed 9.1% of the country's GDP in 1965, today it contributes just 2.6%. White farmers are getting out because it's hard to make a decent living. Small-scale farming may reduce poverty among the previously landless rural population, but commercial agriculture is not going to provide jobs for the urban unemployed.

Land redistribution will remain negligible if left to the market under the "willing buyer, willing seller" principle. But even if more land were transferred, there's no guarantee that effective economic participation by the black majority would increase. Whether achieved through the market mechanism, or via government instigated expropriations, as a recent report from the University of the Western Cape points out, if the objective is simply the de-racialisation of commercial agriculture, land reform will not address poverty and exclusion.

South Africa's transition has been guided by principles of justice and reconciliation (even if justice has yet to permeate the economic sphere). Any attempt to seize land from white farmers would undo years of progress. The criteria for deciding how best to promote land reform must take into account the interests of all citizens. And if the biggest obstacle is the way the economy is structured, then radical economic changes should be considered. But then the government knows all about this:

In 1994 it established a tax commission to investigate whether the land problem could be addressed through changes in the tax regime. As documented by Fred Harrison and Kris Feder, a persuasive case was made for the gradual introduction of land value taxation (LVT) in order to facilitate land reform without resort to expropriation. This was rejected only after the intervention of the Free Market Foundation of South Africa – essentially a lobby group for the diamond mining industry – whose report followed a long tradition of vested interests.

The ANC government, keen not to alienate anyone in its early years, opted to stick to the tried and tested economic formula, which, even in countries spared the injustice of apartheid, routinely leads to the concentration of land ownership by a small minority.

Some continued to make the case for LVT: "It's high time we introduced a land tax," said Glen Thomas, Director General of the Department for Land Affairs (DLA) in 2004. "This would help us finance land reform and ensure prices for buying land are affordable." Unfortunately he lost his job last October. The De Klerk Foundation came down firmly against LVT in a concluding paragraph that included none of the rigorous research that characterised the rest of its report.

As Godfrey Dunkley explained in his 2004 submission to the DLA, taxing land values would address economic exclusion among both the landless rural poor and the urban unemployed. It would enable the redistribution of land via the market mechanism under the principle of "willing buyer, willing seller" without the need for government intervention, and it would facilitate a gradual redistribution of land ownership and access to economic opportunities.

FW De Klerk recently expressed concern that white South Africans could, "on the basis of race, be deprived of property in which they might have invested their life's labour and resources". Expropriation would so deprive them, but the gradual introduction of a tax on land values would leave the benefits of their effort untaxed (unlike at present) while taxing only their (unearned) income from land, generating revenues for investment in infrastructure and public services.

South Africa remains an ideal testing ground for LVT, but so far vested interests, the World Bank and political timidity have prevented it. Meanwhile, the land reform programme is a shambles.

The government has three choices: to carry on as things are: intolerably slow land reform with little impact on poverty; to bring back the Expropriations Bill (as it has promised) and risk a repeat of the disaster in Zimbabwe; or to recognise the role of land rent in the economy, and the benefits of collecting it for the wider community. This is the only option with any chance of delivering justice, stability and eventual prosperity.