



EFF's vision leads to job loss, poverty

The EFF's manifesto consists of a series of hare-brained schemes that have failed wherever they have been tried, says Wilmot James.

By Wilmot James

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Johannesburg - Julius Malema and his red beret brigade have been easy to poke fun at. Who but Juju could clown around with an inflated title like “commander in chief”? But what he stands for is no joking matter – it is a recipe for increasing poverty and unemployment.

The Economic Freedom Fighters’ (EFF) manifesto consists of a series of hare-brained schemes that have failed wherever they have been tried. Hundreds of thousands would lose their jobs if they were ever attempted. Economist Dawie Roodt estimates that EFF policies could destroy the economy within three years. Dr Tom Palmer of US think tank the Cato Institute calls EFF policies a “recipe for wretchedness” and explains how they will bring famine to South Africa in 10 years.

Populist rhetoric on pay and welfare rises wins easy cheers at rallies, but how will they be paid for? The EFF’s manifesto calls for a sharp increase in tax on companies to “no less than 40 percent”.

This will, the EFF calculates, within three years double the tax they pay.

No allowance is made for the certainty that some companies will buckle under the strain, throwing out workers in an attempt to survive. Other businesses would adopt elaborate tax-avoidance strategies or simply leave the country. New investment would be stifled.

The EFF proposes to nationalise the mines under “workers’ ownership and control”. This would provide funding for the party’s lavish spending programmes.

The evidence from previous mining nationalisation across the rest of Africa points in the opposite direction. In Zambia, following the nationalisation of the copper mines in 1969, production halved in just six years. The ruling party milked the mines for cash, while failing to invest, placing the sector in peril. The mines had to be re-privatised, to save them.

In 1960, Mobutu Sese Seko seized power in the DRC and began looking around for assets to loot. By the time he was overthrown in 1997, output at Katanga's copper-cobalt mines had fallen from 500 000 tons at their peak to 40 000 tons.

With the collapse in production went tens of thousands of jobs and the very taxes Malema and Co are counting on.

State-owned diamond miner Alexkor turned in years of losses before having to be bailed out to the tune of R350 million.

This is not just an African issue. In countries such as China and India there has been a move away from state control, and an introduction of private capital.

A major World Bank study concluded recently that most state-owned mining companies had over the years, and in particular in developing countries, "not been able to operate successfully, leading to privatisation".

At the heart of the EFF offer to the South African people is the nationalisation of the land – all land, without compensation. This would of course be unconstitutional, but Malema does not appear concerned with this technicality.

Land reform is necessary to redress the economic legacy of apartheid, but the process has to be managed in a fair and efficient manner – steps must be taken to ensure that beneficiaries can use land productively. Reform cannot be allowed to destroy all certainty around property rights in the agricultural sector.

Malema's manifesto is not just a cruel hoax. Land seizure and mine nationalisation have been tried time and again. The results have been disastrous. They would plunge South Africa into a crisis on a par with that in Zimbabwe after Robert Mugabe's land grab of February 2000.

Perhaps Malema should consider that his hero, Karl Marx, famously said: "History repeats itself, first as tragedy, second as farce."

Malema's vision would leave our country impoverished, reviled and at the mercy of cronyism.

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** The views expressed here are not necessarily those of Independent Newspapers.