

South Africa's most controversial economist tackles the great recession, government policies, the value of rhinos and beer bottles, and much, much more

Dawie Roodt

with Linette Retief

TAX LIES AND RED TAPE

Confessions of an
Unreconstructed
Neoliberal
Fundamentalist



Dawie Roodt is one of South Africa's top economists. He worked for years as an economist at the South African Reserve Bank, and was economics editor of a financial magazine before being fired by the well-known political analyst J.P. Landman. He is a director and founding member of a listed company, The Efficient Group. He is known for his oratory skills and has presented well over a thousand television and radio shows. He holds a master's degree with distinction, and he has received a number of prizes and awards. He is gladly pigeonholed as a libertarian, and he admits to not being a Marxist – but at least knows why not.

Linette Retief is the consumer editor of the Afrikaans Sunday paper, *Rapport*. She spent more than 25 years in the advertising industry as a copywriter, and, aside from winning an award or two, she also found the time to write three books: *Stoute Statistieke (en ander Rowwe Nommers)*, a compilation of naughty Afrikaans jokes; *Pynbos Siding*, an anthology of quirky essays on life, loss and learning, and, most recently, *Een Glas Dooswit, Asseblief?: Sober Besinnings van 'n Skuldenaar*, an honest, humorous and helpful account of her life in debt review.

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*Aan my pa, wat my aangemoedig het om onafhanklik te dink,
selfs al is dit verkeerd.*

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Foreword by Helen Zille

Dawie Roodt is one of South Africa's most accessible and entertaining economic commentators because he is able to express complex theories in a way that non-economists can understand. In this quirky book he sets out his perspective on the current state of South Africa's economy, and what he would do to fix it.

As he notes here, his and my world views are considerably different. While Dawie is a libertarian, I believe that the state has an important role to play in regulating market failures and standing up for those unable to help themselves.

I support a progressive tax system, social grants to alleviate debilitating poverty and strong competition policy to combat the abuse of market power. Where Dawie questions government's role in education and job creation, my party's record in government shows that we prioritise these as central concerns.

Nevertheless, Dawie is at his irreverent best here, entertaining as he analyses. He does not mince his words when criticising centrally controlled economic systems and the global communist experiment of the past century. But his harshest disapproval

is reserved for South African politicians. It is perhaps ironic, therefore, that he asked one to write the foreword to his book!

Since he asked, let me state that governing well requires a government to back a single plan to create an environment for economic growth and jobs. But when it comes to passionate contributions to the economic debate, my view is best described by someone else who also comes in for a lot of criticism from Dawie, Chairman Mao Zedong, who said, 'Let one hundred flowers bloom, let one hundred schools of thought contend.'

Foreword

by Steve Booysen

In this highly readable book, Dawie Roodt takes you on a journey through his economic world view. His is a pragmatic approach that gives the lay readers among us a chance at grasping the often technical jargon spat out by many economists. His ability to blend theory with his own personal experiences contributes to a better and simpler understanding of complex economic problems.

Dawie's passion for facts and his love for proactive participation in debate are evident in these pages. His knowledge of his subject matter, his experience gained over many years and his wisdom are also clearly reflected.

I find his views thought-provoking. That his constructive solutions to the economic challenges that face us today are often controversial and unpredictable makes his insights all the more valuable, as they will stimulate thought and debate within and between readers.

Preface

An ancient Chinese philosopher once said that the longest journey starts with one step. This has become something of a cliché, but I suspect it's particularly true in the case of *Tax, Lies and Red Tape*. If it had been up (or down) to me, I would probably still be spinning my wheels, theories and philosophies. Fortunately I had a team behind me that did not limit themselves to steps or wheels, but put the wind beneath my wings. On this elevated note, I want to thank, from the bottom of my heart:

On the publishing front: Publisher Marlene Fryer, who asked me to write this book; managing editor Robert Plummer, for his professionalism and patience, not to mention the hair on his teeth to see the project through; text editor Christa Büttner-Rohwer, who, likewise, had the patience of a saint – and the rare combination of economic knowledge and down-to-earth insight to turn my fiscal and economic philosophies into reader-friendly text.

On the professional front: The Efficient Group, for giving me the opportunity to not only have but *live* a wonderful career;

my colleagues, who keep me humble; my personal assistant, Erika Botha, for organising my life with such quiet efficiency, humour and kindness; and former Absa CEO, Steve Booysen, who managed to put an entire book into perspective with a few inspired and inspiring sentences.

On the political front: All the politicians in our beloved country who have been generating such an inexhaustible stream of half-baked, cognitively questionable and logically disabled thoughts and actions, in stark contrast to one of the few effective and trustworthy political figures in our country, premier of the Western Cape and leader of the Democratic Alliance – the one and only Helen Zille, who kindly consented to write a foreword. (Not that I necessarily always agree with her party's policies!)

On the personal front: My wife, Marina, for being my anchor; my amazing children Danielle and Kristoff, who keep my feet on the ground; and, of course, the new kids on the block, Daria and Yulia, who were prepared to hang in there until I had (almost) completed the book and could join the pyjama drill; as well as my mother, for being the only normal person in our family. And last but not least, my friend Linette Retief, aka Retiefie, not only for making sense of the jabbering of an economist, but for doing so with a sense of flair and humour that, believe it or not, captures the lighter side of me, the self-same jabbering economist.

DAWIE ROODT
JULY 2013

Introduction

Not so long ago, when I criticised one of the numerous economic-policy documents churned out by South Africa's bureaucracy, Jeremy Cronin, second comrade in the South African Communist Party (SACP), called me an 'unreconstructed neoliberal fundamentalist'. Actually, he called me a '*hysterical* unreconstructed neoliberal fundamentalist'. At first I was bemused. Then I was amused. And then, with apology to Shakespeare, I began considering what's in a name – and realised that the upside of being granted such a moniker was that it would also be a great title for a book. Hence, to cut a fairly long story rather short, the idea for *Tax, Lies and Red Tape: Confessions of an Unreconstructed Neoliberal Fundamentalist* was born (the designation 'hysterical', I confess, fell by the wayside).

Not that comrade Jeremy was my only inspiration. His reaction to my comment admittedly sparked off only the *what* of this book. What is commonly known as The People – or what Jeremy's brother-from-another-mother Karl, of the Prussian Marxes, would have called the lumpenproletariat – informed the *how*.

But allow me to start with the *what*. What was it that got up my nose about the umpteenth brainwave from Proposals Unlimited (a.k.a. the South African government's planning department)? It was the same old thing: plenty of state intervention and an assortment of wishes and pipe dreams. Of course, it is one thing to criticise policy. It is quite another to come up with viable, sustainable and, above all, understandable alternatives. Which is what I am setting out to do here.

Tax, Lies and Red Tape is about my plan for the economy; it is about the alternatives that I am proposing to counter the existing syndrome of proposals upon proposals that have been amounting to lots of sound and fury, but which have signified pitifully little. The theme of my plan (unlike comrade Cronin's title for me) is short, succinct and surprisingly *non*-hysterical: simplicity and choice. Because that is exactly how economic policy should be. There is no need for complexity. Economic guidelines should be clear and easy to understand. I also believe in freedom. Hence my focus on 'choice' – the freedom to choose where to work and with whom, how to enter into contracts, and to do all of this without state intervention.

What we have had up to now is nothing like this, if not the direct opposite – a veritable Tower of Babel, comprising words and figures conjured up by a conspiracy of bean counters, bureaucrats and politicians to keep the letter of the law and the figures of finance so complex and convoluted that none but the most dedicated (or constipated) would dare to spare the time and effort to try to unravel them.

The *how* of my plans is as important as the *what*. Hence my emphasis on simplicity – not only of my suggestions, but

also of the way in which I set them out. You are, presumably, stressed-out enough without having to settle down with the equivalent of *War and Peace* or reams of pie charts when you relax at the end of another dog-eat-dog day. And you don't necessarily want the whole catastrophe all at once. In short, I want you to enjoy my book, not merely endure it. After all, if I were to ignore these dictates, my life's work may be headed only one way: towards the waiting room in that colossal mansion called the Great Unread, somewhere between *A Brief History of Time* and *War and Peace*. And that's not quite where I see *Tax, Lies and Red Tape*. I see it in the hands of everyone – from policy-makers to people who love *People* magazine (and cannot figure out why they are not the luckiest people in the world). I want both these categories of readers to have a paradigm shift, a Damascus experience that will make them realise that there *is* a way to create a simple economic system that provides choice and is not strewn with bureaucratic obstacles from here to eternity; a brave new world beyond maxed-out credit cards and buying monthly necessities on the bond.

If you are as incurably curious as I am, you may have wondered how in the world we got ourselves into a semi-comatose state concerning our understanding of the economy in the first place. There is probably no simple answer, but one factor that I believe has been (to quote my old friend Karl again) an opiate of the masses is that category of knowledge known as 'conventional wisdom'. In fact, I consider conventional wisdom to be the big, black dress of political, economic and existential convenience; it covers a multitude of sins. Let's

take a closer look at this often subtle yet obstructive force that is constantly pointing people to the way of least resistance.

My definition of conventional wisdom

Conventional wisdom encompasses ideas or explanations that are generally accepted as true by The People or by experts within a particular field. I believe these ‘wisdoms’ are *dangerous*, as they usually cannot be traced to facts, which means that you cannot attack them, confront them or disagree with them. Their main reason for existing is that they *preserve the status quo*.

Conventional wisdom is neither necessarily true nor accurate. In fact, very often it is a major obstacle to new research, new knowledge and new visionary thinking. It actively opposes the introduction of new ways of doing or understanding things – sometimes to the point of absurdity.

Perhaps now you can begin to understand how easily, subtly and insidiously conventional wisdom allows us to bury our heads in the sand and get our collective butts into trouble. I admit that there are many things I don’t know, but one thing I do know is this: there is no way that conventional wisdom can get our economy out of its current state of chaos.

This is why I’m now heading for the confessional – to declare everything everybody ought to know about all the usual problems and suspects, and to reveal my perhaps unusual solutions to South Africa’s seemingly desperate economic situation.

And in case you need a guarantee: if in the course of reading *Tax, Lies and Red Tape* you so much as *think* of

INTRODUCTION

A Brief History of Time or *War and Peace*, you can courier your sleeping-pill prescription to me by overnight consignment.

1

True confessions of a feisty free marketeer

My motivation for writing this book, over and above the accolades comrade Jeremy heaped upon me, is the very real possibility that you, and the public at large, may have been at the receiving end of decades of chronic economic misinformation by the country's politicians and economists.

After all, we tend to believe what we read; too often we also read what we believe. We are, by nature, not objective; that's on the receiving end. On the giving end, there are the politicians, trade unionists and other social engineers who are bending the truth to suit their own agendas. Sometimes even economists wouldn't pass a polygraph test. Perhaps they work for a major bank and have to walk the corporate talk, perhaps they still believe the propaganda and indoctrination they were subjected to during their army or university days, or perhaps they are simply following the herd, because they know no better.

There: I have conceded that economists occasionally lie. Now you may wonder why you should believe me and everything I am about to say in this book. The reason is simultaneously