

REDISTRIBUTION:

Empower disadvantaged to take part in advantages of the free market

WHATEVER ONE thinks of the idea of redistribution, it is a topical subject and it cannot be wished away.

Because of the sufferings of many under apartheid, it is widely felt that something must be done to "level the playing field", so that the disadvantaged can be given a reasonable chance in the new South Africa. The view of the Free Market Foundation is that the disadvantages which have been suffered were largely due to the constraints placed on the economic freedom of the disenfranchised. Their movements were limited, they were not free to buy property or to sell their labour where they chose, and their choices generally were restricted under a paternalistic system in which many actions were either compulsory or forbidden. In short, they were denied access to the most fundamental benefits of the free market system which has been the basis for prosperity in the western world.

Whatever system of redistribution is used, we believe that it should be such as to empower the disadvantaged to participate in the advantages of the free market.

As it was state coercion that brought about these major disadvantages, it is easy to promote and popularise the idea that state coercion should now be used to put matters right. Some even think of the state in the role of Robin Hood: rob the rich to help the poor. But this route is loaded with problems.

It was the perception of this kind of threat which drove the majority of skilled people out of Moçambique, Angola and Uganda with disastrous economic effects, leaving the poor more deprived than ever before.

When one advocates nationalisation, the question is to know how to compensate the previous owners. If they are not compensated, there is no way that the country will attract investment. If they are compensated from the treasury, less funds will be available for education and social services. Either way the economy will be severely damaged. Yet, this is not sufficient reason to rule out redistribution altogether.

Russia has a similar problem in that

oppressive state control denied the masses prosperity, and it is refreshing to note that President Yeltsin is well aware of the problem. He is quoted as saying: "We need millions of property owners, and not just a handful of millionaires." He has marked the anniversary of the abortive hard-line coup with an announcement of a first step toward privatising state businesses. Each citizen will receive a voucher for 10 000 roubles of state property, which he would be free to sell or to hold as a share in a privatised state enterprise.

The Free Market foundation advocates a similar approach to the problem of redistribution. It recognises that the state's investment of R600 billion in land, housing, transportation, broadcasting, parastatals like Eskom and Telkom, etc. are rightly the property of the people.

There is an excellent case for giving practical effect to the people's ownership of this property. This could be done by issuing negotiable share certificates to the people, specifically identifying ownership. As shareholders, the people would not only have a say in how and by whom these former state enterprises were managed, but would also have the facility of cashing in part or all of their investment.

They might invest the proceeds in something else, such as housing or starting a business. But the whole idea obviously needs careful working out, and it need not be done in exactly the same way for all people.

A good start could be made by giving people title to state property they occupy. This would immediately ease the present problem of rent boycotts. In the case of at least some squatter communities, group title could be given for the areas they occupy. If such an area is particularly valuable, it might be exchanged for cheaper land plus cash, with the cash being devoted to housing.

When it comes to issuing shares in enterprises like Eskom or Telkom, it would probably be desirable to do so in a programmed stepwise fashion, so that the stock market was not immediately flooded with new shares. The first shares might be issued to people of, say, over

WHITE BLUES

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*It's all become so difficult
now the ANC's unbanned:
on things that we took within our
stride
this body must take a 'stand'.*

*The police have always harassed
blacks,
it's part of our way of life,
but this bunch of moaning
'activists'
must make it a cause of strife.*

*And now they've had a stay-
away -
our firms are all in debt -
all because some people are
getting shot:
how petty can you get!*

*We must build up the economy
(have they got the point at
last?),
but making a fuss about human
lives
is just living in the past.*

- VORTEX

60, and the last issued to those who are just reaching voting age, with suitable adjustment in cases where people have already benefited by the grant of real estate.

In advocating this approach, the Free Market Foundation is not dogmatic on the question of whether it is justifiable to limit the redistribution to those who have not enjoyed the full rights of South African citizenship. Such one-time discrimination would be a small price for whites to pay in the interest of compensating people for the wrongs of the past. On the other hand, the percentage of whites in the population is so small that their participation would not make a great deal of difference to the others.

The paternalistic argument that the bounty would be squandered by ignorant people will certainly be raised, but we have had far too much paternalism in the past, and it is high time we treated our fellow citizens as adults.

If any advocate of redistribution can come up with a better method of implementing it, let him by all means speak up, so that we might have some choice as to the best method. ●

- P.N. Malherbe
chairman of the Free Market Foundation