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South Africa: A 12-point
plan for prosperity **1**

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South Africa: A 12-point plan for prosperity

The National Development Plan (NDP) is the latest in a series of government plans to accelerate growth and increase employment. However, like its predecessors, the NDP fails to make the policy shifts essential to increased investment, growth, and jobs. Rather than tweaking what has failed, South Africa needs a bold 12-point plan for prosperity.

The Solidarity trade union has attacked the NDP. But among South Africa's think-tanks the IRR has been a lone critic of the widely heralded National Development Plan. Part of that criticism rests on the fact that the plan is not willing to make the bold shifts on policy that are necessary to drive investment and growth and therefore job creation. It rather seeks to tweak existing policies that have largely failed and yet hopes that this will bring about major social and economic reforms. This is simply not possible. Rather than tweaking what has failed, South Africa needs an altogether different and bolder set of policy alternatives. What follows is a 12-point plan to achieve and sustain a growth level in excess of 5% of GDP.

The plan has one primary priority which is also the **first** of its 12 points: go for growth. Not as one among other objectives, but as the overriding priority. The two countries that have seen the greatest reduction in the numbers of people in poverty in the last two decades — almost a billion people between them — are China and India. Both grew at annual averages touching 8%, thanks largely to economic liberalisation.

The cure for poverty is to allow people to earn money, so the key is to remove the barriers that stop poor people earning money by removing the impediments that employers face in hiring them. The **second** priority is to liberalise the labour market and scrap most of our labour law, except for basic health and safety requirements. Rather than obliging the poor to rely on a failing State for some alleviation of their plight, let them use the only asset they have — their own labour. Denying anyone the opportunity to earn a living is one of the worst violations of human rights. What South Africa needs, as part of labour law liberalisation, is a constitutional amendment protecting the right to work — free of hindrance by government, trade unions, employer organisations, or bargaining councils.

Number **three** is reform of education. Growing demand for both private schooling and places in suburban government schools tells us that many parents know the government is incapable of fixing township schools. The solution is privatisation and consumer choice. Auction off as many government schools as possible to the non-profit sector and the growing for-profit education sector. School buildings could then be used as security for loans to build classrooms, playing fields, and hostels. Each child would be given a voucher to buy education from whatever school he and his parents chose. The voucher would have the same value as current per capita state spending on schooling — about R10 000 per pupil per year. A growing number of private schools charge less than this. Competition among schools for voucher-bearing pupil-customers would quickly force up standards.

Can private education work for the poor? India has hundreds of thousands of private schools, producing better results than government schools. Voucher systems operate also in parts of Africa, Chile, and Colombia. There is particular demand in the US among parents of inner-city black youth. There are now 32 school voucher programmes in 16 American states.

Fourth on the list is health. The same principle would apply — the State pays for health care, but the private sector takes over the provision thereof. Failing public hospitals could be auctioned off to private hospital groups. Patients would be armed with vouchers enabling them to buy basic health services — such as screening and testing — from private providers. State-funded medical insurance would then pay for necessary hospitalisation or specialised treatment.

A greater role for the private sector in both education and health care brings us to the **fifth** item on the list: privatisation of South Africa's state-owned companies. Before Margaret Thatcher sold them off, the British nationalised industries were losing £50 million a week. After she sold them they paid £60 million a week in taxes. Part of the reason for China's success is massive privatisation: the number of state-owned enterprises was reduced from 120 000 in the mid-1990s to 32 000 in 2004.

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unshackle
the private sector.**

Governments have no business being in business. It conflicts with their role as regulators. It is also unfair competition because they can offload their losses on to the taxpayer, which real businesses cannot.

The handmaiden of privatisation — number **six** on the list — is wholesale deregulation. If we want to unleash the energies and drive of the private sector we have to unshackle it. Like restrictions on free speech and other political freedoms, economic restrictions in the form of regulation should be kept to a minimum.

Seven is trade liberalisation. All the evidence shows that free trade means greater prosperity. Global competition means lower prices and therefore better-off consumers everywhere.

Number **eight** is redesign of land reform to protect and extend property rights. Transfer communally-owned land in the former homelands to its occupants. Finalise current land claims, recognise that most land claimants (92% of them, in fact) have wanted cash instead of land, and avoid re-opening the land claims process. Where land redistribution is still needed to meet the 30% target, give freehold title and adequate support to beneficiaries to avoid the collapse of land reform projects and the danger of yet more 'assets dying in the hands of the poor', as a former director general of land affairs, Tozi Gwanya, put it in 2007.

We need to scrap employment equity and economic empowerment.

Also requiring redesign are policies supposedly targeting the disadvantaged such as employment equity and black economic empowerment. Scrap these. This is **ninth** on the list. These rules cater to a black and white elite and add huge costs to investors and obstacles to growth. Replace them with policies that reach the truly disadvantaged — the poor and the unemployed — via points two, three, and four of this plan. Social grants have been effective and are colour blind. Empowering the poor with education and health vouchers would be colour blind too.

Number **ten** on my list is the professionalisation of the civil service, not least the police. No more cadre deployment, or political appointments, or affirmative action. Choose only on merit. Above all, there would have to be accountability.

Accountability must apply in politics too. This is **eleventh** on the list. Cut the National Assembly from 400 to 200 members, all of them elected on the present proportional representation system. The National Council of Provinces would be replaced by a 200-member chamber elected on a constituency system. All legislation would require the assent of both houses. This formula would give us the best of both worlds: accountability to constituencies, plus adequate representation for minority parties.

Number **twelve** is decentralisation. Devolve power - and accountability — from the centre to the lowest appropriate level of government. This would reduce corruption and encourage deregulation. For example, let communities elect their local police station commander during local government elections and fire him if he doesn't measure up.

Notwithstanding its progress since 1994, South Africa's social and economic problems remain very serious. This is because the model of state-led development and redistribution might have improved living standards through welfare and free services but has done very little to empower people to improve their own lives through education, entrepreneurship, and employment. Achieving these three goals requires a bold new policy direction that prioritises growth above all else.

— **John Kane-Berman**

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This 12 point plan was released by the IRR at events in Pretoria, Johannesburg, and Cape
Town towards the end of last year.**