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The Relationship Between Property Rights, Land Ownership & Labor

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ABSTRACT

In recent years, the effects on private property rights and the role of the concept in labor utilization have become important topics of study. This research article will first explore the socialist economy with Chinese characteristics and the private property system under socialism, then analyze how these systems interact with the labor force.

KEY WORDS: Property Rights, Private Property Rights, Labor Force, Chinese Socialism.

The relationship between property rights and labor

The core characteristic of China's socialist economy is its unique socialist private property rights system. In reality, China does not have private property rights; land ownership belongs to the Central People's Government. The so-called unique private property rights system is merely a leasehold system, with lease terms ranging from 40 to 70 years. Therefore, China lacks of private property rights, only leasehold rights, which is slightly inferior to the permanent land rights in places like the UK, the US, Japan, and Australia [1].

The lease term for commercial buildings, such as office buildings, is 40 years; while the lease term for residential buildings, such as houses, is 70 years, therefore the land-use rights are granted for a term (commonly 40-50 years for commercial land), and the land ownership is Central-owned (urban) or collective-owned (rural), which may automatically renewed upon expiration. As for why the term is set at 70 years, there are many different opinions. Some people believe that the term of 70 years is the average life expectancy of Chinese people at that time, so the lease term is limited to 70 years [2].

In property rights theory, we must emphasize three important characteristics: first, the right to own; second, the right to transfer; and third, the right to income. Without any one of these functions, it cannot be considered private property rights; they are all indispensable. In our research article, we introduce an important concept that many bodies aren't aware of: time. Therefore, the fourth key concept is the role of time in land-use rights. The ownership of a building lies in the ability to exercise the right to income, that is, the right to rent out or transfer the property for income. If the right to income or transfer the property cannot be exercised, it cannot be said that the owner has ownership of the property.

China's unique socialist private property system includes the meaning of upholding public ownership, and the public ownership of land also means that the power belongs to the central people's government [3].

In this sense, the partialization of property rights has somewhat restricted labor force development, at least in China's household registration system, which restricts labor mobility to some extent. Of course, some may argue that household registration and property

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rights are not necessarily related, but it's important to understand that without household registration, one cannot buy a house. Therefore, the partialization of private property rights does indeed restrict labor mobility to some extent, which in turn limits economic growth.

Studies [4] indicate that releasing land ownership and allowing tenant farmers to own their own land can effectively improve productivity. In Chinese tenant farming theory, it is pointed out that dividing the land into equal parts can effectively increase farmers' enthusiasm and agricultural output. However, in the long run, the partial ownership of property rights will gradually reveal its inherent defects, because tenant farmers do not have the right to rent out their land and cannot enjoy the income from renting out their land. Moreover, under the people's commune system at that time, agricultural harvests also had to be handed over and distributed equally, so the productivity of labor gradually declined [5].

Of course, the socialist private property rights system with Chinese characteristics also has its advantages. For example, it can more efficiently reorganize land in large-scale urban planning to meet the needs of national development. This is more efficient than the complete private property rights system in Europe and the United States. It can integrate land and promote the standardized development of property rights in the form of a planned economy.

The generation of a rapid workforce is inextricably linked to the land system, especially at the founding of the People's Republic of China. Equalizing land ownership freed enslaved peasants and established the core of the nation-building process [5].

While rapid land equalization initially effectively released the productive capacity of the workforce, in the later stages, its inherent flaws led to problems such as the dissipation of rent value. Ultimately, these issues could only be resolved through further land reform.

Land consolidation often leads to various conflicts and incidents. The reason why people rush to defend their rights is actually due to the unclear definition of private property rights. The definition of private property rights is often left to administrative guidance. Too much administrative guidance increases transaction costs. Moreover, this only makes the definition of private land property rights more in line with the problem of incomplete private property rights. In fact, making it more in line with action only delays the problem. Therefore, how to deal with the private property rights system and the public ownership system is an art of balance.

Compared to Europe and the United States, China is more efficient in land development. Europe and the United States have complete permanent land rights, so land consolidation is slower because landowners have the right not to transfer the land. Europe and the United States generally protect landowners. China is more outstanding in land consolidation.

Therefore, whether clarifying private property rights can effectively reduce rent dissipation is a topic worthy of study. However, different countries have different development trajectories, and their development models are not entirely the same. Therefore, we cannot generalize and say that any particular system is the best way to release labor. Instead, we should explore what constitutes optimal resource operation. As for human resources, if we can fully utilize labor, unleash its potential, and allow it to give full play to its strengths, that would be a more worthy topic of study.

The core mechanism of China's unique socialist economic system is its distinctive concept of leasing rights, while ownership resides with the Government [6].

The interpretation of land ownership rests with the government. Due to the partial nature of private property rights, this primarily relies on administrative guidance, with the interpretation power concentrated at the central level. However, this system is advantageous to a planned economy but disadvantageous to the individual economy.

The government's flexible exercise of land use allows for efficient land utilization, but its drawback is insufficient protection of individual households' private property rights and ineffective safeguarding of their interests.

Moreover, the core of property rights is reflected in the spirit of contracts. This is important not only for property rights but also for labor. Respecting the spirit of contracts ensures that both employers and employees are fully protected. Of course, excessive administrative guidance can increase transaction costs and is not conducive to the development of both parties.

This article suggests starting with extending property rights, extending the lease term for commercial land ownership from 40 years to 50 years.

Furthermore, extending the lease term for private residential property ownership from the current 70 years to 80 years would enhance foreign investors' confidence in investing in the Chinese economy. Improving property lease terms would also more effectively increase people's sense of belonging, as housing is linked to life expectancy. Ensuring that the elderly have support and care would promote a more fulfilling and peaceful life.

The enhancement of commercial property lease rights is more conducive to commercial investment and development, which in turn leads to foreign investment hiring more workers, creating a mutually beneficial cycle. Extending land lease rights helps boost the confidence of industry and commerce, and further promotes the improvement of labor contracts, forming a stable investment ecosystem and promoting a virtuous cycle of employment and housing. This is crucial for the long-term stability of the national economy.

In addition, the extension and enhancement of commercial property lease rights serve as a strategic mechanism to attract and facilitate increased levels of domestic and foreign direct investment within the commercial real estate sector. This regulatory framework incentivizes investors by providing greater security and predictability, thereby fostering a more favorable environment for capital inflows. Such policies are instrumental in stimulating real estate development activities and expanding employment opportunities across ancillary industries. Extending land lease rights not only bolsters investor confidence but also incentivizes participation in long-term economic planning, which can lead to the advancement of more comprehensive labor contractual arrangements. These arrangements contribute to the stability and resilience of the broader investment ecosystem, encouraging sustainable development and economic diversification. Moreover, this relaxation approach plays a vital role in establishing a virtuous cycle in which increased employment, improved housing availability, and sustained economic growth mutually reinforce one another. Consequently, these developments are essential for ensuring the macroeconomic stability and long-term growth prospects of the national economy, aligning with strategic economic objectives such as risk mitigation, infrastructural development, and enhanced global competitiveness. That will favor the long run labor development.

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In-conclusion:

Only a system that respects private property rights and fosters a flexible business environment can create a stable labor ecosystem. A virtuous cycle of employment and housing is essential for consistent national development. Hope this research article can contribute to the world and its citizens.

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