

Business must widen horizon on land issue

● *SA Inc and its representative bodies must participate fully in the consultations and help to forge consensus*

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While business must be seen to condemn predatory or collusive behaviour that harms the public interest and the image of private enterprise, bad policies and state capture have also clearly distorted the proper functioning of markets in SA.

It is often difficult to separate cause and effect, which frequently then degenerates into a deeply polarising ideological debate about capitalism and socialism. Markets and state intervention must be regarded as policy tools, not presented as dogmas.

This is where the 2017 ANC elective conference decision to interrogate the issue of expropriating property without compensation is relevant. SA's highly praised Constitution provides for a "mixed" system of property – partly private and partly common. Provision is also made for a number of adjustments to the proportions of the two categories, mainly in section 25 of the Constitution.

As at least one authoritative legal expert among several others has explained: "Section 25 ... has not been put to optimal use in the striving for a better life for

all in the new SA. A misconception that it envisages the 'willing buyer, willing seller' policy of the ANC has wide currency.... This interpretation is simply not correct.... It can be seen from any fair reading of the text [of the Constitution] that a delicate balance was devised.... Tinkering with section 25 could upset the felicitous state of affairs, to the detriment of the poor more so than those whose property is expropriated."

The state has thus far not possessed the capacity or ability to settle new farmers successfully on transferred or acquired land. This was confirmed by the 2017 Report of the High-Level Panel on the Assessment of Key Legislation and the Acceleration of Fundamental Change.

The land reform challenge needs more practical solutions based on the commitment to widespread consultation with interested parties.

Yet seriously problematic questions circulating about the land reform challenge must not be underestimated. The motion on expropriation of land without compensation passed by Parliament on February 27 was an indication of how divided political parties are on this matter.

For example, the EFF is pushing a strong restitution agenda, advocating the nationalisation of all land in the country.

In contrast the DA, while supporting land reform, opposes the idea of expropriation of land without fair compensation packages being negotiated.

Although robust political debate within the parliamentary system should be welcomed, structured inputs from other stakeholders (including the banks) are also essential.

With things coming to a head, SA ignores the land issue at its peril. The University of Cape Town's Prof Anthony Butler sums it up well: "The redistribution strategy has lacked urgency, and most of the 8% of land transferred back has not resulted in viable black-owned farms.... Two-thirds or more of productive farmland cannot continue to be owned by whites, while major historic grievances remain unaddressed, and poverty and unemployment are at such extreme levels.

"Hasty policy changes pose major systemic risks.... Generalised expropriation without compensation would have catastrophic consequences for the banks, and for future investment and employment."

Valuable research has been conducted on the role of property rights and land reform in economic development. Prof Stefan Schirmer of the University of the Witwatersrand concludes in a recent wide-ranging

study: "What has to be avoided ... are populist practices in which the state gives in to demands for quick solutions irrespective of the broader, long-term consequences ... the property system needs to expand and transform without undermining the integrity of property as an abstract right ... but it will not be tomorrow and it will not be easy."

Noting the potentially serious economic consequences of these developments, the business community and its representative bodies must participate fully in the consultative process that is accompanying the debate on property rights, failing which the matter will continue to be dogged by uncertainty and the final outcome is likely to be ill-informed.

A wrong decision on a matter as fundamental as this carries huge downside risks for the economy, which is why the ANC resolution and even the parliamentary motion on the subject are hedged with certain economic conditions.

How the land issue is tackled will be an important test of SA's ability to forge consensus on one of the most critical and emotive issues on the economic agenda.

Business must nonetheless

be able to set its engagement on the land reform issue in a wider context over and above the inevitable economic and legal aspects involved. There is scope for it to broaden its horizons on the matter.

Business must accept that it is in it for the long haul. It therefore needs to take a long-term view of its decisions about the economy since SA's socioeconomic challenges will remain an ongoing process.

SA MUST THEREFORE PROTECT AND STRENGTHEN THE INSTITUTIONS THAT MAKE SOLUTIONS POSSIBLE

Just when we think we have solved one of the problems, others emerge, often from the previously attempted solutions themselves. Even the best solutions will often be only a temporary achievement, though not to be despised for that reason. Thus we need to safeguard the institutions and mechanisms with which, whether in the public or private sectors, we tackle the flow of challenges.

SA must therefore protect and strengthen the institutions that make solutions possible, as well as mobilise them within an overall socioeconomic framework such as the National Development Plan.

Public and private sector institutions should ideally be the steel framework of the economy, its formal rules and informal constraints, which help to enhance the predictability and certainty that the business sector frequently seeks.

An important lesson of the past few years in SA is that good institutions work badly if the wrong procedures are followed (such as cadre deployment and state capture) or accountability is not enforced or implementation simply fails.

Good institutions sag under the weight of corruption, racism, careerism and patronage. And as experience with certain key state-owned enterprises has also sadly demonstrated, development without efficiency tests can ultimately lead to collapse, as such structures are intrinsically brittle.

Yet it is only through effective institutions that the debate and decision-making around policy dilemmas can take place and the tough trade-offs that are often

needed can be made. SA has been praised for the resilience of those institutions that still constitute centres of excellence in society. And the country also requires an indispensable contribution from business, which is, after all, the main driver of the economic factors – ostensibly responsible for both the convergent and divergent forces in the economy.

There is an area that might be explored in managing the perceived "them" and "us" gap between the public and business. Economic behaviour does not consist solely in responding to price incentives, in exchanging this for that, through market-driven activity. It overlaps with much that occurs within companies that produce and within households that consume.

There are types of economic decisions that are universal to both – and the activities of a company have much in common with the activities of the household. If the conventional antithesis between business and households could be bridged, we could achieve not only a better understanding of our economy but also a less abstruse view of economic processes.

For as long as companies are regarded as creatures of myste-

rious forces that citizens cannot always understand, they will tend to be regarded with suspicion and even antagonism. But the more they are perceived as analogous to the household in which everyone lives, the more comprehensible they will seem and the less hostility they may generate.

Organisations tend to be regarded, especially by those in charge, as ends in themselves. No organisation is ever that. Collective business groupings are a means, at least, to the freedom of their members.

But no collective organisation is absolutely justified – even if it promotes the economic freedom of all its members – in promoting their freedom only. It may well do that successfully and yet be inimical to broader economic interests.

That is why each partial organisation needs the criticism and balance of some higher entity. This remains one of the strongest arguments for building a more unified and credible overall voice for business in SA.

● *This is an edited extract of Good Capitalism, Bad Capitalism: The Role of Business in South Africa, published by Jacana.*



Desperate: Land grabs erupted in Buffalo City Metro in April. Mziyanda Hlekiso is seen in open land above Ginsberg. The authors say economic behaviour overlaps with much that occurs within companies and within households. /Michael Pinyana