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National Development Plan
Chapter 3 – ECONOMY AND EMPLOYMENT

Please note: The bullet points below are supported by addendums and attachments.

Growth

– If you want employment, you must have growth.
– If you want growth, you must understand the determinants of growth and you must implement pro-growth policies regardless of whether they meet, in the short term especially, developmental goals.
– Growth requires economic freedom. The cornerstones of economic freedom are: personal choice, voluntary exchange, freedom to compete, and security of privately owned property.
– Aim high: 10% growth is better than 5.4%, and is achievable.

Supporting documentation
Addendum 1: *Growth*
Habits of Highly Effective Countries: Lessons for South Africa by Leon Louw (to be couriered)
Economic Freedom of the World: 2011 South African edition by James Gwartney et al (to be couriered)

Energy

– Growth requires secure and plentiful electricity. 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.

Supporting documentation
Addendum 2: *Energy*
See also FMF submission to the NDP on Chapter 4 – ECONOMIC INFRASTRUCTURE

Jobs

– Growth results in full employment, which in the long run ensures "decent" jobs, increased wages, and improved living conditions. Focus on growth, growth, growth (and therefore jobs, jobs, jobs), not income gaps and decent jobs.

– Job creation should be left to the private sector as government is a net consumer of wealth and can only "create" jobs at taxpayers' expense.

Supporting documentation
Addendum 3: *Jobs*
Jobs Jobs Jobs compiled by Temba Nolutshungu (to be couriered)
Are equal incomes a good idea? by Vivian Atud (attached)

Labour legislation

– First prize: Abolish inflexible labour legislation.
– Alternatively: Exempt the unemployed and SMMEs from inflexible labour legislation; review existing labour legislation.

Supporting documentation
Addendum 4: *Labour legislation*
Jobs Jobs Jobs compiled by Temba Nolutshungu (to be couriered)
FMF submissions on labour legislation (attached)

Government's role

– Government's primary economic role is to create an environment in which the private sector can flourish. This includes less government intervention, legislative certainty, lower taxes, low inflation, sound money, rule of law, security of property rights, an independent judiciary, and impartial courts.
– Stop causing unemployment with inflexible labour legislation, excessive red tape, proposed legislation to zone townships (which could put 1 million informal traders out of business); stop harassing street traders who are trying to feed their families by doing an honest day's work.
– Do not make laws that favour vested interests.
– Do not make laws that allow discretionary powers, increase uncertainty, and encourage corruption.
– A fundamental mindset change is required to understand that government does more for the poor by doing less; government and the ruling party must understand that an economy cannot be "planned" – they must choose freedom over control.

Supporting documentation
Addendum 5: *Government's role*
Jobs Jobs Jobs compiled by Temba Nolutshungu (to be couriered)
Releasing the positive energies of all South Africans by Eustace Davie

Lowering costs in the economy and of government

– Lower costs in the economy by abolishing red tape and subjecting all existing and proposed legislation to cost-benefit analyses.
– Union excesses are costing South Africa billions and ensuring the unemployed remain unemployed: repeal the power to extend statutory bargaining agreements to non-parties; abolish the general unfair dismissal regime – with provisions against victimisation and discrimination remaining in place; introduce mandatory polling (balloting) to limit strikes and, in particular, strike violence; imposite union liability, albeit circumscribed, for injury and loss caused by striking.
– Curtail government spending / expenses by reducing the size of the state, by contracting out services (worldwide this results in a 20-40% reduction in costs), by increasing efficiency, by reducing red tape, by ending corruption, by privatising state owned enterprises (SOEs), and by avoiding legislation (and regulation) that increases the size and role of the state.

- Government should be funders of rather than providers of healthcare and education ie it should fund the indigent (preferably via health and education vouchers) rather than running hospitals and schools, both of which are better managed by the private sector.
- Avoid contradictory policy objectives, even if this is politically unpopular (by way of example: Competition policy).

Supporting documentation
Addendum 6: *Lowering costs in the economy and of government*
Jobs Jobs Jobs compiled by Temba Nolutshungu (to be couriered)
In praise of private infrastructure by Steve Hanke
Good Law Project report
Types of Privatisation report & examples of cost savings
Heart of the Nation by Frances Kendall (to be couriered)

Welfare

- Beware exponential demand and creating a culture of dependency; think *hand-up* not *hand-out*; social grants hinder the entrepreneurial spirit and create a culture of entitlement in which exponential demand can never be met.
- Target the needy more carefully; assist only the indigent via vouchers or smart cards. Allow the poor to generate their own wealth.
- Instead of perpetual welfare with ever increasing numbers of recipients, give poor people (on a strict means tested basis) shares in state enterprises such as was done in the Czech Republic.

Supporting documentation
Jobs Jobs Jobs compiled by Temba Nolutshungu – *The futility of state welfare* (to be couriered)

State owned enterprises

- First prize: Privatise SOEs by giving “democracy dividends” to workers or the poor. Distribute vouchers to citizens on a non-racial means-tested basis that would exclude the relatively affluent. These vouchers would entitle recipients to a specific share in the state industries. The vouchers could be made exchangeable for units in participating unit trusts or directly for shares in particular state corporations, thereby ensuring an interest in a spread of investments.
- Alternatively: End statutory monopolies and allow the private sector to compete on equal terms with SOEs, resulting in lower prices, greater choice, and greater efficiency; make it clear to SOEs that there will be no more bailouts.

Supporting documentation
From poverty to property: Themba Sono’s five steps to real transformation by Themba Sono (to be couriered)

Freedom Zones (Special Economic Zones)

- First prize: Turn South Africa into a Freedom Zone.
- Alternatively: Introduce “offshore” Freedom Zones as opposed to mini-South Africas masquerading as Special Economic Zones.

Supporting documentation
FMF submission on Special Economic Zones (attached)

Taxes

- Understand that ALL taxes are paid by individuals; company tax is paid via lower wages to workers, higher prices to consumers, lower dividends to investors.
- Understand that profits are essential for higher wages, worker benefits, maintenance and expansion, lower prices to consumers, R&D, etc. Do not punish companies (in other words, workers and consumers) for making profits.
- First prize: Do away with all taxes except income tax, which should be low and flat with a generous allowance that excludes the poor. The world's experience promises increased compliance and revenues from low, flat taxes.
- Alternatively: Lower and simplify ALL taxes.

Supporting documentation
South Africa should adopt a flat tax by Eustace Davie (attached)

Land reform and housing

- Free black South Africans from house arrest by removing the pre-emptive clauses (which, for example, prevent recipients from generating an income via their biggest asset) from all RDP title deeds thereby giving 3.4 million black families parity with whites in respect of property rights and transforming "dead capital" into "dynamic capital".
- Think housing vouchers for the indigent rather than building houses for the poor. Recipients could spend their vouchers on upgrading existing shacks in squatter camps (the state could supply infrastructure to shack cities), building their own houses on site-n-service plots allocated to them, renting accommodation from the private sector. This would ensure choice, diversity, and better "spatial transformation".
- By statutory decree, convert all lawfully occupied council-owned urban plots (no-one knows how many, but the number could be as high as 10 million) to full freehold title, thus granting black South Africans the same land rights as whites and releasing around R1 trillion into the economy (assuming 10 million properties worth R100,000 each). While recipients may not qualify for mortgages, as the owners of an asset they will qualify for many other benefits from financial institutions.
- Accurately and honestly identify state owned land, especially "reserve land", and liberate it into the economy by giving it to poor families.

Supporting documentation
See FMF submission to the NDP on Chapter 8 – HUMAN SETTLEMENTS

Mineral resources

- State intervention in the mineral sector, in the form of special taxes and forced beneficiation, is nationalisation in disguise.
- Excessive taxation is bad for any industry including the mining industry (in other words, for employees, consumers and investors); lower taxes (see *Taxes* above).
- Mining companies should not be made responsible for ensuring beneficiation as a condition of mining licenses; the state should not require companies to explore, mine and beneficiate; if beneficiation is profitable, it will attract investors.
- South Africa's ports have more capacity than its rails, in other words, rails create a bottleneck for mines trying to get their goods to market. First prize: Privatise Transnet. Alternatively: Allow the

private sector to utilise the rail network in the same way that the electricity grid should be utilised by independent power producers.

- Free the economy and the mining sector from government (and parastatal) intervention; do not allow Transnet a regulatory role in which it prevents coal exports if Eskom's demands have not first been met by the mines.
- Create certainty for the industry and investors by stating clearly and repeatedly that property rights are enshrined in the Constitution and will not be undermined, either by claiming mining rights are not property rights, or forcing the industry to reduce holdings in companies to below 50%.
- Create certainty for the industry and investors by ensuring officials do not have discretionary powers, for example, the Energy Appeal Board has discretionary powers over 17 issues.
- Ensure energy and water security by allowing the private sector to invest in their provision.

Supporting documentation
Addendum 7: Mineral resources
Undermining mineral rights: An international comparison by Johan Biermann (to be couriered)

Monetary policy

- Governments and central banks are not in a position to create wealth directly – creating money is not creating wealth. Do not increase the base money supply at a higher rate than the increase in GDP.
- Do not debase the rand, which sends confusing signals to entrepreneurs and industry, and creates uncertainty for investors and others.
- Abolish exchange controls.
- Allow the market to determine interest rates.
- Make the rand strong by backing notes and coins in circulation 100% with gold. Persuade BRIC to do the same.

Supporting documentation
Addendum 8: Monetary policy
Real money by Richard Grant (to be couriered)
Exchange controls are an apartheid relic and should be abolished by Jasson Urbach (attached)
SA should think big and establish a gold-backed rand by Eustace Davie (attached)

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Addendum 1: *Growth*

The NDP's observation that "full employment, decent work and sustainable livelihoods" with "improving living standards and … dignified existence for all" can be achieved only if there is a high rate of economic growth, is the core idea, the importance of which cannot be overemphasised. The world's experience shows conclusively that these are two sides of a coin. Social objectives have never been achieved anywhere without high growth resulting in national prosperity. Conversely, there has never been prosperity without these objectives being advanced. The only confusion that arises in international literature on this point relates to inequality. It is often asserted that inequality tends to increase with prosperity. This is a dangerous illusion, which derives from misleading conceptions of "equality", on one hand, and a failure to consider enormous improvements in absolute as opposed to relative conditions for lower income groups.

Poverty and inequality

There is a near universal propensity to speak of the supposed need to eliminate "poverty and inequality". The Commission echoes this phrase uncritically. Unfortunately the phrase is profoundly flawed and misleading. "Poverty" and "inequality" are often used even and unfortunately in scholarly literature as if they are two sides of a coin. It is suggested that there should be little or any concern with inequality and uncompromised attention paid to alleviating poverty, even if doing so increases inequality.

"Poverty" is a dangerously ambiguous term. To most people it means what has been termed to minimise ambiguity "grinding poverty" or "destitution". In its other meaning, poverty is purely a relative term, which should enjoy little or no attention in government policy. Millionaires are poor compared to billionaires, and billionaires poor compared to multi-billionaires. As a relative term, "the poor" in rich countries refer to people who are amongst the wealthiest on earth. The poorest 10 per cent in rich countries would, if they were a separate country, have higher per capita incomes than the richest 10 per cent in poor countries.

There is a destructive tendency in many countries towards obsession with the rich at the expense of concern for the poor. As Abraham Lincoln observed, "You do not help the poor by pulling down the rich". South Africa has not escaped this destructive tendency. There are passages in the NDP which show that the Commission's primary concern is the alleviation of poverty – which should rather be referred to as destitution – than with reducing inequality. It is respectfully suggested that relative incomes should be of no concern and the NDP should target only rapidly improving conditions for low-income people regardless of levels of inequality as measured by, for instance, the gini co-efficient to which the NPC refers. It is extremely probable that any policy aimed at reducing inequality will, in the real world, undermine the prospect of eliminating poverty / destitution as envisaged.

The converse is equally true, namely that policies that benefit the poor will also benefit the rich. The idea that wealth accumulation by a few should be discouraged is an unwitting attack on the poor. Fortunately the NDP in all its references to the need for growth, entrepreneurship and incentives, neither states nor implies that wealth per se at the upper end has to be discouraged except to the extent that it calls for a reduction in the gini co-efficient.

Determinants of growth

The Commission envisages accelerated growth which is ambitious by current standards (5.4 per cent) but modest by what is readily achievable (10 per cent). The Commission calls for policies that will result in such growth without being specific. In other words, it envisages a constructive dialogue on how these targets are to be achieved in practice. It is respectfully suggested that there is no reason why the economy should grow at only 5.4 per cent in the world and the continent in which a growing number of countries are achieving much higher growth rates.

South Africa has had a failed and embarrassing succession of growth and job creation targets. The reason they have not been achieved is simply that they were accompanied by desire rather than policy.

The desire for growth and jobs, and specified targets, do not by themselves change anything. Positive results cannot be achieved by "talking up" the economy. The only way to achieve high growth at 10 per cent or more is to have policies that result in growth.

Policies that are likely to result in general prosperity and ones that are unlikely to do so, are not "rocket science". The empirical evidence worldwide is straightforward and incontestable: general prosperity will result from, and only from, freer market policies (as defined by recognised criteria cited below). Conversely, it is clear that broad-based prosperity and empowerment are extremely unlikely if the economy is relatively unfree.

Notwithstanding rhetoric to the contrary, there are virtually no exceptions. It is mistakenly believed, for instance, that the world's celebrated winners such as China, Sweden, Singapore, South Korea, Uganda, Botswana and Mauritius are examples of non-market prosperity due to successful government intervention in the economy. The fact is that they are either amongst the freest economies on earth (according to recognised and independent indices), or are transforming rapidly towards free market policies. This is not an ideological statement, it is simply a fact.

On the other hand, countries whose economies are objectively classified as less free, or transforming from more towards less economic freedom, stagnate or contract at the direct expense of poverty alleviation. That the poor are the primary victims of low economic growth and interventionism explains why they always and everywhere risk and often lose their lives to flee from less to more economic freedom. Cuba's and Mexico's poor flee to America, whereas America's poor (who are amongst the richest people on earth) never flee the other way. No one escaped from West to East Germany, and no one flees from South to North Korea, India to Pakistan, or Botswana to Zimbabwe.

The empirical and independent evidence for these observations is readily and freely available.[1]

During the twilight years of apartheid, South Africa's score on all indices measuring personal, social and economic freedom declined. Accordingly and predictably the economy stagnated so that per capita incomes in 1994 were, in inflation-adjusted currency, the same as they were a generation before – the majority of South Africans had experienced no improvement in living standards for 25 years. After 1994, the government, to its credit, pursued policies that modestly improved our scores on all relevant indices and we were rewarded by a decade of growth. Unfortunately, positive trends on all relevant indices plateaued and started declining around 2007. This, as opposed to the so-called international financial crisis, is the most probable explanation for retarded growth and increased unemployment in this

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[1] The single most important lesson from the world's experience is that countries with high or rising scores on the following policy indices tend to outperform countries with low or falling scores:

- Competitiveness Index (WEF) www.weforum.org/issues/global-competitiveness
- Corruption Perceptions Index (TI) http://www.transparency.org/policy_research/surveys_indices/cpi
- Democracy Index (EIU) http://graphics.eiu.com/PDF/Democracy_Index_2010_web.pdf
- Doing Business Index (WB) http://www.doingbusiness.org/rankings
- Economic Freedom Index (WSJ-Heritage) http://www.heritage.org/index/
- Economic Freedom of the World Index (Fraser-EFN) http://www.freetheworld.com/index.html
- Freedom in the World Index (FH) http://www.freedomhouse.org/template.cfm?page=15
- International Country Risk Guide (ICRG) http://www.prsgroup.com/prsgroup_shoppingcart/pc-39-7-internationalcountry-risk-guide-icrg.aspx
- International Property Rights Index (IPRA) http://www.internationalpropertyrightsindex.org/
- Habits of Highly Effective Countries: Lessons for South Africa (Habits) http://www.policynetwork.net/development/publication/habits-highly-effective-countries-lessons-south-africa

These indices draw on about fifty recognised measures of what governments do, covering such issues as how big they are, to what extent they control and redistribute wealth, how much tax they extract, and whether they apply the rule of law. Indicators of success and failure are scores on recognised measures of outcomes, namely, human and environmental welfare. There are about two hundred such measures, and countries with high scores on policy indices – that is countries with more political, civil and economic freedom – tend to have high scores on welfare indices. Worldwide, prosperity and freedom tend to coincide.

country. Amongst the reasons why the financial crisis cannot be regarded as a determinant is that it is a crisis confined to a minority of the world's countries, namely (a) those few that were heavily invested in sub-prime mortgage derivatives, and (b) a few European countries with a "sovereign debt crisis" (that is to say, countries whose governments are insolvent due to profligate financial policies).

If the government is serious about ending poverty, it should set as a firm national goal the attainment of improved scores on the indices listed in the footnote above. To do that, the government should reverse the deluge of regulation and red tape that has characterised the past few years, familiarise itself with the specific components of the indices, and resolutely implement reforms shown to be statistically significant in the definitive analysis that compares the decisive determinants of prosperity internationally with South Africa.[2]

The NDP espouses lower population growth rates. We point out that the idea that the rate of population growth detracts from the rate of economic growth and job creation is a myth derived from a false assumption of a static economy in which a fixed cake is to be divided amongst fewer or more people. This is not the place to elaborate on more sophisticated aspects of population income and demography and it is suggested the NDP should not concern itself with the matter. The fact is that countries' economic growth rates sore or plummet depending on their economic policies regardless of demography. Myths regarding population and welfare coincide with such myths as country size or natural resources being significant determinants. No more than a casual glance at changes in economic growth and employment rates in well-known and more obscure countries is necessary for it to be clear that countries like Mauritius, Hong Kong, China, Argentina, Ghana and many others can shift virtually overnight from stagnation to prosperity with no demographic change. Dramatic shifts in a country's fortunes have one cause and one cause only, namely economic policy, and always and everywhere countries with higher scores on economic freedom indices outperform ones with lower scores.

In the real world there is nowhere else to go. It appears from the modest language in the NDP that the Commission, or at least most if its members, are aware of this. What the country needs in its present desperate crisis is for this to be spelt out loudly, clearly and unambiguously. The country cannot afford beating about the bush. The government knows from the world's experience what it needs to do and it should get on with doing so resolutely. The modest shift from the centrally-planned, regulated and largely nationalised apartheid regime towards a market economy ended a generation of stagnation and resulted in decent rates of economic growth in the mid-1990s. Instead of reversing what has been achieved the time has come for the government to build on its own early success and to do much more of what it has already shown to be effective.

Preface to the South African Edition of Economic Freedom of the World

As the cry goes out for "Economic freedom in our lifetime", it is crucially important we share a common understanding of the idea. This is not an easy task. Commentators across the ideological spectrum claim the term as their own, or attribute different meanings to the words.

Isaiah Berlin, for example, framed the debate in terms of 'positive' and 'negative' freedoms. Positive liberty expressed the idea of being free to accomplish the goals one sets for oneself, or the degree to which that is possible. Negative liberty, on the other hand, he defined as freedom from restriction or coercion by other people. It is a more restricted form of freedom, and includes don't steal, don't commit fraud, don't harm others and so on.

Positive liberty can lead to claims for social rights such as housing, education and health care. Social rights that a government can provide only because they are paid for by other members of society. If you have the right to a house, someone has to pay to provide the materials and time required to build that house. Similarly, with health-care, education, or the growing number of other claims laid against the state. If you believe that these claims are valid, it's difficult to know how far government would go before there would be no more taxes it could impose.

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2 Leon Louw, *Habits of Highly Effective Countries: Lessons for South Africa*, http://www.freemarketfoundation.com/downloads/Habits_of_Highly_Effective_Countries.pdf.

The classical liberal view of economic freedom is narrower. It takes the long-standing, human tradition of private property and argues for its incorporation in political institutions. Under the classical view, individuals are free to trade their private resources with other similarly free agents, without restriction from third-parties.

These two definitions of economic freedom are miles apart, and are the two extremes that fuel contemporary political debate. To inform this debate, it's important to understand what each definition of economic freedom would have as its result. It was this question that inspired the development and continued publication of the Economic Freedom of the World report.

It is two decades since Michael Walker of the Fraser Institute in Vancouver debated this idea with the great economist Milton Friedman and agreed that a formal definition – suitable for academic analyses – was required. Today this definition finds expression in a report that draws its data from credible and public reports – such as the World Bank Development Indicators and the Global Competitiveness Report – and incorporates this data into a useable index with five important categories.

The categories answer a simple question: To what degree does the individual decide (or to put it another way, to what degree does the state intervene) in certain economic decisions? The category headings are (a) Size of Government (b) Judicial Systems (c) Sound Money (d) Freedom to Trade with Foreigners, and (e) Regulation of Credit, Labour and Business. All these categories analyze, from slightly different angles, the degree to which we are allowed to hold property and trade it with others.

In 2011, South Africa continues its trend toward higher levels of government intervention and slips four places further down the Economic Freedom rankings to 87th. Top of the freedom list is Hong Kong, Singapore, New Zealand, Switzerland and Australia. Significantly, the United States drops two places to 10th. At the bottom of the list we find Democratic Republic of Congo, Angola, Venezuela, Myanmar and Zimbabwe.

The 2008/2009 period was particularly dramatic in economic terms as governments transferred massive financial debts to their own books and attempted interventions on an unprecedented scale. These actions may be viewed harshly by future generations as the sovereign debt crisis plays itself out. The increased level of intervention shows up in lower scores across the board in this year's report. The World score for 'Size of Government' has fallen from 6.4 to 6.3. More importantly, 'Freedom to Trade with Foreigners' fell from 6.7 to 6.5 – a portent of protectionism, tried and failed during the last great depression.

Unfortunately, South Africa continues its 50 year-old tradition of heavy-handed state intervention. We rank 113th in terms of Size of Government. The large involvement in the economy by our parastatals and relatively high tax rates contribute to our poor ranking in this category.

South Africa drops an incredible 55 places to 107th in the regulation of private credit — a function of our National Credit Act. We also remain poor performers relative to the rest of the world in terms of labour law. In the Hiring and Firing category, we rank 123rd. For Collective Bargaining, we're 119th, and Bureacracy Costs leaves us at 103rd. If nothing else, these results show that the entire country is being harmed by the amount of red-tape imposed on its entrepreneurs.

The FMF makes its own contribution to the Economic Freedom of the World project in the form of a software program, included in disk form with this report. The program is also available from the web site www.freetheworld.com.

All the data available from the report is present in the software version. For the last two years it has also included the entire set of data from the World Bank Development Indicators. This software makes it easy for researchers to test the economic freedom variables against real-life outcomes. For example: Does more economic freedom create longer, healthier lives and higher levels of income? (The answer – by the way – is yes to both.) Using statistical correlation, we can learn from those countries that have implemented successful policies, rather than those that continue to increase the role of their governments to the detriment of their citizens.

The Economic Freedom of the World report plays an important part in the on-going debate about our political institutions and the role government should play in our economic lives. South Africa should carefully monitor its policy options in light of the devastating poverty and unemployment so prevalent in our society. Though history plays a role, it cannot be perpetually blamed for disappointing policy.

Addendum 2: *Energy*

Although there are references to the need for additional electricity generation, the Commission does not appear to be aware of how serious the problem is. Regarding it as a looming national catastrophe, is no exaggeration. The simple fact is that none of the growth, employment and other targets in the NDP are possible without rapid and substantially increased electricity generation. The blackouts in 2008 cost the country R120 billion. Few people realise how pervasive the impact has been and will be indefinitely into the future in the absence of fundamentally changed policy.

A shortage of energy and energy insecurity means not just fewer mines – the NDP envisages more – and existing mines producing less, but less of everything else: less property development, factories, appliance sales, low-cost production and consumption, less agricultural development. Energy saving measures such as turning off geysers, using low-energy lighting, better insulated houses, offices and factories, hybrid cars and the like are often misleadingly spoken of as if they are innately virtuous. They aren't. They are higher cost, wasteful and inconvenient ways of doing things.

Unfortunate though this is, it pales into insignificance compared to the absolute cap imposed on all the objectives in the NDP by the electricity crisis. From an environmental and cost perspective billions of rands have been invested in greenhouse gas generating liquid fuel capacity to cope with blackouts in thousands of factories, office blocks, farms, shopping centres and private homes. Every one of these and every litre of fuel is pure loss to the economy and impacts disproportionately on the outlook for the destitute and unemployed. "Faster economic growth and higher investment and employment" are simply impossible without adequate, reliable and competitively priced electricity.

The Commission calls for "Eskom's system operator, planning, power procurement, power purchasing and power contracting functions" to be transferred to an (ISMO), and for "accelerated" Independent Power Producers (IPPs). Given the calamitous state of affairs this should be and was until recently acknowledged by the government as a *sina qua non*. However, the new Act appears to reflect a shift in the opposite direction namely towards making only minor changes to the *status quo*. Unless the Commission's recommendation is implemented, and unless it is regarded as a first step towards more substantial long term pro-market reform, everything else the Commission proposes has zero prospect of attainment.

Climate change

Calling for rational and responsible environmental policies is often confused, usually maliciously, with scepticism or denialism. We are an economic policy and not a science institute. As such we take no position on scientific aspects of climate change debate. We do encourage the government to take the debate seriously, especially in view of the fact that a growing number of scientists are concerned about the politicisation and the ideologically motivated manipulation of science.

If we are to achieve high economic growth, job creation and poverty alleviation, it is important for the government to keep a cool head on the matter of global warming. The reason why terminology has shifted from "global warming" to "climate change" appears to be that global warming predictions have simply not materialised. The new terminology embraces anything and everything that could happen to the environment and, by definition, suggests no particular environmental policy. There has always been and will always be climate change.

Whatever the truth about climate science and all the uncertainties surrounding it, there are certainties regarding the economics of the matter. The most obvious certainty is that every measure intended to change our effect on the climate comes at a cost – there is no such thing as a free lunch. Unfortunately, the cost of climate change policies tends to be enormous. We encourage the Commission to pay more attention to this aspect of the matter. At what cost to the country, especially the poor, are we to adopt emissions and other controls, to generate energy by means of "renewables", and so on?

Most "environmentally friendly" policies are not only extremely costly, especially for developing countries such as ours, but tend to be imported unquestioningly from the world's richest countries. We must ensure that we do not become the victims of a new kind of colonisation and imperialism, which has aptly been called “eco imperialism”.

Addendum 3: *Jobs*

Economics of job creation (extract from Jobs Jobs Jobs)

There is widespread denial about the fact that labour laws cause unemployment because they increase the cost, risk and difficulty of employing people. There are no 'free lunches'. All benefits have costs, and the cost of making things better for people with jobs through protectionist labour laws is that things are made worse for people without jobs. Mandated 'living' wages and 'decent' jobs for some subject others to zero wages and destitution; one person's minimum wage is another's zero wage. The choice for less-preferred workers is not between high pay and low pay, but high pay and no pay.

There is no need to 'create' jobs; jobs exist to the extent that there are unsatisfied human desires. All policy-makers have to do is discontinue measures that separate the people with jobs from people wanting jobs. Labour is no 'special case'. It is subject, like everything else traded, to the 'price mechanism', whereby people buy less of what costs more. The only way to have full employment and high wages (with splendid working conditions) simultaneously is to have pro-market policies with more investors increasing demand for labour.

Labour policy, in particular, and economic policy in general are the main determinants of high or low rates of unemployment and economic growth. Since policies are a matter of choice and not destiny, the government and the electorate decide whether their country prospers or stagnates.

Ironically, the most vocal critics and enemies of people who create wealth and jobs (employers) tend to be people who do neither (government and trade unions).

Public sector employment

Any nation needs a certain number of government employees in order to function. However, there is an insidious notion that government job creation actually generates an increase in employment. Indeed the NDP states, "The public service typically plays an important role in employment creation". Rarely does the public debate focus on how employment in other sectors is affected when the government draws these individuals from productive sectors of society. These effects are important but, unfortunately, less visible because they are spread among hundreds, if not thousands, of employers.

More importantly, government itself is not a producer of any real wealth. To get its hands on any funding for infrastructure or any government programme, the government first has to divert it from wealth-generating activities. This undermines the real wealth generators and weakens the whole wealth-generation process. Indeed, government revenue is derived from three sources: taxpayers, the central bank and borrowing. Drawing on each of these sources to finance the public sector wage bill is not without its problems. In simple terms taking increasing amounts of money from taxpayers penalises productive and efficient entities in the economy. If the central bank is asked to provide easy money the likely consequence is inflation (which disproportionately affects poor people). And borrowing money has long-term debt repayment implications.

As a nation, we undoubtedly need government employees for such things as national defence, police protection, and administering our court system. But it is a fallacy that government can reduce unemployment by employing more individuals in the civil service or by instituting special programs. Government needs to reduce spending and taxes in order to leave income in the hands of individuals who earned it and who can spend it much more efficiently than the government can.

Public Works Programme

The Commission calls for a broadened public works programme to "cover 2 million full time equivalent jobs by 2020". We point out that the assumption that a public works programme is good for its employees means that employment under identical conditions in the private sector would be equally virtuous. It should be a non-negotiable condition of labour policy that there are no differential conditions for government and private employment.

Addendum 4: ***Labour legislation***

Unemployment and labour law

The NDP mentions but does not elaborate the need for labour policy to be addressed if its job creation targets are to be met. Given the climate of opinion, the participative nature of the Commission itself, and the powerful vested interests in existing labour policy, the Commission's timid approach is understandable, but if it and the government are serious about a substantial reduction in unemployment, they will have to confront the reality that existing labour policies increase the cost, risk and difficulty of employing people to such an extent that substantial job creation will not happen. Labour policy is reminiscent of the "king has no clothes" parable. Every informed person knows that the high rate of unemployment is due primarily to labour policy for the benefit of people with jobs at the expense of people without jobs, yet almost no-one is willing to say so. Most people skirt the issue and beat about the bush in the vain hope that a miracle will occur.

Given the tenacity of the problem, a practical and potentially politically acceptable compromise has been proposed by Eustace Davie in *Jobs Jobs Jobs*, namely to forget about the ongoing dialogue regarding wages and working conditions for the employed. That occurs between two less relevant parties, employers and employees, to the exclusion of those about whom the Commission anguishes, the unemployed. Davie's proposal is that the government concerns itself with the latter by a simple yet effective mechanism, namely to grant job seekers an exemption certificate from labour law that entitles them to take whatever employment they wish. Although the right to work should be an absolute right, there will be predictable those misplaced concern about "exploitation" of people with exemption certificates. To placate this concern, Davie suggests departmentally specified controls such as the minimum period for which people must have been unemployed, the minimum conditions on which they may take employment, and the maximum period for such employment. He spells out compellingly what additional benefit there might be such as youth, over half of whom have never had a job, gaining on the job experience that will render them more employable subsequently without the need for exemption.

There ain't no such thing as a free lunch (extract from FMF submissions on labour legislation

The discourse on labour law and policy tends to focus on details at the expense of basic truths. Arguably, the only "law" of economics that is incontestable is that "there ain't no such thing as a free lunch" (TANSTAAFL). The implication of this law is of critical importance in South Africa since it is seldom acknowledged, especially in the context of labour. An inescapable fact is that all benefits have costs and that the benefit of improved working conditions, wages and job security is achieved by having fewer jobs, less investment, lower growth, substitution of technology for labour, and worse conditions for all nonformal employment. President Zuma has declared job creation as the leading national priority. Economic theory and the world's experience suggest that all the jobs he envisages can be created with relative ease and certainty. The challenge is not how to increase employment, but whether the government is willing politically to implement measures that will do so.

The measures necessary to increase employment are mercifully straightforward yet lamentably difficult to achieve politically. Laws and policies that increase the cost, risk and difficulty of employing people, as the proposed measures do, necessarily have benefits for a privileged few at the expense of the unemployed and prosperity in general.

Given the priority of job creation, our proposal is that the existing measures should not be considered for implementation in isolation, but that the government should undertake a comprehensive review of laws and policies, and retain only those that will reduce unemployment immediately and improve working conditions, incomes and job security by virtue of increased demand for labour rather than draconian legislation.

Increased demand for labour, namely conditions that promote capital formation, skills, and the desire for hiring more employees, is the only sustainable means of achieving two otherwise irreconcilable objectives: more jobs and improved working conditions. In a static or low growth economy, one of these can be achieved only at the expense of the other and both can be achieved only under conditions of economic prosperity.

It is therefore recommended that the envisaged measures not be proceeded with. Instead they should be included in a comprehensive response to the President's call for "jobs, jobs, jobs". It is recommended that the government include in such a comprehensive policy review, not only all existing and proposed labour law and policy, but all other measures that are of direct relevance. Such other measures include the proposal repeated by the President in his two State of the Nation addresses, by Minister Ebrahim Patel and others, that there should be a review of laws and policies impacting small business so that it is easier for small business to operate and prosper in general and so that small businesses create more jobs in particular. Comprehensive review of measures to increase employment should consider all disincentives to savings and investment, both by local and foreign investors.

There are two broad categories of policy available to government if it wants to create jobs. The first is to discontinue measures that discourage and penalise employment, and the second is to implement new measures that encourage and reward employment, including self-employment.

South Africa's labour laws in an international context (extract from Jobs Jobs Jobs)

South Africa's labour market competitiveness is lagging behind the developing world. The World Economic Forum ranks South Africa as the 7th-worst country out of 139 countries in the world in terms of its labour laws and regulations. This has created two significant problems for the country: the highest unemployment rate in the world (because labour laws and regulations do not promote job creation) and low rates of economic growth (because South Africa's labour force is unproductive in comparison with its peers, the rest of the developing world).

Two sets of laws are particularly problematic. Firstly, collective bargaining (i.e. the legal process by which business, trade unions and government agree on wage escalations, as opposed to market forces) has caused wage escalations to exceed labour productivity growth over the past 15 years. Secondly, dismissal protections (i.e. legal protections afforded to employees that protect them from dismissal despite performing poorly on the job) have caused labour productivity, on average, to be very low. In order to boost employment and raise economic growth rates, South Africa requires changes to labour laws and regulations that would promote high labour productivity and a concrete, market-based link between productivity and remuneration.

The labour market in South Africa is politically sensitive for many historical reasons. The system of apartheid started as a government policy to exclude blacks from the labour force, so apartheid was, in its essential form, a highly restrictive labour policy. Liberalising the labour market is viewed with great suspicion, especially by black trade unions, which fear that liberalising reforms will revive the apartheid labour system. But the apartheid labour system was not a free market system by any measure. In fact, South Africa has not had a relatively free labour market since the 1890s.

Addendum 5: ***Government's role***

Effective and capable government

The NDP uses strong language to describe government inadequacies in important contexts. What is missing, with respect, is a proposal that this is inevitable if government tries to do too much, especially when it does what private people and private companies are perfectly willing and able to do adequately and efficiently. A big part of the solution is to confine government to legitimate "core functions", and in those functions to outsource competitively. Government should simply get out of doing that for which it is manifestly unnecessary such as broadcasting and airlines. Both divesting government of what there is no need for it to do and outsourcing what it retains constitute phenomenal opportunities for B-BBEE.

Hong Kong's remarkable solution to mass unemployment (extract from Jobs Jobs Jobs)

Hong Kong, a former British colony and now a special administrative region of China, demonstrated to the world how economic freedom reduces high unemployment and brings about numerous other benefits. The region has a history of applying policies that are consistent with economic freedom and this has had substantially positive economic consequences for its people and helped the territory to overcome formidable difficulties such as having to accommodate thousands of refugees who had fled from China and Vietnam.

We find in Hong Kong a deliberate effort to remove government's heavy hand from economic activity so as to allow entrepreneurs to innovate and employ the country's human and material resources to the best advantage of all concerned. The results have been spectacularly successful and worthy of emulation. The 'economic miracle' of high growth and development absorbed the huge number of unemployed refugees at such a rapid rate that, by the 1980s, employers were complaining of a shortage of labour.

In a 1998 article, renowned economist Milton Friedman reported that "in 1960 ... the average per capita income in Hong Kong was 28 per cent of that in Great Britain; by 1996, it had risen to 137 per cent of that in Britain". He concluded that "the only plausible explanation for the different rates of growth is socialism in Britain, free enterprise and free markets in Hong Kong".

It seems clear that if South Africa had, in 1960, adopted and continued through to today a similar level of economic freedom to that followed by Hong Kong, South Africans could have had an average GDP per capita comparable to that of Hong Kong and no mass unemployment.

Hong Kong's economic history vividly demonstrates that with the right policies in place an economy will grow rapidly. It also demonstrates that entrepreneurs, except if they are prevented from doing so by statutory barriers, will employ all available labour.

Addendum 6: ***Lowering costs in the economy and of government***

Red tape

The NDP stresses the "need to lower costs in the economy, especially as these costs contribute towards limiting employment growth and raising costs for poor households". The NDP does not mention specific ways of lowering such costs except by way of a few general propositions that may lower costs such as unbundling Eskom.

Recent economic policy has been characterised by a deluge of cost-raising measures that are especially devastating for poor households and anti-employment. If NDP objectives are to be achieved, it is essential, as the document itself states, for government to attack specifics honestly and resolutely. General amorphous propositions are not enough. Some of the measures that will have to be addressed will not be easy for government because they have been introduced recently in the obviously mistaken view that they are in the interests of stated beneficiaries. The measures to which we refer are those that have swamped the economy with massive and costly amounts of red tape, and increased cost, risk and difficulty of doing business enormously.

The most fundamental point of economics, that all benefits have costs, has to be faced head on. The inescapable fact is that all benefits in such measures as FICA, FAIS, NCA, CPA and various labour laws, impose enormous costs which impact on and are passed disproportionately if not exclusively to the unemployed and the poor.

Of course we realise how politically difficult it will be for government t critically re-examine the enormous cost-raising impacts of these and other recent measures, but the tough reality is that their adverse impact on prosperity in general and the poor and unemployed in particular means that NDP and government policy objectives cannot be taken seriously and cannot be achieved without such measures being scrapped or relaxed to a large extent.

Small business

The NDP envisages policies that will boost "entrepreneurialism", creativity and enterprise. A precondition for this to happen is for the deluge of regulation and controls that have characterised recent years to be stopped and reversed. The New Growth Path announced a red-tape alleviation policy, as did President Zuma in his state of the nation address.

In fact the opposite has happened. The consequence has been that South Africa is declining on the Doing Business Index. The problem with most calls for red tape reduction is that they remain abstractions. We are not aware of a single instance in which specific examples have been mentioned accompanied by concrete proposals. If this serious matter is to be addressed, and entrepreneurship is to flourish in South Africa, specifically for small businesses owned by black South Africans, we need to move beyond generalities into specifics. To that end we mention three illustrative examples: the Consumer Protection Act (CPA), the National Credit Act (NCA), and the Financial Advisory and Intermediary Services Act (FAIS). We mention these three specifically because they are relatively new and they have been virtually unanimously lauded as heaping benefits on consumers.

It would be easier for us to mention examples inherited from the past, but we believe it is important to stop the process of burying our heads in the sand. The most recent of these, the CPA, is praised by virtually all commentators by virtue of its seemingly lavish benefits for consumers. We are unaware of a single commentator asking the most fundamental question, namely at whose cost do consumers get these benefits. The knee-jerk response might be at the cost of unscrupulous suppliers. But this is not so. The rate of return for businesses is not going to go down. It will stay roughly the same as it has always done. In short, every benefit enjoyed by consumers is paid for by them and the question to be asked is whether consumers would be willing to pay the price if they knew that that is what they are doing.

Consider one of the provisions in this context, namely the prohibition of *voetstoots* sales. This has the seductive though disastrous effect of every product bought by a consumer carrying a full warranty against defects at the time of sale or arising within six months. We could provide the economic analysis of this, but use instead an anecdotal illustration. Before the Act, a peasant farmer in a rural area of KZN could purchase an old “bakkie” for R10,000 on the understanding that the small used vehicle dealer would not be responsible for defects. The peasant farmer would be free to pay more in order to get a warranty or to rely on his or her knowledge of vehicle maintenance and repair and/or local “backyard” mechanics using cheap used parts. The Act has the unavoidable impact that it is no longer viable to sell the vehicle for less than substantially more, perhaps R50-60,000. In other words, the Act completely and fatally prices low-income consumers out of the market. Apart from the direct economic impact, there are secondary economic and social impacts. Low-income people are rendered less competitive and productive, and people will use unsafe vehicles for longer rather than trading them in.

A predictable impact of the Act is that the market for trade-ins and used equipment of all kinds, not just vehicles, from microwaves to mining equipment, is going to contract dramatically. It no longer makes sense to trade in a vehicle because the price paid to the consumer will now be substantially less than can be obtained by a private sale where *voestoots* is allowed. This will not only devastate the used product market for suppliers and consumers, but subject consumers to extraordinary inconvenience and inefficiency. They will now have to find buyers themselves by whatever means they can and will get much less for what they sell.

Other provisions of the Act have similar anti-consumer and anti-small business impacts such as consumers being forced to pay for the risk and cost to suppliers of cooling off periods. It is important to appreciate that none of this has a significant impact on high-income consumers. They will scarcely notice the new law except when they want to abuse suppliers, which they will be able to do by virtue of their greater sophistication and knowledge of the law. Less sophisticated consumers will be unaware of the law and be in no position to enforce their so-called “protection”. The only implication of the law for them is that they will be paying much more than they would otherwise have done.

Regarding the NCA, its effects are similar. It has often been observed that during the months preceding the Act there was a deluge of credit extension. The reason was simply that the credit providers wanted to enter credit agreements before the Act came into effect. Again, high income people will be unaware of any significant impact. For low income people it is a different story entirely. The greater cost, risk and difficulty of granting credit has the necessary and unavoidable impact of driving low and middle income people out of the market for credit. For them, the doors have shut. They have been driven back into the hands of loan sharks that characterised apartheid era credit laws.

The government should be wary of being told by established financial institutions that they welcomed the law. What they welcome is that “fly-by-night operators”, “loan sharks”, “bucket shops”, and “rats and mice” have been driven from the market. Such derogatory terms are in truth synonyms for small, innovative, dynamic and competitive enterprises which the NDP wants to stimulate. In addition, they have not been driven from the market at all, instead they have been driven underground into the illegal and “informal” sector.

The FAIS Act also raises the cost, risk and difficulty of providing financial products and services, which means that all marginal businesses, products and consumers are driven from the (lawful) market. The underground, informal and black markets that are boosted by such policies, serve the interests of unlawful operators, but they are no substitute for legality not only for the obvious reasons, but because such measures reduce the absolute size of the market and thus the economy at the disproportionate expense of the poor.

We repeat that these are recent illustrative examples. There are literally thousands of statutes, regulations, ordnances, by laws, proclamations, directives, guidelines and the like that should, along with the three measures mentioned, be critically and systematically re-examined and subjected to a regulatory impact analysis.

Cost benefit analyses (extract from Good Law Project report)
The feasibility/desirability test is an aspect of modern jurisprudence, and entails not only a cost-benefit analysis, it encompasses, *inter alia*, the notion of compliance costs and the State's capacity to enforce the law. All new laws should be subjected to a cost-benefit analysis prior to being tabled.

Fixing the laws that govern the labour market (extract from Jobs Jobs Jobs)
The solution to our terrible levels of unemployment lies neither in systems of exemptions, whether for young people or others, nor in an 'Economic Codesa'.

Deeper structural changes to our labour law are required, but this will only be a part of the solution – monetary and fiscal policy is equally important. The proposals may not resonate with the Tripartite Alliance, but they help us to understand the work we still have to do if our levels of employment are to improve.

There are four fundamental changes required to our labour law:

- The repeal of the power to extend statutory bargaining agreements to non-parties.
- The abolition of the general unfair dismissal regime – with provisions against victimisation and discrimination remaining in place.
- The introduction of mandatory polling (balloting) to limit strikes and, in particular, strike violence.
- The imposition of union liability, albeit circumscribed, for injury and loss caused by striking.

Only by these means will we liberate the unemployed from the burdens cast on them by big capital and big labour.

Privatisation / contracting out (extract from Types of Privatisation report)
Government may reduce its cost of providing a service in three main ways:

1. **Disengagement** – government simply stops providing the service. This ought to be considered first, as it offers the largest savings. Where a residual real need for such a service remains, private sector entrepreneurs then move in to meet that need.
2. **Partial privatisation by contracting out** – a local authority establishes with a private organisation a contract to provide a service. The contract regulates the standard of service. The local authority remains responsible and accountable to its constituents for the service that is being provided. The local authority may or may not continue to collect rates, taxes and other fees directly from the community – such collection can also be contracted out. (Worldwide, contracting out results in 20-40% reduction in costs to local governments.)
3. **Full privatisation** – government transfers a public entity, activity or property permanently to the private sector, but may decide to regulate aspects of service delivery.

Competition policy
The NPC is correct in its belief that South African companies need "closer alignment" to be efficient and competitive. However, our competition policy, in its efforts to both promote lower prices for consumers *and* "promote greater spread of ownership", has snowballed to the point where it has arguably become anti-competitive. There are many popular myths regarding its recent work, the best known of which is the widespread belief that it protected consumers from high bread prices by imposing a R1 billion fine on a company that supposedly "fixed" the bread price. What the Competition Commission did, in fact, was to curtail selling bread more cheaply.

In poultry too, for instance, independent producers established "closer alignment" with the sole purpose and effect of increasing efficiency and lowering prices by such measures as joint buying and marketing. This was prohibited with the effect that independent producers have been disadvantaged, marginal producers put out of business and prices to consumers increased.

The NPC is correct that South African companies should cooperate to be locally and internationally competitive and efficient. In order for that to happen, competition policy needs to be seriously reconsidered. Competition policy has, in our respectful opinion “gone off the rails” by being obsessed with business structure and behaviour. It should instead be exclusively consumer focussed in that any form of inter-company collaboration that is intended to increase competitiveness, thereby benefiting the consumer, should be allowed.

The Act governing competition policy states that the purpose of the Act is:

- To promote the efficiency, adaptability and development of the economy.
- To promote employment and advance the social welfare of South Africans.
- To expand opportunities for South African participation in world markets and recognise the role of foreign competition in the Republic.
- *To ensure that small and medium-sized enterprises have an equitable opportunity to participate in the economy.* (Likely to result in higher prices for consumers.)
- *To promote greater spread of ownership, in particular to increase the ownership stakes of historically disadvantaged persons.* (Likely to result in higher prices for consumers.)

Addendum 7: Mineral resources

The NDP wants the country to benefit from soaring natural resource demand worldwide. Changes in mineral and mining policy in recent years coincided dramatically and tragically with the opposite, namely reduced investment, production, employment and foreign exchange earnings. Current debates regarding the security of minerals, of mine ownership and investment, and threats of increased measures to "milk" as much revenue as possible, are acknowledged, though not in such direct terms, by the Commission to be counterproductive. With reckless talk about nationalisation seemingly behind us, or at least receding, the time has come for the government to announce bold and firm policies to make investment in mining and mineral production lucrative and secure. We have already missed the recent minerals boom, and as the Commission states, we must ensure that we do not miss the next bonanza.

Beneficiation

The NDP calls for increased exports "focusing on those areas where South Africa already has the endowments and comparative advantage". We believe that it is important and to the Commission's credit that it does not speak glibly of "beneficiation". There is a lot of loose talk in SA about a supposed need to beneficiate the resources we produce. There is absolutely no advantage in the world of business and economics when it comes to processing and production for countries that produce resources. All resources trade throughout the world and for everybody at prices determined spontaneously on international markets. Whether countries have resources or not is, from a processing and manufacturing perspective, completely irrelevant. Mauritius is one of the world's biggest producers of wool products despite having no sheep. Austria and Israel are the world's biggest diamond cutters despite having no diamond mines. Whether we are the best place to refine gold or produce gold Rolex watches has absolutely nothing to do with whether we produce gold. All that matters is whether we are good at it or bad at it, and the Commission is correct in proposing increased production and exports where, and only where, we have a comparative advantage.

Addendum 8: Monetary policy

The NDP refers to a "balancing act" between the need to curb inflation and economic growth. The assumption that there is a trade off is derived from dubious and discredited neo-Keynesian theory. This is not the place for a treatise on the subject, but it should be noted that Keynesian monetary policy was about employment and not growth – it was a formula for reducing real wages during periods of high unemployment when it was politically impossible to reduce nominal wages, as it is in SA. In this Keysianism was, contrary to pseudo Keynesian mythology, a pro market policy according to which increased demand for labour would be a consequence of reducing the cost of labour.

There is much confusion over monetary "stimulation" in which it is easily forgotten that all a government or central bank can do is divert wealth from A to B. Governments and central banks are not in a position to create wealth directly – creating money is not creating wealth as anyone in possession of a valueless 150 trillion dollar Zimbabwean bank note should know. The problem with monetary stimulation is that it necessarily and unavoidably distorts the economy in a way that can be sustained only if there is continued and accelerated erosion of the monetary base. It is clear from the world's experience that the best monetary policy is that in which the central bank maintains a stable value for the currency and leaves other aspects of macro and micro economic policy to agencies such as the NPC.

The NDP refers to an "overvalued rand". It speaks however of the exchange rate having "weakened sharply". We are in no position to state whether or not the rand is overvalued and our view is that there is no objective criterion by which anyone can make an informed assertion on the matter. What everyone knows is that the sole purpose of exchange control is to overvalue the currency, whether or not it has that or the opposite effect – no-one knows.

It is strange that the view is commonly expressed, as it is in the NDP, that the rand is overvalued, and yet the NDP does not call for the abolition of exchange control the sole purpose of which is overvaluation. Surely the time is long overdue for exchange control to be abolished and for SA to join a growing number of serious economies that have enough confidence in themselves and their currencies.