

Advocacy Project

MARCH report

The FMF's *Advocacy Project* started operations from the Spin Street offices in Cape Town on 1 March 1997 with start-up funding from the Center for International Private Enterprise (CIPE) and furniture and equipment donated by USAID. This project followed on the work of *Project Transition* which concentrated a great deal of attention on transition issues and particularly on the constitutional debate.

The *Advocacy Project* has once again turned the focus of attention to economic issues. In pursuing the aims of the project the FMF invariably finds itself championing the rights of the unemployed, the poor, the unskilled, the young, small business owners, the previously disadvantaged and others who would be prejudiced by proposed policies or legislation. The FMF differs from most other organisations in that FMF proposals do not include suggestions for the imposition of burdens on the affluent and productive members of society for purposes of attempting to uplift those who may be less fortunate. In fact, FMF proposals contend that a reduction of taxes, legislation and regulations will result in a more rapid improvement in the quality of life of low-income citizens than can be achieved by any deliberate government action intended to bring about the same result.

In evidence to Parliamentary Committees and from other platforms the FMF directors consequently continue to put forward arguments in favour of the following policies they believe will lead to the creation of a peaceful, prosperous and competitive South African economy:

1. Economic freedom leads to faster economic growth and a more rapid increase in per capita incomes

With the aid of the *Index of Economic Freedom* the FMF has provided a large range of audiences, including all the political parties, with the empirical evidence supporting the contention that economic freedom leads to rapid economic upliftment of the population and an increase in per capita incomes. Against the background of this evidence the following valid and crucial question can now be asked regarding any proposed policy or legislation: Will this measure increase or reduce economic freedom?

Some of the concrete proposals which are scheduled to form part of this year's work programme are given below as brief examples of the type of approach that will be followed in addressing the issues identified during the FMF's January strategy meeting:

- 1.1 **Land** – encouraging government to carry out a large-scale land distribution programme, transferring state land to the landless. (See the FMF *Briefing Paper on Housing Delivery* by Leon Louw which describes the proposals. Practical work is being carried out by the Law Review Project on land distribution and the FMF can learn from the LRP's experience in promoting its own proposals.)
- 1.2 **Education** – persuading government to allow private organisations to provide and manage schooling and assist in every way possible to rapidly improve quality and overcome the difficulties created by past policies. (A *Monograph* and *Briefing Paper* on various aspects of this proposal will be prepared and presentations made to a variety of audiences.)
- 1.3 **Privatisation** – Professor Themba Sono has made far-reaching proposals to government on the method of privatisation of state assets and disposal of the proceeds of the sales. (Professor Sono intends producing a *Monograph* setting out his proposals on privatisation as well as on other policy issues.)

- 1.4 **Labour** – The effect of labour laws on small business has already been made clear to Parliament. The *Labour* booklet in the *Laws Affecting Small Business* series makes practical proposals for reform of the labour laws to assist small business.
- 1.5 **SMMEs** – The *Laws Affecting Small Business* series produced by the FMF and published by the Friedrich-Naumann-Stiftung will be used to promote a more business-friendly environment for SMMEs.
- 1.6 **Macro Economic Issues** – The *Economic Freedom of the World 1998 - Annual Report* is expected to be available in May. More than 100 institutes world-wide are now part of the Economic Freedom Network that publishes the *Annual Report*, up from the 11 institutes that formed the original network. As has been done in the past two years the *Economic Freedom Index* will be used extensively to promote economic freedom at the macro level. This will include arguing for:
 - final abolition of exchange controls and controls over capital transactions with foreigners
 - an inflation rate of below 3%
 - reduced government expenditure as a percentage of GDP
 - reduced taxes.

2. The Rule of Law

Strict application of the rule of law in its classical sense is argued for in submissions on Bills coming before Parliament. This means that laws should be general in nature, be applicable to everyone including government, and should not attempt to bring about specific outcomes. Arbitrary decision-making by civil servants is contrary to this conception of the Rule of Law and the FMF therefore argues that bills should avoid granting discretionary powers to the executive branch of government. Legislation should be drafted in such a manner that the law is as clear as possible in order to reduce uncertainty to a minimum.

3. Freedom of Contract

The *Labour* document in the *Laws Affecting Small Business* series suggests that employees should have the right, after counselling by the Department of Labour, to enter into contracts with employers in terms of which they forego privileges granted to them by labour legislation. Such a dispensation would place the decision-making squarely in the hands of the employee and enable the disadvantaged employee to make compensating concessions in order to secure employment. The young, old and otherwise handicapped could benefit from such an arrangement, allowing them at least to get onto the first rung of the employment ladder. This is an example of the importance of the sanctity of freedom of contract.

4. Property Rights

Protection of property rights is one of the fundamental elements of economic freedom. The FMF directors argue that the cause of those who were previously denied the right to own property will be best served by proper protection of the rights of all South Africans to acquire and hold property. Also, the directors contend that any disrespect that is shown for property rights will be detrimental to all citizens in the longer term, including those who initially appear to receive some benefits from the taking of other people's property.

OCTOBER report

Since March 1997, when the Free Market Foundation's Cape Town office was established in Spin Street just five minutes from Parliament, the FMF's *Advocacy Project* has concentrated on the following issues:

- privatisation,
- competition policy,
- macroeconomic policy,
- health, and
- liberalisation.

The FMF's *Advocacy Project* aims to:

- improve existing legislation and encourage new legislative initiatives which will provide a better legal and administrative environment for private enterprise;
- develop a consensus among a broad spectrum of representatives from government, business, academia and the NGO sector regarding the development of the private sector;
- strengthen the ability of the Cape Town facility to influence policies which are important to the private enterprise environment; and
- increase government and public awareness and understanding of the issues relevant to the private sector which are, or should be, part of the legislative debate.

To this end the FMF has achieved the following during the course of the past 15 months:

- led **evidence** on 26 occasions to, for example,:
 - the Parliamentary Portfolio Committee on Housing on the *National Homebuilders Registration Council Bill*,
 - the Commission of Enquiry into the Diamond Industry,
 - the Parliamentary Portfolio Committee on Mineral and Energy Affairs on the *Green Paper: A Mineral and Mining Policy for SA*,
 - the Parliamentary Portfolio Committee on Finance on the *Tax Bill* and on the *Long Term Insurance Bill*, and
 - the Health Care Committee of the Gauteng Legislature;
- held 109 **meetings** with parliamentarians from all political parties and government officials from numerous departments;
- **networked** on 287 occasions with over 70 organisations etc, including:
 - the African Council of Hawkers and Informal Business,
 - the Building Industries Federation of South Africa,
 - the Emerging Business Front,
 - the National Industrial Chamber,
 - the Organisation of Livestock Producers, and
 - the South African Liberal Students Association;
- produced and disseminated 15 **briefing papers** and **comments** including:
 - *Land reform — and rapidly!* by Leon Louw and Jim Harris,
 - *A future for tradeable water rights* by Dr Richard Grant,
 - *Helping the Sick through Innovation in Insurance* by Adrian Gore,
 - *Universities: Conservation or Transformation?* by Mike Truu, and
 - *Whither Competition Policy?* by David Solomon;
- produced and disseminated 9 **monographs** and **booklets** including:
 - *Labour markets and economic growth: Lessons from the UK* by Patrick Minford,
 - *Chronically large federal budget deficits: The American Experience* by Roger Garrison, and
 - the *Laws affecting small business* series which includes *Land, Labour, Licensing, Finance* and *Justice* (to all parliamentarians);

- **disseminated** to those who can influence policy-making 30 books, articles etc, including:
 - *Economic Freedom of the World* (1975-95 & 1997 Annual Report) (to over 100 parliamentarians)
 - James Tooley's *Education without the state*,
 - Charles Murray's *In pursuit of happiness and good government*, and
 - copies of the *South African Journal of Economics*, containing an article on long-term insurance;
- published articles and/or been quoted in the **media** 110 times, for example,:
 - on 28 May 1997 an article in *The Star Business Report* called *SA ranks 50th in economic freedom* which quoted from *Economic freedom of the world 1997 annual report* launched world wide in May 1997,
 - on 1 July 1997 Eustace Davie's article, *Controls exist for overvalued currencies*, printed in the *Business Report*,
 - several articles on *Tax Freedom Day*,
 - the FMF's *Economics for the Faint of Heart* column in the Caxton papers, and
 - numerous articles on the *Laws affecting small business* series.
- convened / attended / spoke at / participated in 79 **workshops / seminars** – most of these at the request of businesses etc – including:
 - On 13 May 1997 Temba Nolutshungu and Leon Louw ran a workshop on *EFW* for 10 Western Cape DTI Economic Affairs members at the request of Chris Nissen, Minister of Economic Affairs and RDP – Western Cape.
 - On 30 May 1997 Leon Louw delivered a paper based on *EFW* findings, entitled *The role of free markets in economic growth*, to the University of Stellenbosch's Bureau for Economic Research. The approximately 100 delegates included economists from business, academia and media as well as government economic advisors.
 - On 22 July 1997 Temba Nolutshungu addressed approximately 45 captains of industry at the launch of a new series of entrepreneurship seminars and workshops. His topic: *The mindset of South African entrepreneurs*. He shared a platform with Western Cape Minister of Economic Affairs and RDP, Chris Nissen.
 - Temba Nolutshungu acted as facilitator (and Eustace Davie attended) at a workshop on the *Basic Conditions of Employment Bill* held at the FMF's Cape Town office on 14 August 1997. As a result of this workshop the Emerging Business Front (EBF) was formed to fight the bill.
 - Temba Nolutshungu and Leon Louw gave an *EFW / High Growth Economies* presentation to the full NP caucus (60 members) on 8 September 1997.
 - From 3 November 1997 through 6 November 1997 Leon Louw attended and gave presentations to the State President's National Small Business Conference. He gave 10 presentations to, on average, 300 people, on local and provincial bylaws and regulations that impact on small business.
 - Leon Louw addressed a Western Cape Department of Trade and Industry seminar on growth strategies for the region / small business creation and promotion on 25 May 1998.