

We need exceptional politicians

It is extremely easy for South Africa to enjoy high growth, a stable currency, full employment, a clean and safe environment, low crime, lots of foreign and local investment, and minimal corruption.

There is no mystery, no challenge, and no circuitous “explanations” are needed for the falling rand, intolerable unemployment, lack of investment, corruption and crime. The causes and solutions are known, and the reason is that the “fundamentals” are not “in place”. What is puzzling is why the government does not do the obvious, why opposition parties do not demand that it does the right things, and why it bows to pressure from interest groups to do more of the wrong things.

There can no longer be informed debate about the determinants of prosperity, or whether prosperity comes at unacceptable social or environmental costs. The empirical evidence is overwhelming. It is covered amply on our web site. Paradoxically, what the government has to do is less ... much less. It has to tax less, spend less, employ less and, above all, curtail regulatory excesses. As Nobel Laureate Friedrich Hayek put it, “Government can do more for the people by doing less”.

The simple fact is that countries with freer economies are better off in all measurable ways. They have more wealth (especially for the poor), higher growth, better education and health care, cleaner and safer environments, less crime and corruption, greater longevity and many other desirable aspects of human development. .

While the evidence clear, we do not expect people other than informed experts to know this, which is why our organisation exists. Our task is to promote an informed climate of opinion. The extent to which we succeed depends on the resources at our disposal compared with those in the hands of opponents, who general consist of vested interests seeking self-enrichment at the expense of others, enemies of economic freedom, and good-faith (albeit mistaken) activists.

Political imperatives

Why do most governments, including ours, not implement elementary policies to achieve the good society they and their subjects want? The answer to this question is not simple. One of the main reasons is the proliferation of people who persuade government to do otherwise, whether by threatening to withhold their votes, by convincing them of the merits of alternative policies, or simply by generating bad publicity for sound economic policies. There appear to be two main types of proponents of bad policies. They are self-serving vested interests and naïve activists.

What we have to do is communicate more effectively with the latter. They tend to be good people, often devoting much of their life and wealth to seeking government help to promote desirable ends in all walks of life. These range from the arts to the environment, from transport to social justice, and from health to redressing the crime of apartheid. Their problem is that they tend to overlook “costs”, the economist’s term for undesirable, usually unintended and unexpected, implications of what they propose. This is the most pervasive economic problem: the propensity to overlook negative consequences of using the wrong means to promote desirable ends.

If there is a single concept we wish everyone could internalise and apply to all policy discourse it is the concept captured in the acronym popularised during the government relief efforts of the Great Depression: TANSTAAFL (there ain’t no such thing as a free lunch). Not only do government programmes tend to have unintended costs, but they are subject to particular problems inherent in government as an institution. Government is the victim of “perverse incentives”.

There are many ways to illustrate this, but the simplest and most telling observation is that a busy day tends to be regarded as a bad day in government and a good day in private enterprise. And the very existence of the power to regulate, to grant and withhold favours, provides seductive incentives for the abuse of that power. Corruption and goal substitution, the tendency of most people to promote personal interests at institutional or societal expense, occur because government is not subject to the discipline of the checks and balances that characterise the private sector.

Well-intentioned yet misguided lobbies would be relatively harmless if unsuspecting politicians and senior officials were better informed. Most of our efforts are aimed at achieving a better-informed polity. Ideally, those in government would be mindful of the self-serving or misguided nature of most lobbies and would not pander to their demands. However, even well-informed politicians and officials often promote perverse private interests when those coincide with their own personal or political interests.

There is no doubt that the problems we regularly address would be overcome if most politicians and officials were:

- better informed about the determinants and manifold blessings of prosperity,
- not responsive to misguided or self-serving lobbies, and
- committed to turning South Africa into a “winning nation”.

This seems to ask little of them but unfortunately it is by no means little. For politicians and officials to do “the right thing” requires something quite extraordinary. They have to be prepared to forego the temptations of short-term power, status and personal wealth achieved by increased regulation, bigger budgets, more staff, higher taxes and the like. They have to be:

- unusually well informed about the big picture, namely the latest research on the international correlations between economic policies and prosperity,
- conversant with complex micro-economic evidence of and theory concerning unintended policy consequences, and
- unwilling to promote personal above policy objectives.

In other words, they have to be exceptional human beings. While what they ought to do or refrain from doing is simple to establish, the real challenge is how to persuade them to identify what is right and do what is right for the good of the country and its people.

Further reading

Gwartney, J & Lawson, R (2001) *Economic freedom of the world: Annual report 2001*, Free Market Foundation, Johannesburg.

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