The International Conference on Interdisciplinary Humanities and Communication Studies
DOI: 10.54254/2753-7048/5/20220588

Obstacles and Properties of Separating Three Property Rights – Comparison between Mexico and China

Xuening Wei[1,a,*], Zijin Zeng[2,b]

[1]*Department of Mathematics, Department of Economics, University of Pittsburgh, Pittsburgh, 15260, United States*
[2]*Department of Political Science, University of Rochester, Rochester, 14627, United States*
a. xueningwei0520@outlook.com, b. zzeng21@u.rochester.edu
**correspondence author*

Abstract: Historically, the land status in China has changed many times. After some uprisings and reforms, the land status changed from private to public ownership. Then, after long-term development and revision, the policy changed to the current mode, Separating Three Property Rights (STPR): ownership rights, contract rights, and land use rights. This paper will analyze the impact of the policy on today's Chinese society and compare it with the commune agriculture system in Mexico in the 20th century to draw lessons from other country's policies, understand how to overcome the adverse effects of the policy, and better develop socialist agriculture with Chinese characteristics.

Keywords: Land Policy, Separating Three Property Rights, China, Comparison, Mexico

1. Definition and Explanation of STPR

In 2014, the Chinese government first proposed the concept of Separating Three Property Rights, upheld rural ownership of land, and separated rural land ownership rights, contracting rights, and managing rights to consolidate and improve the rural management system and develop multiple management patterns [1]. Different from the two rights separation, land contracting and management rights have been derived into two separate rights. Separation of collective land ownership and contracting and management rights as a prerequisite, the structure of rural land rights is established by separating rural land ownership rights, contracting rights, and managing rights [2]. Separating Three property rights means separating the use value and tradable value of land, which can be used in market transactions to form the management rights of land and different from contacting rights [1]. It does not mean that one must manage the land when one individual contract his or her land; managing the land by oneself or transferring the management right to others is acceptable based on one's economic strength or thoughts [1]. Based on the definition of Separating Three Property Rights, we conclude that this separation aims to establish a new concept of land rights, improve the rights of farmers and contracting firms by flexible management rights transfer, increase productivity and enhance farmers' income.

2. Policy Implication

Separating Three Property Rights (STPR) injects new vitality into socialist agriculture with Chinese

© 2023 The Authors. This is an open access article distributed under the terms of the Creative Commons Attribution License 4.0 (https://creativecommons.org/licenses/by/4.0/).

DOI: 10.54254/2753-7048/5/20220588

characteristics: the innovation is separating contract rights and land use rights, and the core question is who plants the land and how the land is planted [1], and the core purpose is to make full use of land resources and ensure farmers' income.

For a long time, land has assumed two responsibilities, social security and the economic market [1]. On the one hand, land is the primary source of income for farmers, so the government should promise all farmers land to work on; on the other hand, economically, we want to increase productivity and yield through the economics of scale and the liquid market. Before the policy implementation, there were irreconcilable contradictions between the two. However, separating land use and contract rights also separates the two functions of the land and achieves a balance between social security and economic efficiency. Productivity, land use rate, and household per capita income have increased significantly.

Firstly, the Separating Three Property Rights System optimizes the allocation of agricultural land and increases the land use rate. China's arable land area is small, accounting for only 15% of the total territory. Due to the rugged topography and high population, China has less per capita arable land than many countries, like the USA and India. [3]. As a result, the country pays close attention to the utilization rate of arable land and productivity (yield per hectare). According to the policy, migrant workers can transfer the land to subjects with the intention and ability to manage or mortgage the land. So, rural land will not be left unused by urbanization and the rise of migrant workers.

Also, the policy makes agriculture production move toward the economics of scale. With the development of urbanization, migrant workers choose to transfer the land to other farmers or enterprises for centralized production. As a result, China's traditional land fragmentation and family-based small-scale peasant economy gradually transformed into a large-scale, business-oriented new agriculture system. The resulting specialization and economics of scale significantly increase the efficiency of agricultural activities.

Separating Three Property Rights can also increase farmers' income and improve their living standards. Under the policy, farmers have the right to operate the land individually and the right to profit. They no longer need to pay contract fees to rural collectives, and if farmers leave the land, they can contact the land to others for additional income or mortgage the land to financial institutions.

At the same time, the Separating Three Property Rights System accelerates the development of urbanization. In recent years, along with the increase of jobs provided in cities and the improvement of the social security system, more and more farmers have chosen to move to and work in urban cities. Even if they do not cultivate, they can earn extra money from land contracts, encouraging more farmers to move to cities.

By operating the Separating Three Property Rights, China's rural economy has been affected significantly by land conversion and transferring land management rights. Transfer income has increased, such as subsidies to farmers when they transfer land management rights to others, pension funds from the government or firms, etc. [4]. Income from wages of other jobs has increased for farmers since people can work in other areas or urban areas since they transfer management rights to others [4]. Farmers' income from operations, which farmers a large amount of land to manage in large-scale of land and property income all increase in a general situation [4].

However, there are still many potential risks and bad influences on rural land and agriculture. First, to achieve land conservation and transfer land management rights, farmers who have the contracting right must show agreement to the deal and contract. However, farmers prefer to rent the land at low prices and in short terms to achieve the full use of land, which contradicts the firms who want to make a long-term and stable contract to gain land management rights [5]. This situation has dramatically impeded land conversion and transfer of land management because most farmers refuse to transfer land management rights to gain complete control of their land [5]. Land conversion also increased the imbalance of farmers' income because of the unfairness of land and resource allocation and gaps

DOI: 10.54254/2753-7048/5/20220588

between income, further decreasing land use efficiency. In our opinion, the whole Separating Three Property Rights try to increase rural income and improve rural farmers' and operational firms' rights. However, the operating model and more profound questions, such as farmers refusing to transfer their land, need to be solved by enhancing the contact model, increasing the job opportunity of off-farm employment, and another helpful strategy to achieve the original goal of Separating Three Property rights.

3. Disapproval of Obstacles and Difficulty

During the operation of Separating Three Property Rights, we have found one of the obstacles and weaknesses that STPR has that we disagree with, which is a decrease in agricultural labor and an increase in off-labor employment caused by the urbanization of China that is caused by different land reformations that China had since the 1950s. As more rural residents or peasants move to the urban area, it is clear that the off-farm labor has increased, and the total agricultural labor has decreased in general. However, we believe this is not an obstacle or difficulty that can significantly influence agriculture's productivity or land use efficiency. We are going to argue from different perspectives. We first look at the decrease of labor in the macroeconomy model, which is the classical theory of production function $y = f(K, N)$ and employment and labor demand and supplies $W/P=MPN$. From the classical model, MPN is the marginal product of labor. As labor increases, then the marginal product of additional workers decreases. The marginal cost of labor results in an increasing trend. Even though in the aggregate supply curve, as population decreases as a real shock in the economy, causes the labor supply curve decreases and causes real wage, output, and aggregate supply to decrease, it will be canceled out by the technology shock. Technology shock can be explained by the invention of new fertilizers, machines, and other technologies or advanced strategies used in agricultural production, significantly reducing labor and the marginal cost of production. Analyzing the same classical model, if the use of technology increases as a real shock in the economy, the actual wage increase causes the labor demand to increase, and the labor demand shifts to the right. The production function can also change, increasing output in general. Thus, employment in agriculture increases, and people are willing to give up their leisure time due to the rise in opportunity cost. Due to the combination of the effects of loss of population and the rise of technology, the change in the output is more likely to be canceled out also from the previous passage that farmers refuse to transfer their management land rights or rent their land to maintain complete control of their land for which the lands are fully used. Thus, the decrease in population and labor and the increase in off-farm employment has slight effects than the technology shock.

From another perspective, we can look at the increase in off-farm employment related to land use efficiency. Classical theory has taught us that the key to production is utilizing scarce sources and maximizing production efficiency. Thus, we agree with this idea based on the previous paragraph and our assumption that even though the off-farm employment increase, it is less possible that farmers are willing to leave their land unused to decrease the land use efficiency because based on Separating Three Property Rights, farmers who leave the rural area or have the opportunity of off-farm jobs are more likely to lend out their lands and transfer their management right of land to other to achieve the goal of efficient use of land and increase the land conversion (this do not include in the situation that farmers or peasant want to access complete control of their land). Therefore, this also disproves China's obstacles and difficulties in decreasing labor in agriculture due to urbanization. In the *Off-farm Employment and Agricultural Land Use Efficiency in China*, Zhao, Bao, and Zhang, the same idea proposed by Theodore W. Schultz's “Efficient but Poor” [6]. Hypothesis that the farmer will maximize their use of limited agricultural land and resources has been discussed.

Furthermore, they have discussed that agricultural land use has been promoted due to this theory and the development of technologies. Therefore, the increased off-farm employment does not

DOI: 10.54254/2753-7048/5/20220588

significantly affect land use efficiency for agriculture [6]. From figure 1, the plural as the x-axis is the off-farm employment rate, and the y-axis is the land use efficiency, which forms a U-form curve [6], representing that as the off-farm employment increase, the land use efficiency also increases in a general situation. Therefore, this graph supports our ideas of disagreeing with the difficulties brought about by the fall of agricultural labor and increased off-farm employment because of urbanization.

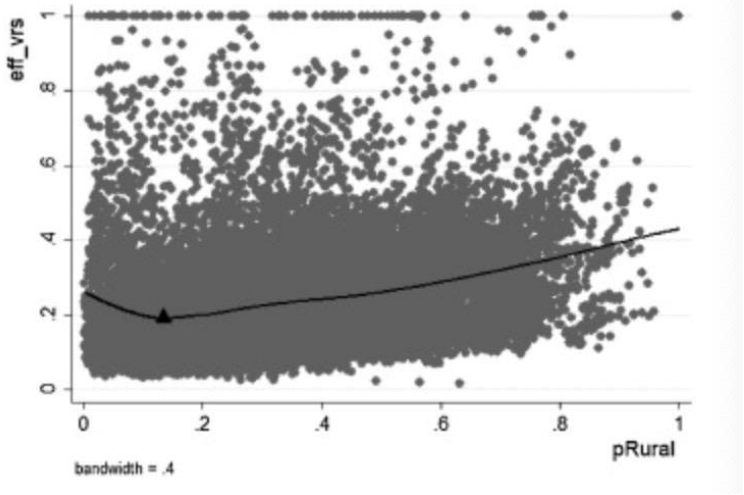


Figure 1: shows the relationship between off-farm employment and land use efficiency under [6].

4. Comparison with Commune Agriculture System in Mexico

Since the beginning of the 20th century, Mexico has implemented two land reforms. There are several similarities between Mexico's land reform and China's. The original targets are eliminating big landowners, and most land is collectively owned. In China, rural cooperatives owned the land; and in Mexico, Ejidos, and Comunidades owned the land [7].

In Mexico, before the second land reform in 1992, Ejidos and Comunidades only had the use and enjoyment rights of the land, not the ownership rights. They could not sell, transfer, or mortgage the land. Farmers in the Ejidos and Comunidades could work on the land; however, if they did not cultivate for two years, the collective had the right to take back the land. [7]. The policy binds farmers to the land - they cannot give up land security and seek opportunities in cities, which harms the country's urbanization and economic development.

With the gradual urbanization, urban expansion encroached on many arable lands. As the government expropriated more land, many farmers lost their livelihoods, so the voice of resistance became louder and louder. Farmers privately transferred their land, and the black market was growing. At the same time, the government’s crackdown led to serious social conflicts and divisions [7].

To alleviate social conflicts, Mexico amended the Agrarian Law in 1912, which allows farms in Ejidos and Comunidades to sell, transfer, or mortgage land. This is similar to China's current Separating Three Property Rights system, in which China farmers cannot sell their land.

The new law resulted in many farmers leaving the land and finding jobs in urban areas. According to the data provided by American Economic Review, Delinking Land Rights from Land Use: Certification and Migration in Mexico, about 70,000 people, about 20% percent of farmers in Ejidos and Comunidades, left the collectives during 1990 – 2000 [8].

As in many developing countries where people from rural areas migrate to cities, migration in Mexico poses some thorny problems for social development. The most striking feature is high unemployment. The influx of people makes job demand much more than supply, which not only

DOI: 10.54254/2753-7048/5/20220588

makes migrant workers have no work but also disturbs the original order of the employment system in the cities. Many unemployed people even led to the creation of urban slums. Moreover, these people do not have basic life security, and the crime rate in cities also increases.

Simultaneously, the migration of the population makes the distribution of primary, secondary, and tertiary industries extremely uneven. Therefore, the excessive development of the tertiary industry and the contraction of other industries have negatively and seriously affected the stable and coordinated development of the national economy.

Because of China's different policies and development models, we suppose the probability of these situations happening in China is low. Firstly, China is a manufacturing powerhouse, and the manufacturing industry provides a significant number of jobs every year. Moreover, in recent years, China's unemployment rate has remained stable.

From the policy side, in the early years, migration in China was severely restricted. Because of considerable differences in the hukou system, social security system, marriage system, etc., between urban and rural areas, it is hard for people to migrate. It brings many adverse effects, like a widening gap between urban and rural areas and stagnating rural industries. However, it positively influences today's urbanization to some extent -- China does not face excessive over-urbanization.

Later, China actively promoted urbanization and adopted the policy of controlling the size of big cities, developing medium cities reasonably, and developing small cities actively (Cheng 4). This bottom-up approach to urbanization makes the process modest. Initially, small cities and towns (some developed from rural areas) flourished. Because the country's policy supports township enterprises, these enterprises developed quickly and provided many job opportunities. As a result, many farmers migrate to towns and small cities for a job. These small cities and towns then led to the development of surrounding areas.

Different from the theory of big cities, which is that big cities have relatively complete infrastructure and population capacity, it should be a better policy to let migrant workers move to big cities; adopted by some countries in North America, urbanization in China is moderate. Separating Three Property Rights would not lead to many farmers moving to cities quickly or affecting the stable order of urban areas. Also, in Mexico, even though laws allow farmers to sell the land, they tend to rent it instead of selling it [7]. This indicates that farmers emphasize the social security function land provides. They fear that there may be some emergencies that force them to return to the land and continue farming. A similar situation emerges in China as well. Because the land rent income is low, many farmers still choose to leave the land unused rather than transfer it. In some places, the rent is even less than 1,000 yuan per year, so farmers do not want to risk returning to rural areas unexpectedly without land to plant.

In the future, the Chinese government should appropriately increase the rent, as well as provide more land transfer and mortgage options for migrant workers, and further increases the land utilization rate. Not only the urbanization of the two countries but also make a comparison of the productivity of agricultural lands of Mexico and China. Due to the goal of urbanization, Mexico faces the same situation that China has: the decrease in labor supply in agriculture and the increase in off-farm employment. We have already discussed that China's productivity and land use efficiency will not decrease as labor decreases in general because of urbanization. Then, by looking at the efficiency of land use in Mexico after land reforms, as massive migration from a rural area to an urban area, the total size of agricultural lands does not decrease.

Further, the average farm size has increased due to the reallocation of land and resources by either selling, transferring, or lending their lands [8]. Since we have seen the conclusion that the cultivated area does not decrease due to urbanization, then we can also assume that productivity does not decrease as well in Mexico. Even though Mexico has the same result of productivity staying unchanged, even though it is under the influence of urbanization, the land rights of farmers or

DOI: 10.54254/2753-7048/5/20220588

landowners are different.

The most significant difference between lands in Mexico and China is that in Mexico, private agricultural lands can sell because farmers and landowners privately own them. However, in China, the lands are not tradable since the landowner are not individual farmers or firms but the country, in other words, the collective. From previous paragraphs, we have already seen that in 1992, Mexico started to privatize land ownership. Moreover, it is legal for farmers to sell their lands based on their own will. However, China is in the stage where lands are allocated to farmers and owned by the collective; farmers can only sell or trade the management land rights, lend their lands to others such as other farmers or firms and transfer their contracting rights of lands. Moreover, it is unlikely that China will change into private ownership of land or Mexico will change its nature of land in the future decades. Therefore, it is hard to say which one of the reforms is better than the other one, but each country has chosen what they believe is most suitable and reasonable for them.

The causation of the land reforms of the two countries into different situations is that due to the situation that Mexico faced before 1992, the land tenure system of Mexico shows that the lands are mainly owned by absentee owners, who are foreigners or owners who live outside of Mexico and used not as a tool of production but as a tool of political and military use [9]. On the other hand, even before the 1950s, China had the concept of landlords, in which land is owned by individuals and the nature of the land is private. However, the landlord is a Chinese citizen with a different usage purpose. Therefore, each country faced different problems and difficulties due to different situations.

Thus, there are significant similarities between land reforms in China and Mexico, not only representing the goal of urbanization but also the nature of the land and the land productivity that is followed by the consequence of urbanization. Moreover, significant differences are proposed because the nature of lands is different between the two countries.

5. The Future Development of Separating Three Property Rights System

In recent years, President Xi Jinping constantly stresses that we should develop a new type of agriculture and follow socialist agriculture with Chinese characteristics. As China's unique, pioneering agriculture system, the Separating Three Property Rights System has achieved remarkable results in recent years. However, there are still some imperfections with the policy, which need to be solved in the future.

The government should improve the land rights confirmation and registration process. For example, using the online land transfer information platform to make all the land transfer information transparent, the land transfer process is legal. However, they are regulating financial institutions which provide land mortgage services.

We are giving priority to the farmers' interests. The government and rural collectives should not interfere with farmers' land transfer and should not get benefits from the process. If the government needs to expropriate agricultural land, it should make reasonable compensation after equal communication with farmers.

Encouraging the development of the economics of scale and further increasing the land use efficiency.

Providing services like land rent assessment and legal consultation to make more farmers understand and trust the policy so they are willing to transfer the land.

6. Conclusion

In our essay, we have briefly introduced the definition of the Separating Three Property Rights and the implications of the STPR, which include both positive and negative influences that it can bring to the rural economy, agricultural productivity, land use efficiency, and the living standard of farmers.

DOI: 10.54254/2753-7048/5/20220588

One of the obstacles and difficulties that Separating Three Property Rights are discussed by disagreeing with the opinions that the STPR faces the problems of the decrease of labor and increase of off-farm efficiency toward the productivity and use efficiency of land caused by urbanization. A comparison of land reform in Mexico and China has been introduced from the goal of urbanization and land use efficiency and productivity. Finally, we proposed the future expectations and development of Separating Three Property Rights.

Reference

[1] *Xiao Weidong, Liang Chunmei. Nov. 2016. "The Innovation, Principal, and Right Relations of Separating Three Property Rights .". Link: http://zgncjj.crecrs.org/Magazine/Show/35641*

[2] *Gao Fei. "Theoretical and Legal Interpretation and Institutional Significance of Separating Three Property Rights of Rural Land." 2016. Link: https://kns.cnki.net/kcms/detail/detail.aspx?dbcode=CJFD&dbname=CJFDLAST2016&filename=LAWS201603001&uniplatform=NZKPT&v=cjGTXz7cDldp1YUBX7oqz1BaYOejLOj9KdytsSdsHk-4QTbkWggH7ZUvlC1bN2fJ*

[3] *Naughton, Barry. 2018. "Legacies and Setting." The Chinese Economy Adaptation and Growth, MIT Press. Cambridge, MA, Link: https://books.google.com/books?hl=zh-CN&lr=&id=BWJSDwAAQBAJ&oi=fnd&pg=PR5&dq=Naughton,+Barry.+%E2%80%9CLegacies+and+Setting.%E2%80%9D+The+Chinese+Economy+Adaptation+and+Growth,+MIT+Press,+Cambridge,+MA,+2018.&ots=xqQSU_r4zD&sig=jdWVqRy6rsLzLl009PYFSZv5ys0#v=onepage&q&f=false*

[4] *Ma Qian. Jun,2021. "The Effects and Study Strategy of Rural Land Conversion to Farmers' income under the Separating Three Property Rights". p69-75. Link: https://kns.cnki.net/kcms/detail/detail.aspx?dbcode=CJFD&dbname=CJFDLAST2021&filename=SWYJ202106009&uniplatform=NZKPT&v=YXxZaZpWnDmC03-Rka6DpCwqCr5an5o6fO33UppqX5b6Bb3rrzHBzVbp6T5xllIJ*

[5] *Wu Yiheng, Xu Li, Ma Xianlei. Aug 2018. "The Potential Risk and Improvement of Separating Three Property Rights – based on the angle of Property Rights Allocation and Property Rights Pblic Domain". p46-63. Link: https://kns.cnki.net/kcms/detail/detail.aspx?dbcode=CJFD&dbname=CJFDLAST2018&filename=ZNJJ201808004&uniplatform=NZKPT&v=PANjRb4Ogq2kXqvZlAW_vV6BVAaob-BuGdFgk_0ytX7wP91xvykkHoYRKao7fWBd*

[6] *Zhao Qianyu, Bao Helen X.H, Zhang Zhanlu. Feb 2021. "Off-farm Employment and Agricultural Land Use Efficiency in China". Link: https://doi.org/10.1016/j.landusepol.2020.105097*

[7] *Cheng, Xueyang. "Land Reform of Mexico in 20 Century and Its Revelation to China." 20 May 2013, pp. 1–2. Link: https://kns.cnki.net/kcms/detail/detail.aspx?dbcode=CJFD&dbname=CJFD2013&filename=BJSK201305023&uniplatform=NZKPT&v=hV9k9xQILzzvlj2LTAPedwrbxn9eT1b-0x97TvBu3OtK7x9bLq5e7JAFxpDdfrze*

[8] *Alain de Janvry, Kyle Emerick, Marco Gonzalez-Navarro, and Elisabeth Sadoulet. 2015. "Delinking Land Rights from Land Use: Certification and Migration in Mexico." American Economic Review. Link: https://www.aeaweb.org/articles?id=10.1257/aer.20130853*

[9] *Tannenbaum, Frank. "Land Reform in Mexico." The Annals of the American Academy of Political and Social Science, vol. 150, 1930, pp. 238–47. JSTOR, http://www.jstor.org/stable/1017079. Accessed 27 Jul. 2022.*