

Press Release

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South African Institute of Race Relations
The power of ideas

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EFF lacks understanding of economic freedom – IRR

The EFF has no understanding of economic freedom, according to a policy paper published by the IRR today.

The Economic Freedom Fighters (EFF) say they want ‘economic freedom’ for the black majority. But they seek to achieve this by expropriating land and nationalising mines, banks, and other businesses. The African National Congress (ANC) has similar ambitions, as the Freedom Charter shows.

But the EFF/ANC idea of economic freedom contradicts the general global understanding of the concept, which emphasises individual choice, protection for property rights, and respect for market principles.

Writes Neil Emerick, a contributor to the *Economic Freedom of the World* project, in the latest issue of *@Liberty*, the IRR’s policy bulletin: “Economic freedom, in the true sense of the term, stimulates investment and employment. It makes for faster economic growth and increased prosperity for all, including the poorest 10%.”

Economic freedom can also be measured and its benefits assessed in terms of hard statistical data, as the Fraser Institute of Canada has been doing for many years via its global index of economic freedom.

Data published each year in this index clearly shows the benefits of economic freedom in promoting prosperity. Long-term trends are more revealing still. In the two decades from 1990 to 2010, the index shows that gross domestic product (GDP) per head in the ‘least free’ countries (those with the lowest scores for economic freedom) grew at an annual average rate of 1.6% over this period. By contrast, the ‘most free’ countries grew by 3.6% on average, or more than double.

As Emerick records, “because of this difference in growth rates, the least free countries recorded average GDP per head of \$5 200 in 2010, while the most free recorded close on \$38 000 – almost seven times higher”.

Once apartheid ended, South Africa could have risen steadily up the Fraser Institute’s index. Instead, as state intervention has intensified, so the country’s ranking has deteriorated.

In 1995, South Africa ranked 46th out of 123 countries on the economic freedom index. Since then, its ranking has fallen significantly, putting it 93rd out of 152 countries in 2014.

Diminished economic freedom has already cost the country dearly, reducing its annual growth rate since 2009 to less than 2% of GDP on average. This has worsened the unemployment crisis and helped bring the number of jobless people up to 8.3m in 2014.

Warns Emerick: “If South Africa follows the EFF/ANC narrative still further, it could slip into the ‘least free’ category of countries. In such states – which include Zimbabwe, Chad and the Democratic Republic of the Congo – growth is negative or minimal, and poverty intensifies for everyone except a small political elite.”

Ends.