



Event Review

Luncheon with
John Kane-Berman
20th of February 2014
at the JCC in Woodmead

At a Luncheon recently held at the Johannesburg Country Club Johannesburg in Woodmead, Members of SwissCham Southern Africa – South Africa Chapter had for the last time the privilege of being addressed by **John Kane-Berman**, CEO of the SA Institute of Race Relations.

SwissCham President Thomas C. Hippele welcomed the guests who had come to hear John Kane-Berman's message on the topic:

“A better future for all and how to get there“

After a delicious starter and main course, Thomas Hippele introduced the guest speaker, John Kane-Berman.

Chief Executive of the South African Institute of Race Relations since 1983.

The South African Institute of Race Relations, which is the country's leading classically liberal think-tank, was established in 1929 to oppose apartheid and promote goodwill across the colour line through analytical research, advocacy, and public education. Since 1946 it has published an annual yearbook containing all the important factual information about politics, governance, the The Institute's core objective following the advent of democracy in 1994 is to promote South Africa's success as an open, free, and prosperous society based on the principles of private enterprise and liberal democracy. After over three decades



Let's begin by getting the forthcoming election out of the way. A shock to the African National Congress (ANC) big enough to compel it to dump President Jacob Zuma could be the starting-point for better policies. However, one possible outcome is "business as usual". Some may feel relief if this means the policies of the Economic Freedom Fighters are not implemented, but business as usual in fact means continued economic and political decline.

That, as I've said to you on previous occasions, cannot go on forever. The costs to the ruling party itself will become too high. Eventually, we will see a reverse thrust in policies. Two questions then: When will that happen? What will bring it about?

A trip down memory lane might help us find answers. The election will take place only a few days short of the 20th Anniversary of the handover of power by F W de Klerk to Nelson Mandela at the Union Buildings, which I was fortunate enough to witness.



That event, obviously, signified a new era. But it was also the culmination of a process of liberalisation begun a quarter of a century earlier, when Prime Minister John Vorster said in 1967 that Maoris could be included in New Zealand rugby teams playing the Springboks. Other changes followed: recognising black trade union rights in 1979, reintroducing black homeownership in 1983, and abolishing the pass laws in 1986, to name but some. These changes were dismissed as cosmetic by all except the white right, which predicted that they would eventually have precisely the outcome I witnessed at the Union Buildings in 1994.

There are three lessons in this. First: something seemingly unimportant - limited desegregation in sport - can herald a process of fundamental change. Second: once that process begins, it is difficult to stop. Third: apparently reactionary leaders - John Vorster, PW Botha, and later FW de Klerk - can turn out to be reformers.



Right now, I cannot see many reformers anywhere in our political life. The much-ballyhooed National Development Plan (NDP) is too full of contradictions and fantasies to get us very far. And the Democratic Alliance (DA) is too trapped in the past with its focus on "redress" and "struggle credentials" to offer much different from many current damaging policies. So that is what the Institute has been doing. We are putting forward a dozen components of a new set of policies. They are not very different from what I've suggested to you in the past, but I have fleshed them out a bit.

Top of the list has to be: go for growth. Not as one among other objectives, but as the overriding priority. Faster growth, and only faster growth, offers hope to our eight million unemployed. It translates into more jobs, not deliberately, but as a spin-off of the wealth-seeking process. Seeking to reduce poverty and inequality at the same time as pursuing growth will retard growth. So a choice has to be made. The NDP ducks that choice. 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 money. It can be stolen, printed, redistributed, or earned. Only the last of these really works. So: remove all barriers that stop poor people earning money. Remove the impediments employers face in hiring them. The **second** of my set of policies is then radical reform of labour law and the labour market: compulsory strike ballots, bans on secondary strikes and picketing, suing unions into bankruptcy if they destroy property, and jailing strikers who assault so-called "scab" labour.

Number **three** reform is education. There is growing demand among black parents and pupils for both private schooling and places in suburban government schools. Part of the solution is privatisation. South Africa has 4 000 - 5 000 private, or independent, schools. A growing number cater for the poor. We need more. So: auction off as many government schools as possible to the private sector. We already have two listed companies running schools as businesses. Township schools could also be sold to the non-profit sector: NGOs, local chambers of commerce, churches, trusts, groups of parents, or even trade unions.

Each child would be given a voucher to buy education from whatever school he and his parents chose. The voucher would be the same 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. So do some government schools. Competition among schools for voucher-bearing pupil-customers would force up standards.

Fourth on my list is health. The same principle would apply – the state pays for health care, but the private sector takes over 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 my list: privatisation of our state-owned companies. Start with South African Airways. It's nothing but a toy for ministers to play with. Put it up for auction. Do the same with all other companies when there is no compelling reason to retain state ownership.

The handmaiden of privatisation - number **six** on my list - is wholesale deregulation. If we want to unleash the energies and drive of the private sector we have to unshackle it.



Seven is trade liberalisation. All the theory and 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. Transfer communally-owned land in the former homelands to its occupants. Stop restitution: most claims have already been settled; the ones outstanding can be settled by financial compensation, which is the choice of 92% of claimants anyway. Three, end wasteful redistribution.

Also requiring redesign are our policies supposedly targeting the disadvantaged - preferential procurement, employment equity, and black economic empowerment. This is **ninth** on my list. State interventions to assist the disadvantaged should focus not on previous, racially defined, disadvantage but on current disadvantage, defined by objective economic, colour-blind, criteria. Overwhelmingly this is unemployment, poverty, ignorance, and disease, all of which can be dealt with via the remedies I've already described.

There is no need for race to play any further role. It is redundant. Social grants are already colour blind. Empowering the poor with education and health vouchers would be colour blind too. Removal of race from procurement would lower costs, improve competition, and speed up infrastructure provision. Getting rid of employment equity and replacing it with colour-blind hiring and promotion policies would revitalise the public service. "Going for growth" also necessitates encouraging all entrepreneurship and investment, big and small, black and white, local and foreign. So scrap all the BEE charters, codes, and scorecards.

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. It is not too late start by firing both the police commissioner and the police minister for the Marikana massacre.

Accountability must apply to Parliament too. This is **eleventh** on my 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. This would give us the best of both worlds: accountability to constituencies, plus adequate representation for minority parties.

Number **twelve?** Decentralisation. Devolve power - and accountability - from the centre to the lowest appropriate level of government. Cities and provinces should compete with one another for business. This would reduce corruption and encourage deregulation. The government wants to get local communities involved in local policing forums. Fine: let them elect their local station commander, give him a sheriff's badge, set his performance criteria, and fire him if he doesn't measure up.

So that's my list. Reaction to a version put up on PoliticsWeb last week has been interesting. One person said it was another "dead-horse attempt by white monopoly capital to take over the country through privatisation". Another said I was casting "pearls before swine, Johnnyboy". Perhaps the most accurate comment was: "The establishment is dead set against each and every point of this pie-in-the-sky plan".

Well, during the apartheid era the Institute put forward lots of pie-in-the-sky plans, nearly all of which the National Party (NP) government in the end had no choice but to implement.



It may take them as long as it did the NP, but the ANC will eventually also have to put today's pie-in-the-sky ideas on to the policy menu. The finance minister has to tot up the costs of a bloated and profligate public service. He has also to waste taxes on SAA and others. He knows that our fiscal and foreign deficits are unsustainable. Critiques of policy once uttered only by the Institute and one or two others are starting to be echoed in ruling circles. The governor of the South African Reserve Bank is now a critic of our collective bargaining system. The likely failure of the new youth wage subsidy to make much dent in unemployment will intensify pressures for labour market reform.

Maybe the government's apparent determination to introduce the subsidy in defiance of Cosatu will turn out to be a harbinger of bigger things, like Mr Vorster's Maori concession. Perhaps Cosatu's opposition to this reform arises from fear that it might be the thin end of a wedge. Let us hope so.

However, our 12-point plan is more than simply a set of policy proposals. It is also a reflection of a fundamentally different view of South Africa to the one so widely held at the moment. To win the policy battle we have also to win the battle of ideas.

The currently dominant idea in this country is that apartheid distorted the society so radically, and caused such injustice, that the only way to counteract its effects is a similar process of social and racial engineering. This idea is so understandable, so apparently logical, and so powerful that business, along with much of the media and most NGOs, endorses the current thrust of racial engineering. So does the official opposition. The Institute, by contrast, has maintained all along that the real alternative to apartheid is not another kind of social and racial engineering but economic and political freedom. We stated this in 1994 and nothing has happened to change that standpoint.

We at the Institute are now poised to embark more aggressively on promoting liberal economic ideas. Indeed we are already in the forefront of that battle. As I've pointed out on previous occasions in this room, ideas are critical. They predate policies. And they last longer. Think of the ideas underlying Christianity. Or the idea of justice. The dominance of Marxist ideas in academia and church helps explain the hostility in South Africa to business. Think of the current globally dominant idea: man-made climate change. It is so widely accepted now that governments can impose carbon taxes and extract even more from consumers to subsidise wind farms and the like.

Here we come to two contrasting viewpoints. Victor Hugo said that an idea whose time had come was more powerful than all the armies in the world. When Harold Macmillan was asked what dominated politics, his answer was "events, dear boy, events."

Though apparently contradictory, both are right. Events do dominate, but when crises occur and governments have run out of ideas as to how to deal with them, they have to look for different ideas. So we have to do our homework with ideas.

A good example is the abandonment of prices and incomes policy as a means of controlling inflation and its replacement with monetary policy. Harold Wilson's Labour government tried prices and incomes policy in the UK in the 1960s, Edward Heath tried it in the 1970s, and so did Richard Nixon in the US. All to no avail in pulling their economies out of stagflation. A Chicago economist called Milton Friedman said all along that they were wrong and that the way to control inflation was to control the supply of money. He was regarded as a kooky right-winger. Eventually, however, his ideas were adopted, because, although they were widely rejected, they were also widely known, and they were adopted when all else failed. They were there lying in wait for their moment. Friedman later recalled that it took 25 years before anyone listened to his ideas on floating exchange rates, now widely accepted across the world.

For most of the post-war era the dominating ideology in British politics was Butskellism, named after key figures in the Conservative and Labour parties - Rab Butler and Hugh Gaitskell. Even Winston Churchill bought into it. The welfare state was sacrosanct, as was the idea that Britain had to be run according to a social compact between government, business, and labour. They used to meet around the Cabinet table in Number 10 Downing Street, so this became known as the "beer and sandwiches" model of government.



No matter how much money they vacuumed up from taxpayers, the nationalised industries were untouchable. And so the British establishment saw the role of government as the decorous management of dignified national decline.

Until, after 34 years of decline, Margaret Thatcher came along with a different idea. Roll back the state and make Britain great again. Events helped her: among them, the Argentinian invasion of the Falklands, and the violent behaviour of militant trade unions, often at the behest of communists such as Arthur Scargill. She tamed the unions and set in train a wave of privatisations that has continued in the UK and elsewhere.

Her soul-mate Ronald Reagan came along with an idea that shocked the American establishment and all supposedly 'right-thinking' people around the world. The Soviet Union was an "evil empire" that should no longer simply be "contained". Instead, it had to be destroyed. "Containment", however, had been the policy of the US and its NATO allies for 35 years dating back to the deals struck at the wartime conferences between Presidents Roosevelt and Truman, Churchill, and Joseph Stalin, as they apportioned spheres of influence in Europe among themselves, usually to Stalin's advantage.

We don't all become presidents and prime ministers with the ability to put ideas into practice. But we can do the intellectual ground work and the public policy promotion work. The free-market ideas of Milton Friedman, and of Friedrich Hayek, which became so influential after the stagflation of the 1970s, had long since been promoted by various think tanks in the UK and the US and elsewhere. The strategy also worked for socialism, however. They got there first in fact. The British Fabian Society, founded in 1884, waged a battle of ideas to pave the way for the rise to power of the Labour Party 40 years later. The Fabians were realistic enough to recognise that winning the battle of ideas was a slow process. In fact, they named themselves after a Roman general - Quintus Fabius Maximus - who specialised in gradualism and delaying tactics to defeat the Carthaginian general Hannibal. Their symbol was a tortoise.

When the Progressive Party, forerunner of today's DA, was founded in 1959, Harry Oppenheimer said winning elections was less important than the party's role in drip feeding liberal ideas into the bloodstream of the body politic. It took some 30 years before the National Party abandoned its own ideas in favour of the alternatives that liberals had always put forward. Moreover, Helen Suzman started her political career with research at the South African Institute of Race Relations, South Africa's oldest liberal think tank.

One of the biggest battles now lying before us is to push liberal ideas and policies into the economic sphere. Given the demographics of the electorate, the essence of that battle must be to show how liberal economic policies work better for the jobless and the poor. There is plenty of evidence of this from around the globe. This needs constantly to be injected into the public consciousness - a battle in itself given the prevalence of interventionist thinking in the Media, academia, civil society, political parties, and the trade union movement.

Indeed, one of the toughest battles ahead is to get sufficient space in the media to challenge the prevailing ideology of "redress". This ideology has enormous emotional appeal, but it is a leg iron on the economy. It implies redistribution of current wealth rather than the creation of new wealth. It is backward- rather than forward-looking. It has destroyed productive land. It has also undermined law and order, schooling, public health care, and the civil service. In fact, the price of redress is being paid by unemployed people who might otherwise be in jobs. If we want growth, we have to be serious about growth. This means taking the shackles off the economy instead of weighing it down with the burden of history.

Too much thinking about poverty in South Africa - and elsewhere - is patronising and elitist. We have to change this. The poor must be seen not as objects for whom the state does things, but as people whom the state allows to do things for themselves. Let them enter the labour market. Give them vouchers to let them buy education and health care. Stop wasting money subsidising airlines most of them will never fly in. Cut tariff barriers to lower the prices of the clothing they buy. Stop chasing away investors who could push up the country's growth rate and lift them into jobs. We need to show how the poor will benefit from more investment.

So we have a formidable battle of ideas ahead of us! Who is the target market? Everyone, politicians of all parties, civil servants, the media, business, students, and the public at large. You never know where you might find allies. Although many ideas will fall upon stony ground, some will fall upon fertile soil.

Although I said at the beginning of this talk that I couldn't identify too many liberal reformers in the present ruling elite, they must be there. Much of the information about corruption that fills the news pages is leaked to the press by civil servants. That's a start. It cannot but be the case that many public servants are distressed by the manifest failings of the state whose policies they are supposed to implement. Some of those with whom the Institute has discussions in fact admit to failures of key policies. This means that our targets for liberal ideas and liberal policies must include the ruling party.



Reform in South Africa cannot wait for a change of government. And however venal the present ruling party might appear to be, there is plenty of precedent for ruling parties to make dramatic changes of direction. Reform can, of course, be risky: the Shah of Iran tried in 1979 but precipitated a revolution that made things worse. Nikita Khrushchev tried and failed in the USSR. Three British prime ministers tried to tame the unions before Mrs Thatcher came along - and she failed first time around.

But there are also successes. Tony Blair abandoned the British Labour Party's historical commitment to socialism, and all but embraced Thatcherism. The deregulation revolution was started by Jimmy Carter, with airlines, road transportation, and banking. As I have already noted, the dismantling of key aspects of apartheid took place under a National Party government. Under Mikhail Gorbachev, the Communist Party of the Soviet Union embarked on his glasnost and perestroika policies. These were not intended to destroy communism, but they did so. And, of course, Deng Xiao Ping's policy of "communism with Chinese characteristics" means economic liberalisation, the antithesis of communism. With luck, also its nemesis.



So, in conclusion: we are all pretty cynical about political parties and the politicians who lead them. But in the end their own survival is the name of the game. And if that means abandoning failing policies and adopting pie-in-the-sky alternatives, the smart ones will do it. Which is why our job is to make sure that they know, and that everyone else knows, what the alternatives are.



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