

Dr Tom G Palmer's critique of Malema's Economic Freedom Fighters Manifesto
By Dr. Tom G. Palmer - Free Market Foundation
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Cato Institute fellow says Malema's programme would plunge SA into a morass of poverty

"If the Economic Freedom Fighters Manifesto were ever adopted, it would bring famine to South Africa in 10 years" - Dr. Tom G. Palmer Executive vice president for international programs at the Atlas Economic Research Foundation and Senior fellow at the Cato Institute, and director of Cato University

Julius Malema's Economic Freedom Fighter's Manifesto, if implemented in entirety, "is incoherent, contradictory and impossible to implement and if it were ever adopted it would bring famine to South Africa in 10 years", said Dr Tom Palmer, from the Atlas Economic Research Foundation. He was speaking at a Free Market Foundation media briefing and AGM in Johannesburg this week on the theme of the "Morality of Capitalism".

He said "The Manifesto seeks to make state agencies all powerful and, in effect, giving them the power of life and death over every person in the country, then promises "Open, accountable, corrupt-free government and society without fear of victimisation by state agencies". He said that this was akin to making all citizens slaves, the government the slave masters then making the master accountable to the slaves. (See his critique of the EFF Manifest below "A Recipe for Wretchedness").

Dr Palmer said that real economic freedom comes from free market capitalism - relying on the freedom of the participants in markets - which has made the difference between wealth and poverty in many countries. He quoted from the Economic Freedom of the World 1996 Annual Report (Fraser Institute of Canada, James Gwartney and Robert Lawson et al).

"Individuals have economic freedom when property they acquire without the use of force, fraud, or theft is protected from physical invasions by others and they are free to use, exchange, or give their property as long as their actions do not violate the identical rights of others. An index of economic freedom should measure the extent to which rightly acquired property is protected and individuals are engaged in voluntary transactions."

Dr Palmer said that the foundation of free market capitalism was a legal system: legally secured and voluntarily transferrable rights which provide a secure foundation for social cooperation. A sound legal system gives rise to a sound economic system.

He told the audience that Free Market Capitalism rests on respect for property: property in the classical sense which modern usage has diluted. "Property" as in what is "proper to an individual": property in one's person; in one's freedom and in one's estate. Property is characterized by the "three D's": definable; defendable; and divestible (transferable). And as corollaries, capitalism requires: equality before the law; the presumption of liberty (including freedom of association and contract) and the rule of law".

Property rights are human rights.

Palmer believes that the alternative to capitalism is no longer socialism but "cronyism". The term comes from a Greek which means "long-term". It refers to "friends" of long standing, but has come to be used in the sense of people who will support politicians in exchange for favors from them. It rests on the ability of the holders of political power to "bend the rules" or apply them arbitrarily to favor some at the expense of others.

"Cronyism is a feature of interventionism, of the exercise of state power to secure special privileges for some at the expense of others, to block competition, to confiscate wealth, and to secure the interests of those with access to political power" he said.

But according to Palmer, free markets are more than merely "Well defined, legally secure, and transferable Property, but embody an economic system, a legal system and a cultural/social system of relentless innovation resting on equality of well defined and legally secure rights (including "careers open

to talent") and on decentralized innovation and processes of trial and error through the voluntary processes of market exchange

They also entail a culture of entrepreneurship, innovation, service, adding value, respect for rule of law and its equal application. Entrepreneurs are a key to development and embody the roles of risk, arbitrage, and innovation which bring about higher living standards and increased wealth for all societies.

He looked at the "poisoned language" which is used when talking about capitalism and should be changed. Words such as "dog eat dog, and "cut throat" are used when describing acts of competition. In reality people compete to cooperate. Profit is usually "obscene" or a "windfall" when in reality it is a measure of value added to each party during a voluntary exchange.

Dr Palmer said that incentives and institutions matter: incentives give signals to rational actors about what will advance their purposes and institutions give form to incentive. The best form of government is one which sets the rules, the legal framework then steps back to allow markets to function naturally. All forms of intervention create unintended consequences.

Julius Malema's Economic Freedom Fighters Manifesto: A Recipe for Wretchedness, Dr Tom G Palmer

I have read the Economic Freedom Fighters Founding Manifesto and find it simultaneously amusing in its strident nostalgia for the failed totalitarian Fascist, Communist, and National Socialist states of the twentieth century, and disturbingly incoherent as an agenda.

The document contradicts itself in a number of points: on the one hand denouncing the cronyism of state control and on the other encouraging a great deal more of the same; on the one hand talking about democratically accountable government and on the other empowering the same government with the means to coerce and manipulate the public to bend to the will of whatever gang happens to seize state power. After making state agencies all powerful and, in effect, giving them the power of life and death over every person in the country, the Manifesto promises "Open, accountable, corrupt-free government and society without fear of victimisation by state agencies."

The rhetorical power of the document rests on its invocation of the injustices of South Africa's past, but it offers no credible means either to correct those injustices or to alleviate poverty. The whole Manifesto is a recipe for fastening more cronyism on the people of South Africa, perpetuating the crimes of apartheid (this time on behalf of a new group of elites), drowning the country's economic middle classes, and plunging the country into a morass of poverty.

The Manifesto denounces the "Billions of Rand" "redirected from the state to the self-enrichment and self-gratification of politicians". The suggested solution is that the leadership of the Economic Freedom Fighters should replace those politicians. Such a naked grasp for wealth and power is easy to see.

The solution to cronyism is the rule of law, not the overturning of every institution of law and its replacement by raw power, violence, and coercion. The demand that the state be "in control and custodianship of all land" that would entail applications for "land-use licences" is a recipe for almost immediate open civil war among every national, ethnic, and other grouping in the complex society of South Africa, not merely among "whites" and "blacks," but among and between every sub-grouping that exists.

In addition, there is no justification for the claim that the relative success of such economies as Singapore, South Korea, Taiwan, and Hong Kong were due to "state-aided industrialisation, particularly in tradable sectors in manufacturing and industrialisation" - particularly in light of the desire articulated in the Manifesto to close South Africa off from international trade. No person with an understanding of modern economic history (we can set aside theory and focus on historical facts) could maintain such a set of claims.

International trade experts have explained for decades, economies do not "compete". Firms do. Governments may compete. But, most definitely, economies do not. The call for an end to "unfair global competition" in the Manifesto is not an attempt to protect "the economy" of South Africa, but to force

South African consumers to pay higher prices to enrich the cronies that the Economic Freedom Fighters Manifesto would enrich. Higher prices and lower quality of goods never benefit consumers. That is what the Manifesto promises South Africans, in plain and simple language.

There is a fundamental unwillingness to address the real question of what causes wages to rise. It is not "nationalisation" of "mines, banks, and other strategic sectors of the economy, without compensation," nor is it "minimum wages." It is raising productivity, that is, more value produced per unit of input. Nothing in the Manifesto addresses how to achieve this.

The Manifesto is a call for more centralisation of the economy, more cronyism. It opens the way for more strident political rhetoric in future to gloss over the inevitable collapse of the country into wretchedness should the programme of the Manifesto be realised, even in part. It contains nothing to recommend itself to rational people who are hoping and working for a better future.

Notes to Editors

1. Dr. Tom G. Palmer

Dr Palmer is the executive vice president for international programs at the Atlas Economic Research Foundation, a senior fellow at the Cato Institute, and director of Cato University. At Atlas, he is responsible for establishing operating programs in 14 languages and managing programs for a worldwide network of think tanks.

Tom has carried the ideas of liberty to some of the most oppressed and dangerous parts of the planet. He smuggled books, photocopiers, and faxes into the Soviet Union and Warsaw Pact nations and has taught and lectured in Iraq, Afghanistan, and many other countries.

2. The Free Market Foundation (FMF) is an independent, non-profit, public benefit organisation, created in 1975 by pro-free market business and civil society national bodies to work for a non-racial, free and prosperous South Africa. As a policy organisation it promotes sound economic policies and the principles of good law. As a think tank it seeks and puts forward solutions to some of the country's most pressing problems: unemployment, poverty, growth, education, health care, electricity supply, and more. The FMF was instrumental in the post apartheid negotiations and directly influenced the Constitutional Commission to include the property rights clause: a critical cornerstone of economic freedom.

The FMF has a wealth of information in papers, articles and opinion pieces available on the website which can influence the public debate and present alternative policies to the people of South Africa. Please look at <http://www.freemarketfoundation.com>.

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