

Ndivhuwo Malange

Expropriation without compensation provides a level playing field and addresses the economic injustices of the past. There are major economic implications for going ahead with this policy but in economics everything is a trade-off, notes Ndivhuwo Malange.

Land in the past was primarily used for farming; today its most basic economic function is housing, and it is also used as a consumption good, financial asset and source of collateral. The ownership of land enables returns unrelated to skill and effort: landowners enjoy increased net wealth, greater economic security, and an ability to borrow more.

Some experts predict that expropriation without compensation will cause erosion of investor confidence, a falling currency, and higher inflation and rising interest rates, reduced consumer spending and fixed investment, weaker economic growth and increased unemployment. Expropriation of agricultural land will result in increases in food prices (which will affect the poor the most), while other assets linked to land such as housing may experience a collapse in value.

However, if done in a manner that allows the country to efficiently liberate collateral, and allocate it to Africans active in the labour force, higher productivity and increased credit demand will be achieved through expropriation without compensation. If the distribution is properly managed, with minimal agency corruption, South Africa could unlock higher levels of productivity and tax collections as more black people participate in the financial and credit market.

BIO

University: Nelson Mandela University

Funding: Self

More about Ndivhuwo

Favourite subjects: Industrial Psychology and Macro Economics.

Interests: Financial markets, entrepreneurship and investments.

Inspired by: American investor and philanthropist Stanley Druckenmiller, and Nelson Mandela.

Community activity: Running a food bank for the homeless in Braamfontein, Johannesburg.

In 10 years' time ... Negative interest rates will be a norm in South Africa.