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# A chinese tale About the Property Law

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The origins of China's economic miracle turn out to be quite humble, yet they constitute the best example of the effects that an inclusive system of property has on the quality of life of the people, this being understood as the one in which everyone has equal opportunity of access to private property. I have found this story in a recently published book and have thought it relevant at this particular moment, while the reform of the current system of property is being discussed in Congress.

In 1978, the people in the village of Xiaogang found themselves in a desperate situation. Despite being located in the Anhui province, which had some of the most fertile soils in the world, the 20 families that inhabited Xiaogang could not produce enough rice to guarantee their own subsistence. Reduced to begging assistance from nearby villages or starving when the weather did not favour them, they took the enormous risk of celebrating a clandestine meeting with the sole purpose of dividing the communal land in parcels to be distributed amongst the families. Three points were agreed upon: first, disregard for the official Policy of not giving nor recognizing individual property rights was to be kept in secret, not to be told to any foreigners; second, the government quota of grain would still be handed out and third, if any of them were to fall prisoner, the other villagers would take care of his family. The pact was signed, fingerprinted and hidden in a safe place.

The change was evident immediately. The farmers at Xiaogang transformed their village into one of the most productive in China. The amount of land planted doubled in the first year and the village started to generate excedents which were kept for their own consumption or sold in clandestine markets.

As it happens, it wasn't long before the secret got out, generating at first great resistance from the government. Their quota of seed, fertilizers and pesticides was cut down. However, soon enough Beijing realized the potential for development of this simple measure. In 1982 Deng Xiaoping announced his support to the reforms and in 1983 individual parcel agriculture was proclaimed as consistent with the socialist regime. By 1984 communal farms no longer existed in China and the average income of a farmer had grown 20%.

A decade later, the abundance of food had revitalized the country, transforming the rest of China's economy. The increase in productivity liberated a workforce that moved into the industrial sector. Per capita income grew an average of 8% a year for the next twenty years; that is to say that the average personal income quadrupled. Currently less than 5% of China's population lives below the official poverty line of the country.

Acording to a atudy elaborated by the Peruvian Fundación Libertad y Democracia del Perú, directed by the famous economist Hernando de Soto, 87% of the land in Honduras lacks any form of title of property to back it up. The total value of these assets is



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estimated in some US\$ 13,000,000,000, roughly equivalent to about twice and a half the country's foreign debt, Twice its GNP and about six and a half times its annual budget. The stakes are enormous, since these are unproductive assets or dead capital, incapable of generating wealth or serving as collateral. If China achieved its miracle without political liberties, it is almost unimaginable what a country with an incipient democracy like Honduras could achieve if all of this capital entered the formal economy. How many new jobs could be created? How many street vendors could aspire to owning a small convenience store? How many small garages, hardware shops and other small businesses would arise to alleviate the poverty of our neighborhoods? How many cardboard houses would transform into brick homes?

Friedrich Hayek, Nobel prize of economy in 1974 described what he called the holly trinity of development with the following elements: a culture of free markets that foments competitiveness, a state where the rule of law was guaranteed in a reliable and transparent form and duly guaranteed property rights. These principles make evident that, besides the property law in discussion, we have a necessity for the approval of antitrust laws and a change of Civil Procedure laws towards those promoting transparency and publicity in the application of justice in the execution of debts and contracts through oral and public trials. All of these, amongst others, are transcendental reforms, but none benefits the poor in a more direct manner as the democratization of land ownership and property rights.

The importance of private property as an incentive to productivity cannot be underestimated. Perhaps the simplest way to explain this principle is in the words of one of those simple peasants that became the architects of the Chinese miracle "nobody can be lazy when he is working for himself and his family" .

No economy grows if the right to land of its members is not guaranteed. Under the current system only those privileged that have had access by the "grace" of the state to a piece of land have grown rich. This has guaranteed the exclusion of the poorest from the process of generation of wealth. All we have to do is look at those who oppose this Law and analyze the interests they represent. In a true democracy, every person has an equal opportunity and access to land guarantees for a good part the opening of a road towards the kind of country we hope to build. The numbers speak for themselves and the examples are clear. All evidence points towards a single fact. Anything else is nothing more than a Chinese tale.

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*Note: The Property Law was approved by the Honduran National Congress on the same year of publication of this article.*