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INEQUALITY AND MASQUERADING LIBERALS - By Dawie Roodt

A nice part of my job is that I get to meet very interesting people. I do not agree with all of them but, with very few exceptions, I like most of them.

One of my favourites is Patrick Craven. I've met and debated him a few times. It is fun to set conversational traps for him and just wait and see how he falls into all of them. What is admirable about Pat is his honesty and sincerity, and his seriousness. You can see his seriousness by the look on his face. He doesn't just talk the talk, he also walks the walk – or rides the ride. I remember one day seeing him driving a very modest car (a “skedonk”, actually), unlike the other leaders of the labour movements for which he is/was spokesman. They were driving flashy black cars, with body guards and other hangers-on oozing adoration.

It is rare to meet a real-life communist. Patrick Craven is a real, full-blood communist and a thousand wild horses could not move him from that position.

There are others; Eusebius McKaiser and Max du Preez come to mind, amazing and sharp-minded people. I really like them, but I often disagree with them. These two are no pushovers when it comes to a debate. Eusebius is an exceptional orator and a very quick thinker, making him a formidable opponent in a live debate. Max relies more on some moral quest and writes about those things that are, in his view, wrong in the world and how to fix them. Max will take on the devil himself, if he thinks he is right. And, I kid you not, he has been awarded two honorary doctoral degrees for his contribution to press freedom. Good for him!

Max and Eusebius are both socialists and socialists are mostly wrong when it comes to the economy. Max is more of an anti-whatever than a socialist; whatever there is, he is against it. In recent years he has been pretty much anti-ANC and anti-government (as always). But he is also a socialist which is quite ironic because the ANC is also a bunch of socialists, although a crooked bunch. I have a suspicion Max will agree with me (with the crooked part at least).

Eusebius will certainly disagree with me about liberalism. He calls himself a liberal and when I once told him he is no liberal but a socialist, he went bonkers. The reason why I say he is a socialist and not a liberal is because socialists stole the term “liberal” from the real liberals. Although Eusebius calls himself a liberal, he preaches socialism. That, by the way, is why real liberals had to invent all sorts of new words to describe themselves because “liberal” has been hijacked by the socialists. We (the real liberals) now call ourselves

INEQUALITY AND MASQUERADING LIBERALS (CONTINUED)

neo-liberals, libertarians, anarchists and so on. Personally, I prefer to call myself a classical liberal with a noteworthy dose of anarchism.

I regress, this piece is about inequality.

Some time ago, I saw Eusebius at a function where he made a passing comment about inequality and how it was one of those major "challenges" the world faces. I have also listened to his radio show many times before where he keeps on hammering on that evil (inequality). Coincidentally, in that same period I read a piece by Max about how inequality can be "improved" if the state-owned enterprises and other institutions, run by the ineptocracy, were properly run. I agree with Max of course – an effective and efficient state will result in better service delivery and it will be the poor that will benefit most by a better-run state.

But the point I am making is the huge brouhaha that Max, and Eusebius, keep placing on inequality. That is a typical thing that socialist do. Real liberals prefer to emphasise things like personal freedom, wealth creation, economic growth and efficiencies. Socialists prefer to emphasise things like poverty, job creation, redistribution and, of course, inequality.

Perhaps we are talking about the same thing, we just look at it differently – often we want the same eventual outcome. Because we look at things differently, however, we often end up fighting each other. Inequality is such an example.

I must admit that *inequality* for me is neither here nor there. *Income inequality* means very little in a world where everybody lives a life of plenty and nobody suffers important shortages. Far more important to me is less poverty and not necessarily less inequality!

Anyway, let's unpack *inequality* and see if we can understand what the most important elements are that we *can* change if we want to have a different outcome in income distribution. Without getting too technical, income inequality means that a few make much more money in a society than most others. South Africa (SA)'s income inequality is particularly high (or strong or uneven), with a few high earners getting huge incomes while the large poor majority's income is dismally low. So, mechanically speaking, what can be done to reduce inequality?

One option, most socialists think of, is to take from the rich high-income earners and give to the poor low-income earners and the no-income earners. This is certainly an option and, ignoring possible other negative effects on the economy, will reduce inequality. That is exactly what we are doing in SA. In fact, SA has the most redistributive fiscus (treasury) in the world, meaning that very few people pay most of the taxes while state spending is mostly directed at the poor. We can certainly increase the redistributive effect of the fiscus but judging from an increasing tax burden on the "rich" in recent years, it does appear as if this option has probably reached its limits.

Anyway, should we distribute all income *absolutely* equal in the country, then everybody will be poor. There are also other significant negative economic consequences from further increasing taxes. On this score Max certainly has a point in that more efficient (or less incompetent) spending by the state and other redistributive agencies, will help the poor and probably reduce overall inequality.

A second option is to lower the salaries of state workers. The state is by far the largest employer in the country and civil servants are very well organised in COSATU and other labour organisations. They may not be that productive, but they can be exceptionally destructive, as witnessed recently when Eskom was sabotaged. (Eskom workers are also civil servants.) Also, COSATU is a member of the governing alliance which guarantees preferential treatment of civil servants because of the huge voting block that is involved. Most civil servants (including those that work for the SOEs) are hopelessly overpaid and mostly underworked. That means that those that are lucky enough to get paid (work seems like too strong a word) by the state are much better off than most workers that do not work for the state; this exacerbates SA's inequality.

If we can somehow reduce their pay and just give it to the poor or even back to taxpayers, inequality will also be reduced and quite substantially. Although I really like this option, political realities make this a stillborn option.

INEQUALITY AND MASQUERADING LIBERALS (CONTINUED)

In fact, government recently capitulated again when it gave in to the demands of the unions. Also, by forcing the Eskom board to offer an increase to Eskom workers, Pravin Gordhan undermined a clearly responsible board. The honourable thing should be for the board to resign in disgust of this kind of interference!

I regress again...

There are a few other mechanical options available to reduce inequality as well. For example, inequality amongst blacks is significantly higher than inequality amongst other races. Some of the reasons are because of the very high levels of unemployment amongst blacks while most civil servants are black and well paid; exacerbating black inequality. The same results from BEE. So, by firing black civil servants or by stopping BEE, black inequality (at least) will improve. It is also likely to improve overall inequality in the country.

The options above are the only significant mechanical options that I can think of. Sure, we can expropriate assets from the rich and give to the poor, which may reduce asset inequality temporarily, but the effect on income inequality is likely to be the same as the first option discussed above. Anyway, pretty soon those that have skills will simply go and earn an income somewhere else, leaving SA much more equal but also much poorer. So much for mechanical options, but what about other options?

Generally speaking, inequality in rich countries is significantly lower than inequality in poor countries. Even in unequal income countries like the US, inequality is lower than in poor countries. Wealth, or economic growth, then seems to be the only long-term "solution" to inequality. But getting there will require many structural adjustments that this government is clearly incapable to implement.

Just imagine if the socialists and the real liberals could agree that more wealth is better than less wealth. Instead of fruitless debates, we will seek real solutions on how to grow this economy. Growth may not necessarily reduce inequality, but it is much better to be poor in a rich country than to be poor in a poor country.