

**41<sup>st</sup> Alfred and Winifred Hoernlé Memorial Lecture**

# **The Welfare State: Poverty Alleviation or Poverty Creation?**

**Otto Count Lambsdorff**

*Forty-first  
Alfred and Winifred Hoernlé  
Memorial Lecture*

THE  
WELFARE STATE:  
POVERTY  
ALLEVIATION  
OR  
POVERTY  
CREATION?

*by Dr Otto Count Lambsdorff*



SOUTH AFRICAN INSTITUTE  
OF RACE RELATIONS

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# THE ALFRED AND WINIFRED HOERNLÉ MEMORIAL LECTURE

The Hoernlé Memorial Lecture honours Professor R F Alfred Hoernlé, and his wife, Agnes Winifred Hoernlé, both of whom, as presidents, shaped Institute thinking during the organisation's early existence.

Alfred Hoernlé was an internationally recognised philosopher. He was born in Bonn, educated in Saxony and at Oxford, and became a professor of philosophy at the South African College at the age of 28. After teaching in Britain and the United States between 1911 and 1923, he became professor of philosophy at the University of the Witwatersrand. He joined the Institute in 1932, guiding it as president for almost a decade from 1934 to 1943. Alfred Hoernlé is known also for his Phelps-Stokes lectures presented to the University of Cape Town in 1939, and published as *South African Native Policy and the Liberal Spirit*.

Winifred Hoernlé was a senior lecturer in social anthropology at the University of the Witwatersrand. She joined the Institute's executive committee in 1946, and held the position of president three times. In the 1940s, she was a member of a government commission of inquiry into penal and prison reform. Winifred Hoernlé also worked to improve the welfare of children and Asians.

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**F**OR ME AS A German Liberal it is a special honour to speak here at this event of the South African Institute of Race Relations, because liberal values have been at the core of the mission of this distinguished institution since its establishment in 1929. It stands for individual rights and the rule of law; for free markets and economic opportunities for the poor. Alfred and Winifred Hoernlé guided the development of the Institute for a long time and both of them have contributed a lot to its success.

The Institute of Race Relations has become one of the most recognised think tanks in Africa, and today the Institute is an influential voice in South Africa's political debate and supports liberal policies in all areas.

Tonight I will present you my views on an issue that is crucial for the success of liberal democracies in Europe and all over the world. At the same time it is one of the most controversial issues of today's political debate: the welfare state. At first glance it seems to be an exclusive problem of the affluent societies of the developed world. But on closer inspection it becomes obvious that this issue is interesting and important for South Africa and many other developing countries like it. There are three major reasons for that.

Firstly, the expenditure on social grants in South Africa is increasing. Expenditure on social grants is now greater than three percent of the gross domestic product, and it seems that the growth

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of social grants will not come to an end in the foreseeable future. Quite recently, the finance minister of South Africa, Mr Trevor Manuel, asked in a speech delivered in parliament: 'Is our vision of a future South Africa one in which over 20 percent of the population depends on welfare for their livelihood?'

Although the situation in Europe is different in many ways, this type of question is familiar to a European. We have to answer the question whether we want to sustain a system in which more and more people depend — directly or indirectly — on various benefits and payments from the government. For liberals the answer to this question is very clear: their vision is of a society where everybody can make their living through their own effort, their own work, and their own creativity.

Secondly, one can learn not only from the success stories, but also from the mistakes made by other countries. The case of Germany and other European countries shows how misguided policies can strangle economic development and undermine the fundamentals of a free society. Please don't get me wrong: from my perspective there is also a lot to learn from the incredible success story of Germany and Western Europe after World War II. The main preconditions for this economic success are often forgotten today: a market economy and the rule of law. However, the expansion of the redistribution policies of the welfare state started at a time of economic success and has now become a serious burden for further development over the past decade or so.

Thirdly, the economic and social problems of Europe have serious consequences for other regions, too. This raises a contentious question: Do the welfare states of the rich countries cause poverty in other regions of the world? I will come back to this question at the end of my speech.

From a liberal perspective, the crucial question is whether the welfare state alleviates or creates poverty. This is not as self-evident as it may seem, because nowadays many objectives and interests are connected with the institutions of the welfare state. Let me mention just a few of them.



The welfare state is seen as an instrument to realise either a 'just' or 'socially just' distribution of goods, or to reach supposedly valuable goals. The welfare state is misused to buy political support of various special interest groups. And it has created a huge bureaucracy, which has its own very strong interests. Among the needs which have to be satisfied by the welfare state, the needs of the poorest in many cases do not enjoy priority.

As opposed to this, liberals recognise only a few objectives for the government in the realm which today is occupied by the various branches of the welfare state: people in extreme need must get government support; and they must find their way back into the labour market, into a life where they are able to take responsibility for themselves, as fast as possible. And the state has to guarantee a legal framework within which all citizens are able to make provision for life's risks. In doing so, free-riding should be avoided.

The liberal vision is of a society in which the vast majority of people are able to make a living independent of public support, and in which people in real need get effective support. We want both a society without poverty, and a society of free and responsible individuals. That is why we have to criticise the existing welfare states.

Ladies and gentlemen, after some general remarks regarding the problem of poverty I will present you with the main points of this criticism. Then I will give you an overview of the liberal policies for poverty alleviation. Among these a liberal social policy is not the only one, and not even the most important policy.

Extreme poverty and starvation are challenges to the global community and to every single society. Poor people suffer hunger and are unable to fulfil their basic needs. In many cases they lose their human dignity. The daily struggle for survival at a very low level does not leave much space for humaneness. This alone makes extreme poverty intolerable for liberals.

But there are more reasons to fight poverty with determination: poor people are excluded from most of the opportunities a modern society and a free economy have to offer, because they don't have

proper access to education and are restricted in developing their talents and capacities. Poor health and lack of education deprive people of productive employment.

Extreme poverty limits the productivity and prosperity of the whole society. And, not least of all, poor people are not able to participate in the political life properly, nor can they express their interests and preferences. They are only objects of aid; they are not considered responsible and productive human beings. Anton Rupert said, 'Democracy is not one man one vote, it is one man one job'. Therefore free and open societies have to find ways to deal with the problem of poverty.

Up to this point, liberals agree with all other political movements. The difference shows when it comes to the analysis of the causes of poverty. And the difference becomes crucial when it comes to the political solutions to this problem.

Poverty is a manifold phenomenon. Its characteristics differ from country to country, from region to region. Even the measurement of poverty is a sophisticated problem in itself.

For example the widespread 'relative' definition of poverty tends to exaggerate poverty in rich countries. If you describe every household with an income below 50 percent of the average income as poor, you will get a completely distorted picture of the real situation in many affluent societies.

Obviously, poverty in developing countries is a much more serious challenge. Hundreds of millions of people are still trapped in extreme poverty, especially in sub-Saharan Africa and South Asia. All over the world 1.1 billion people subsist on less than \$1 per day, although the situation has improved in many regions dramatically over the last 15 years.

The usual response to poverty in developing countries is development aid. It has failed dramatically. There is no empirical evidence that development aid has improved the situation of the poorest in poor countries in a sustainable manner.

On the other hand, there is a lot of empirical evidence that free markets and guaranteed property rights will create a way out of

poverty for more and more people. This may be counterintuitive, because the basic human reaction to poverty is to help the poor immediately with various transfers. And there is a widespread belief that the main reason for poverty is the injustice of the 'market', which has to be corrected by income redistribution: from rich people to poor people, from rich societies to poor societies.

Liberals believe in economic growth more than in redistribution. They believe in individual freedom and responsibility. That means: they believe in the market economy. Liberals trust in individuals, in their productivity. And they have very strong arguments to do so.

The *Economic Freedom Report*, published by a network of liberal think tanks, demonstrates clearly that the poorest countries of the world are those which lack even the most basic institutions of a market economy. This group of countries is almost identical to those which constantly interfere with the freedom of their citizens. The two lowest ranked countries provide excellent proof for this assertion: Zimbabwe and Myanmar are at the bottom of the ranking.

Furthermore, this report shows that the creation of free markets results in almost all cases in a rapid increase in per capita income and a rapid decrease in poverty. We can find examples of this all over the world — from Eastern Europe to East Asia.

There is obviously a strong relationship between economic freedom and various indicators of human development. Countries with more economic freedom have substantially higher growth rates and higher per capita incomes. Many other indicators demonstrate very clearly the superiority of free markets: life expectancy is over 25 years higher in countries with the greatest level of economic freedom than it is in those with the lowest. Infant mortality and illiteracy decrease dramatically as economic freedom increases. And more economic freedom translates into less poverty — in terms of income, but also in terms of development as measured by the United Nations.

So the best way to fight poverty is to ensure the rule of law, which guarantees individual and property rights, and to establish a sound monetary system. Developed countries can support this

process, and the Friedrich Naumann Foundation contributes in many countries to this kind of development.

However, from my perspective the most effective way to help the economies and the people of the developing world is by opening the markets of the rich countries to the developing countries. Neither the European Union nor the United States fully meets their responsibility in this area. Pushed by powerful interest groups they still protect various industries from competition — for example the agricultural sectors. This is a crime against the developing countries and causes poverty there.

But it has to be stressed that trade barriers between developing countries are just as important a hurdle to development as trade barriers between rich and poor countries. On average they are higher than those between OECD countries and the developing world.

It is also very dangerous to overburden the World Trade Organisation with social and environmental agendas. We should not harmonise standards of governance where it is not necessary, except to ensure that the rights of every individual may not be infringed.

The orientation towards free markets does not exclude humanitarian aid if it's necessary, for example after natural disasters or civil wars. But all donors have to take care that people and entire countries get the opportunity to live independently again after some time and not stay dependent on aid forever. Otherwise, help can become a permanent feature and make people dependent. A lot of examples, particularly in Africa, have shown how so-called 'humanitarian aid' destroyed domestic industries.

However, I will not go into the details of the political debate about the future of development policy, but focus my remarks on the welfare state and its problems. The problems of development aid and the welfare state are to some extent similar: the lack of incentives for taking responsibility for oneself, which often characterises development aid, is one of the main risks of all welfare states.

Over the last century the welfare state has attracted broad

support in the societies of Europe and of other prosperous nations. As a political model it was admired by many people all over the world, not only from the left.

The basic idea is quite simple: social problems should be solved by redistribution of income from better-off people to the poorer ones. There are different instruments of income redistribution: from tax-financed social benefits to the health care and pension systems, which are financed by individual contributions and subsidies from the state budget. The difference between the various types of welfare states, especially those regarding the sources of financing, do not matter so much for the purpose of my speech here.

For me as a German the natural starting point is the German social security system. Germany is a good example of the shortcomings of a once well-intentioned political model; and the general ideas I will present you, regarding the shortcomings of the existing system and the need for reform, apply more or less to all welfare states.

The social security systems of the industrialised world, especially those of continental Europe, seemed to be just and effective at the same time. And one of its goals was indeed achieved: nobody in Western Europe suffers from extreme poverty. People without income get benefits, access to public health systems is open to almost everybody, and elderly people get state guaranteed pensions.

But two questions arise. What price do we have to pay for this achievement? And is the decrease of poverty really a result of the welfare state?

Let me start by giving an answer to the first question.

The price we pay in Germany is really high: since the 1970s it has become more and more difficult to finance all the various social systems. They were introduced in times of high economic growth rates, high birth rates, and low unemployment. With slow economic growth and increasing unemployment the cost of the social security system has skyrocketed.

Last year the social expenditures of the federal government of Germany amounted to €127 billion, which is one half of the federal budget. The overall expenditure is much higher, because the federal

states, the *Länder*, and local government spend a huge share of their budgets on social transfers.

And even this is not the whole picture: the contributions to the so-called 'social' insurances have increased dramatically too. These are paid by employees and employers. So the rising costs for health care, unemployment insurance and the pension system are part of labour costs.

The old-age insurance in Germany is a telling example of an agreement at the expense of a third party, in this case of future generations and the tax-payers. It is organised as a pay-as-you-go scheme. That means that at any point in time the working people have to finance the pensions of those who have retired. Obviously, this system cannot work in a sustainable way, if birth rates are decreasing and the life expectancy is increasing simultaneously, as is the case in Germany. Even today the system cannot survive without significant subsidies from the federal budget.

The growing financial burden on all citizens and all companies has caused serious economic problems. Labour has become more and more expensive. To stay competitive in the global market, German companies are forced to outsource more and more jobs into other regions of the world.

The resulting unemployment is a huge problem for Germany — we have almost 5 million unemployed people. Their productivity is lost to our economy and the costs are growing. For more than 50 percent of them their unemployment lasts for more than a year. None of them has to suffer poverty. Germany is still a very affluent country — until now we could afford generous unemployment benefits and other kinds of payments. But we live at the cost of future generations. They have to repay our huge government debt, and, even worse, they inherit a pension system which is unsustainable. This is an irresponsible policy.

The high unemployment rate shows that we are paying a high price for the welfare state not only in financial terms: the attitudes of many people have adapted to the welfare state. They trust the government more than they trust themselves. Many people rely on social benefits more than on their own productivity.

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They do not make their own provisions against life's risks, because they think that the government will solve their problems anyway. This shift in attitude, in the mentality of many people is the most dangerous consequence of the oversized welfare state.

This is the place to answer the second question: Is the decrease of poverty really a result of the welfare state? The answer is very clear: no, it is not. To put it bluntly: the welfare state does not create welfare.

The decrease, or better the disappearance, of poverty in many countries is the result of very strong and sustained economic growth. West Germany's rapid recovery after World War II was based on a market economy, and on the efforts of millions of people — not on redistribution. This is not only the secret of Germany's economic success, but of all economic success stories in human history. As Lord Peter Bauer famously pointed out, if outside help had been a necessary condition for poverty alleviation, we would all still be living in the Stone Age.

The record of the welfare state is even worse: it is itself one of the major reasons for unemployment; it creates many of the problems it is supposed to solve. This is not only a problem of financial burdens, but it is also a problem of creating perverse incentives for the labour market, and calling it a market in Germany is a misnomer. The situation in Germany demonstrates pretty well how policies designed to support the weak and the poor have the opposite effect.

Let me give you just two examples: the idea of our very strict labour law was to protect all workers against arbitrary and instant dismissal from their job. Because of this companies are very cautious about hiring new employees. This legislation may help people with a job, but it is not in the interests of the jobless.

In Germany the trade unions are very powerful, and legislation supports their power: in a centralised bargaining process they determine the wages, which have to be applied across the board to all companies. Particularly, less qualified people are priced out of the labour market, and become recipients of public benefits. Our

system does not offer them enough incentives to re-enter the labour market. They are better off receiving unemployment benefits.

Unemployment reaches far beyond the question of wages and salaries, because it harms the self esteem and the social status of the unemployed. Unemployment benefits cannot compensate the jobless for their loss of opportunity caused by misguided policy.

This does not mean that liberals are against all forms of government intervention, or against any form of government support for people in serious need. However, the best way to improve the situation of all of the citizens of a country is to institute a liberal policy, which is focused on a stable legal framework and on guaranteed property rights. Contrary to widespread argument, property rights and the rule of law do not reflect the interests of the middle and the upper classes.

The only way for poor people to escape poverty and dependency on social benefits is to participate in a free market. Therefore, it should be the main purpose of reasonable policies in South Africa and all over the world to establish a proper institutional framework for individual liberty and individual property rights.

The importance of the latter is highlighted by the Peruvian economist Hernando De Soto in his very influential book *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*. The thesis is very simple: the poor in developing countries often have many assets — shacks, informal businesses. What they lack is formal property rights for their assets. This prevents them from unlocking the true potential of their assets — producing capital, for example as collateral for borrowing, and connecting them to the formal economy — so that utilities such as gas, water and electricity can be legally piped to them.

A legal system which acknowledges and respects the property of the poor will fuel economic growth and reduce poverty much better than a welfare state. But even in growing and prosperous economies there will be some need for social policy.

To avoid the above-mentioned negative effects, social policy must follow some basic principles. These principles are based on



the tradition of liberal thought, on ideas which have proved their validity over centuries. I will explain them very briefly, focusing only on the most important issues.

Social policy does not mean equalising all differences of income. It means helping people in need and helping people make their own provision for when they are potentially in need.

Liberals rely primarily on individual responsibility and private initiative. From this perspective social policy should not aim to offer complete security against all potential risks. When in doubt, in the unavoidable trade-off between liberty and security, precedence should always be given to liberty.

Liberal policy first of all secures the freedom of all citizens by facilitating and encouraging autonomous decisions. This applies fully to the provisions people have to make against the risks of life and for their retirement. For example, liberal proposals for the pension system emphasise individual private insurance schemes based on the capital-based funding principle, possibly with a minimum insurance stipulated by legislation to avoid moral hazard. Government involvement is required only where individual or community self help is impossible.

Redistribution must be limited and subject to strict control; only an absolute minimum of coercion should be applied. Social policy must be based on well defined goals. The survival of bureaucracies is not among them. Let me mention only the government report into the Child Support Agency in the United Kingdom, which showed that the agency spent £12 million to collect £8 million from fathers renegeing on their parental responsibilities.

The achievement of those goals must be the one and only criterion for measuring the effectiveness of the various policies. The principles of subsidiarity, competition, transparency and responsibility increase effectiveness and efficiency. By following these principles a strictly limited welfare state can be a proper instrument in reducing poverty — in addition to a free market economy.

Finally, I would like to come back to the responsibility of the rich countries to other regions of the world. I've already mentioned

the international trade system and the role Europe and the United States should play in the negotiations about its future. They must open their markets completely. In my view the Doha Development Round of the World Trade Organisation is the most important negotiation round for rich and poor countries alike. I sincerely hope that the speeches which have been made by heads of state and government in Davos will not remain speeches.

Another essential precondition for economic growth and poverty reduction in developing countries is more economic growth in Europe. This may sound surprising to people who think that there are trade offs between the growth rates of different countries. But the advantage of free trade is that both sides can profit from it. Only sound economies can offer opportunities for other countries to export and to participate in the international division of labour. So speeding up economic growth is not only in our own interest, but also in the interest of the rest of the world. To achieve higher economic growth rates we have to reform our welfare state. We have to downsize and to focus it. This is the only way we will stay competitive in the global markets.

And there is another point I have to mention: only economic growth, only the creation of new jobs will weaken the anti-globalisation, anti-free-trade attitude in Europe. The importance of this for the developing world is self-evident.

Let me finally express my hope that your country is able to learn from some mistakes we have made over the last decades and to avoid them. Once poorly designed policies become a political reality, it is very hard to correct them. We experience this every day in Germany. But there is a lot to learn from the success of the rule of law and the market economy as well.

# VOTE OF THANKS BY JOHN KANE-BERMAN

*Chief Executive of the South African  
Institute of Race Relations*

THE Friedrich Naumann Foundation, of which Dr Lambsdorff is chairman, is a long-standing supporter and partner of the Institute. In particular their support helps us to publish our monthly bulletin *Fast Facts*, which is so popular among our members. Naumann is one of a number of German political foundations established after the Second World War to promote public education and so help protect liberty and strengthen democracy, both in Germany itself and elsewhere. The model has since been copied by countries that include the US and the UK. Though the foundations are linked in terms of ideas with the various German political parties, they operate independently. Naumann is distinguished by its strong commitment to both liberal democracy and free markets — in other words, to classical liberalism. It operates in Africa, South America, the Middle East, Asia, and Eastern Europe, including hotspots such as Zimbabwe and Russia, whose governments are bent on destroying independent institutions in civil society. I would like to pay tribute to Naumann for its work and thank them for their support for the Institute in pursuit of the ideals we share.

When we invited Count Lambsdorff to deliver the 41st Hoernlé Lecture we left the topic up to him. But he could not have chosen better, given, as he observed, the recent growth in social grant spending in South Africa.

As was the case when Germany expanded its welfare state, we are enjoying solid economic growth. Mr Trevor Manuel is therefore in the position that most finance ministers only dream about. He can look forward to floods of extra revenue when he presents his budget in a fortnight's time. Some people forecast that his deficit will be close to zero. He has the money to step up social spending, but he can also

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make bigger tax cuts than in the past. With municipal elections only a fortnight after the budget, he can make everybody happy.

Despite corruption, our social security system has raised the living standards of the poorest people. As Dr Lambsdorff noted, however, Mr Manuel has himself asked whether 'our vision of a future South Africa is one in which over 20% of the population depends on welfare for their livelihood'.

The natural response to poverty is to 'do something'. Easiest and quickest is to make transfers from rich to poor, whether within or between countries. Dr Lambsdorff has reminded us that this is not really a solution. It undermines growth by pushing up the costs of doing business and therefore contributes to higher unemployment, as Germany proves. Slower growth there, and elsewhere in Europe, reduces imports from poor countries, so undermining growth there as well.

Though poverty still blights the lives of millions, there is plenty of evidence, as Count Lambsdorff says, that rapid decreases in poverty, rapid rises in per capita income, and the creation of free markets go hand in hand. As economic freedom increases, so does life expectancy, while infant mortality and illiteracy drop. Dr Lambsdorff therefore argues that the best way to fight poverty is to entrench the rule of law, guarantee individual and property rights, and establish a sound monetary system. Property rights are especially important to enable the poor to unlock the income-generating potential of assets such as shacks and informal businesses. The welfare state should be limited to helping people in extreme need, while encouraging them to find their way back into the labour market.

Dr Lambsdorff notes that many people in Germany have come to rely on social benefits rather than their own productivity. This is a timely warning for South Africa. Like Germany, we have labour market policies that price people out of jobs but which are politically difficult to reform. Unlike Germany, we do not have an unaffordable welfare system that is hard to reform. We can avoid that path and focus instead on the admittedly difficult job of labour market liberalisation, buttressed by health and education policies

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that will help the poor enter that market. The Institute has been in the forefront of those advocating labour law reform as a critical component of the conquest of mass unemployment. More and more people in government are coming to recognise the need for liberalisation. The battle of ideas is therefore going quite well, though so far there has been little policy change.

Ladies and gentlemen, Count Lambsdorff's address this evening has been

- illuminating in reminding us of the moral, political, and economic hazards of the modern welfare state,
- exemplary in speaking frankly about the problems confronting his own country,
- courageous in questioning what to so many is still an article of faith, and
- inspiring in reiterating the case for liberal solutions to the tragedy of poverty.

It is a pleasure and an honour to thank him on your behalf.

## PREVIOUS HOERNLÉ LECTURES

- J H Hofmeyr, *Christian principles and race problems* (1945)
- E G Malherbe, *Race attitudes and education* (1946)
- I D MacCrone, *Group conflicts and race prejudice* (1947)
- Winifred Hoernlé, *Penal reform and race relations* (1948)
- W M Macmillan, *Africa beyond the Union* (1949)
- Edgar Brookes, *We come of age* (1950)
- H J van Eck, *Some aspects of the South African industrial revolution* (1951)
- S Herbert Frankel, *Some reflections on civilisation in Africa* (1952)
- A R Radcliffe Brown, *Outlook for Africa* (1953)
- Emory Ross, *Colour and Christian community* (1954)
- T B Davie, *Education and race relations in South Africa* (1955)
- Gordon W Allport, *Prejudice in modern perspective* (1956)
- B B Keet, *The ethics of apartheid* (1957)
- David Thomson, *The government of divided communities* (1958)
- Simon Biesheuvel, *Race, culture and personality* (1959)
- C W de Kiewiet, *Can Africa come of age?* (1960)
- Dennis Cowen, *Liberty, equality, fraternity — today* (1961)
- Denis E Hurley, *Apartheid: Crisis of the Christian conscience* (1964)
- Gwendolen M Carter, *Separate development: The challenge of the Transkei* (1966)
- Keith Hancock, *Are there South Africans?* (1966)
- Meyer Fortes, *The plural society in Africa* (1968)
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- Philip Mayer, *Urban Africans and the bantustans* (1972)
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- M G Buthelezi, *White and black nationalism, ethnicity and the future of the homelands* (1974)
- Monica Wilson, '*...So truth be in the field...*' (1975)
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- M M Corbett, *Guaranteeing fundamental freedoms in a new South Africa* (1990)
- Richard Goldstone, *Do judges speak out?* (1993)
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- Michael O'Dowd, *Ideas have consequences* (2000)
- Carl Gershman, *Aiding democracy around the world: The challenges after September 11* (2003)
- Jonathan Jansen, *When does a university cease to exist?* (2004)

DR LAMBSDORFF is chairman of the Friedrich Naumann Foundation in Germany. Seriously wounded and taken prisoner in the Second World War, he holds a doctorate in law from the University of Cologne and spent much of his career in banking and insurance. He is a former leader of the Free Democratic Party, which has several times held the balance of power in the German federal parliament (Bundestag) and is the only party to have increased its share of the vote in the recent election. For many years a member of the Bundestag, Dr Lambsdorff was minister of economics from 1977 to 1984 in the federal cabinet. He is a member of numerous company boards. He is a frequent visitor to South Africa.

\* \* \*

THE WELFARE STATE was essentially founded in Germany by Otto von Bismarck and has played a major role in alleviating poverty in that country and in others which have followed that model. Germany and various other countries are now facing major fiscal problems associated with their generous welfare systems, which are, however, difficult to reform given their strong support among voters. Welfare systems also have implications for labour markets and for the ethical foundations of free societies. As South Africa itself now grapples with the challenge of promoting faster growth while also seeking to alleviate poverty through the welfare system, Dr Lambsdorff's address is both insightful and provocative.

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# The Hoernlé Memorial Lectures

The IRR is republishing the text of the Hoernlé Memorial Lectures, a series of talks which started in 1945. The original introductory note to the lecture series reads as follows:

*A lecture, entitled the Hoernlé Memorial Lecture (in memory of the late Professor R. F. Alfred Hoernle), President of the Institute from 1934—1943), will be delivered once a year under the auspices of the South African Institute of Race Relations. An invitation to deliver the lecture will be extended each year to some person having special knowledge and experience of racial problems in Africa or elsewhere.*

*It is hoped that the Hoernlé Memorial Lecture will provide a platform for constructive and helpful contributions to thought and action. While the lecturers will be entirely free to express their own views, which may not be those of the Institute as expressed in its formal decisions, it is hoped that lecturers will be guided by the Institute's declaration of policy that "scientific study and research must be allied with the fullest recognition of the human reactions to changing racial situations; that respectful regard must be paid to the traditions and usages of the various national, racial and tribal groups which comprise the population; and that due account must be taken of opposing views earnestly held."*

## About the IRR

Since 1929, the Institute of Race Relations has advocated for a free, fair, and prospering South Africa. At the heart of this vision lie the fundamental principles of liberty of the individual and equality before the law guaranteeing the freedom of all citizens. The IRR stands for the right of all people to make decisions about their lives without undue political or bureaucratic interference.