**Quarterly review**

**Free Market Foundation ◼ January – March 2012**

The FMF’s **projects** for 2012 include: energy, job creation, growth, land reform / property rights, health, nationalisation, good law, and red tape, as well as ad hoc issues as they arise.

**Energy**

#### On 29 March, Doug Kuni, Managing Director of the SA Independent Power Producers Association (SAIPPA) and Power Sector Consultant and Baseload Project Manager, Growth Energy of Exxaro, presented Electricity in crisis: Is there a solution? at an FMF in-house event.

#### South Africa faces an electricity crisis which, if left unresolved, will cost the economy further billions. Already mines, manufacturers, property developers and others have to rein in potential expansion. The new power stations, Medupi and Kusile, will not be completed on schedule or within budget and proposed energy-related legislation is more restrictive than existing legislation.

#### The world’s experience shows that private investment and management of electricity generation, transmission and distribution are essential because of the critical role played by competition in ensuring the lowest prices, timely investment, availability of capital, and continuity of supply. A well-functioning electricity supply system has certain essential features: independently owned and operated transmission grid; independent power producers; trade in electricity.

On 30 March, Leon Louw participated in the **Energy policy** breakaway session at the **Department of Energy’s colloquium**.

FMF made **submissions** on two energy-related bills this quarter:

[National Energy Regulator Amendment Bill](http://www.freemarketfoundation.com/DynamicData/Event_53.pdf)

[Electricity Legislation Second Amendment Bill](http://www.freemarketfoundation.com/DynamicData/Event_55.pdf)

**Job creation**

Temba Nolutshungu participated as discussant at the **FW de Klerk Foundation** conference, Paths to Progress, on February 2, where 120 copies of the FMF book, Jobs Jobs Jobs, were handed to delegates.

On March 1, Eustace Davie and Jasson Urbach met with representatives of the **Unemployed People’s Movement** who are eager to persuade government to allow the unemployed to opt out of existing labour legislation which prevents particularly the young and unskilled from obtaining jobs.

You may remember that the 2009 winner of the **Templeton Freedom Award** in the category **Free Market Solutions to Poverty** was the FMF book **Jobs for the Jobless: Special Exemption Certificates for the Unemployed** by Eustace Davie, which proposes a workable solution to South Africa’s mass unemployment problem. The Templeton Freedom Awards for Promoting Liberty is the largest international awards programme for think tanks. The 16 organisations recognised in the 2009 programme represented four continents and 12 countries. Winners were selected from more than 130 applications from 47 countries, by an independent panel of judges – one of whom had this to say about Jobs for the Jobless: “One single idea can be much more powerful than one thousand actions and this is a perfect example”. The single idea referred to by the judge is the proposal that unemployed people should be allowed to decide for themselves what amount of wages and conditions of employment they find acceptable and to negotiate with prospective employers on that basis.

**Labour project funding proposal**

If you would like to make a contribution to our labour project, please print and complete [this form](http://www.freemarketfoundation.com/DynamicData/Event_59.pdf), then email it to Gail Day on [gailday.fmf@mweb.co.za](mailto:gailday.fmf@mweb.co.za).

**Growth**

#### On 29 February, Leon Louw presented National Development Plan 2030: Will it “eliminate poverty” and “reduce inequality”? at an FMF in-house event.

#### The National Planning Commission’s National Development Plan (NDP2030) aims to “eliminate poverty”, “reduce inequality”, and “change the life chances of millions”. The 444-page plan covers the following in 15 chapters: Key drivers of change; Demographic trends; Economy and employment; Economic infrastructure; Transitioning to a low carbon economy; Inclusive rural economy; Positioning South Africa in the world; Human settlements; Improving education, innovation and training; Promoting health; Social protection; Building safer communities; Building a capable state; Promoting accountability and fighting corruption; Transforming society and uniting the country.

***Special Economic Zones***

On March 8, **Leon Louw** attended the **DTI workshop** on the proposed Special Economic Zones Bill and on March 19, he addressed the **Africa Institute of South Africa** on Special Economic Zones usually fail: What can SA do to ensure success?

The FMF made a [submission](http://www.freemarketfoundation.com/DynamicData/Event_56.pdf) to the DTI on the Special Economic Zones policy and bill.

**Land reform / Property rights**  
The 2012 **International Property Rights Index** (IPRI), co-published by the FMF, was launched digitally on March 29.

IPRI ranks 130 nations and 97 per cent of the world’s GDP and reaffirms the **direct relationship between property rights and economic development**. IPRI uses three primary metrics to create a composite score: Legal and Political Environment (LP), Physical Property Rights (PPR), and Intellectual Property Rights (IPR).Most importantly, IPRI stresses the great economic disparities among countries with strong property rights and those without. Nations comprising the 1st quintile enjoy an average GDP per capita of $39,099; more than double the $18,631 average per capita income of the 2nd quintile. The 3rd, 4th, and 5th quintiles average $10,394, $4,655, and $5,149, respectively.

The International Property Rights Index provides a comparative analysis and an instrument for future study to researchers, policymakers, and citizens across the globe. The Index encourages underperforming countries to develop robust economies through an emphasis on sound property law.

**Something you might not know: FMF’s role in 1993 transition to democracy**

South Africa’s Constitutional Court was established in 1994 by South Africa’s first democratic constitution, the Interim Constitution of 1993. The Interim Constitution required the Constitutional Assembly, South Africa’s first democratic parliament, to draft a new constitution to be ratified   
by the Constitutional Court. The Court had to certify that the new constitution complied with the thirty-four constitutional principles agreed upon by the negotiators of the Interim Constitution.

– The FMF made six **submissions** to the Constitutional Assembly on the following topics: horizontal rights, property rights, mechanisms to ensure transparent and accountable government, the bill of rights, direct democracy and community empowerment.

– The FMF produced and distributed a **video** entitled **A Constitution Worth Fighting For**, which dealt primarily with the bill of rights, property rights, the limitation clause, direct democracy and devolution.

– The FMF **networked** with all political parties on the contentious issues outlined in the video. Leon Louw and Temba Nolutshungu met, for example, with the ANC’s constitutional advisor on the proposed bill of rights. They discussed, in particular, the property clause (or lack thereof).

– In July 1996, the FMF **led evidence** in the Constitutional Court on two occasions following its objection to and written submission on the draft constitution regarding: the horizontal application of the bill of rights, property rights, socio-economic rights, the independence of the Reserve Bank, collective bargaining, and the appointment of lay people to courts.

* The FMF was invited to lead evidence on two of the issues to which it had objected: **property** and **socio-economic rights** – both of which had to be argued on the basis of whether or not the specific clauses complied with the constitutional principles stipulated in the Interim Constitution. It emphasised two aspects in respect of property rights and compensation. The first related to the **absence in the draft constitution of a clause entrenching the fundamental right to acquire and hold property**. The second to the provision that the amount, timing and manner of payment of compensation should reflect an equitable balance between the public interest and the interests of those affected, having regard to all relevant factors including “the purpose of the expropriation”.
* **The FMF thus played a decisive role in getting important provisions, such as the property rights clause, into South Africa’s Constitution**.

**Health**

Numerous articles and monographs have been published by the FMF **Health Policy Unit** on the impracticalities and pitfalls of the proposed **National Health Insurance** (NHI). One major impediment: the cost. The state has not released any official data on what the NHI would cover. However, as FMF economist Jasson Urbach demonstrated, if we assume a basic benefit package at a modest R400 per person per month, and a population of 49 million people, the NHI would cost R235 billion per annum. When one considers that total income tax collections amount to only R206 billion per annum, we get some idea of the futility of this ambitious proposal. To fund the NHI through income tax would require the top marginal tax rate to increase from 40% to 74%.

The FMF, in late December 2011, made a **submission** on the [National Health Insurance Green Paper](http://www.freemarketfoundation.com/DynamicData/Event_51.pdf).

***Free trade improves health in developing countries – new study***

In a study, [Healthy Trade](http://www.freemarketfoundation.com/DynamicData/Event_52.pdf), published this quarter by the FMF, authors Urbach, Stevens and Wills analyse data from 170 countries going back to 1975 to find that free trade promotes improved health and welfare, particularly for people in the poorest countries. This finding contradicts popular notions that free trade harms health by promoting economic insecurity, damaging the environment and increasing the availability of processed, unhealthy foods. The economic analysis demonstrates that as the openness variable increases by one unit, the under-one infant mortality rate decreases by 58 deaths per 1,000 births, while the under-five infant mortality rate decreases by 145 deaths per 1,000 births. The study also demonstrates that a one unit increase in the trade openness variable increases the life expectancy of males by approximately five years and seven years for females. The implications are clear: policymakers – particularly those from low-income countries – should continue to pursue trade liberalisation in order to improve the welfare of their citizens.

FMF economist, Jasson Urbach, says: “We have known since the days of Adam Smith in the 18th century that free trade benefits society in general, particularly the poor. Now we have even more evidence that free trade leads to longer, healthier lives and that the greatest benefits are felt by the poorest countries.”

**DVD for sale**

The FMF is in possession of 89 copies of **Sick and Sicker: When the government becomes your doctor** in which Canada’s healthcare system is analysed and some frightening realities revealed. If you would like to purchase a copy (R50 if you collect; R70 including postage), please contact Joan Evans on [je.fmf@mweb.co.za](mailto:je.fmf@mweb.co.za).

**Nationalisation**

In late-January, Temba Nolutshungu and Leon Louw were invited by the Kwasizabantu Mission in KZN to discuss economic policy and nationalisation. Both were interviewed extensively on Radio Ikhwezi, which broadcasts to over 300,000 people in Zulu. They did a presentation to the Mission’s senior staff and school teachers, a brief one to the church members (around 10,000 people), and four to communities in the area.

The Mission has since requested a digital copy of the FMF’s book, Nationalisation, which they are distributing widely.

**Good law**

Leon Louw presented Principles of Good Law on two occasions this quarter: to Prime Meridian on February 9, and to Constantia Insurance on March 14.

**Something new…**

*What is the Rule of Law?,* written by Leon Louw some years ago, is currently being translated by an Iranian fan into Farsi for distribution in Iran. It is also about to be released in China on CD and in a student primer.

**Red tape**

**B-BBEE**

FMF made a **submission** on the [Broad-Based Black Economic Empowerment Amendment Bill](http://www.freemarketfoundation.com/DynamicData/Event_54.pdf) this quarter.

**Liquor**

On March 8, Eustace Davie participated in the breakaway session, Outlet location, density and trading hours, at the **DTI’s Liquor Regulation Conference**. He argued that as townships were the unnatural creations of the apartheid government, residential areas where no business was intended to be conducted, it would be inappropriate to apply regular zoning laws to them now. (If business zoning is required for liquor, it must logically be applied equally to all businesses. With our country’s unemployment rate and poverty, it would be most unwise to officially declare well over one million informal and semi-formal job and wealth creation enterprises illegal.) Eustace suggested that the only way to deal with the issue would be to develop and apply neighbourhood law, and that decision-making should be left in the hands of individual communities.

Temba Nolutshungu’s weekly feature article, [Communities should decide the rules for liquor trading](http://www.freemarketfoundation.com/ShowArticle.asp?ArticleType=Issue&ArticleId=3299), was republished on the leader page of The Star.

**Banking**

On March 13, Leon Louw participated in a breakaway session on the banking industry at the **Tomorrow’s Leaders Convention**. Topics discussed included: the worth of a banker in the context of the global economic meltdown; the occupy movement and the signals it sends; responsible investment (blood diamonds, cheap labour, etc); wealth tax (is it long overdue or does it inhibit investment?); capitalism versus free markets.

**Save these dates**

**April 18**: **Robert Vivian** on competition policy.

**May 15** (17h30): **Special General Meeting** (for paid up members only) to consider and approve the proposed amendments to the FMF Constitution which will make it possible for the FMF to replace the Council with a Board of Non-Executive Directors as the body responsible for the management of the FMF, and, thereafter, to elect the Board.

**May 15** (18h00): **Herman Mashaba** on labour legislation as a cause of unemployment.

**June 20**: **Digby Ricci** on Margaret Thatcher (a review of the movie including discussion of policies).

**July 18**: **Dawie Roodt** (topic to follow).

**An article by John Blundell**

The following article on entrepreneurship in education is worth reading: The Road to Marondera. John Blundell is the author of Ladies for liberty: Women who made a difference in American history, which he wrote as a visiting fellow at the Heritage Foundation. He also serves as Distinguished Senior Fellow at the Institute of Economic Affairs in London.

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**FMF’s message to government**

– Maintain the rule of law and uphold the letter and spirit of the Constitution.

– Provide truly independent, efficient and just law courts with adequate infrastructure.

– Combat crime and ensure sufficient and effective policing.

– Adopt proven free market economic policies to ensure high economic growth.

– Withdraw from the business of business and leave the production of goods and services to private enterprise.

– Reduce regulations and taxes on business and consumers.

– Reduce anti-employment rigidities and compliance costs in the labour market.

– Abolish counter-productive exchange controls.

– Discontinue existing price controls and do not introduce new ones (because they distort markets by causing needless shortages and surpluses).

– Adopt personal and economic freedom as the fundamental basis for living and doing business   
in South Africa.