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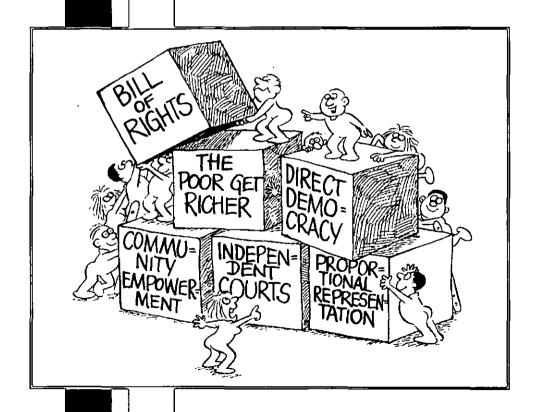
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DEMOCRACY'S

Building Blocks



Gail Day

A GROUNDSWELL PUBLICATION

GROUNDSWELL

PO Box 92385, Norwood 2117 Tel: (011) 442 8898 Fax: (011) 442 7247

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Democracy's Building Blocks

by

Gail Day

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Many thanks to Frances Kendall, Leon Louw and Don Caldwell who gave me the words I needed and who believed in me; Marc Swanepoel who further clarified my thoughts; Libby Husemeyer who edited the script; Theresa Griessel who designed the cover; and the Groundswell committee for their support and encouragement.

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The solution: Privatisation; low taxes -- high growth; deregulation; redistribution; government-funded

welfare and education.

to mom and dad

Democracy's Building Blocks

Thomas Jefferson once said: "I like the dreams of the future better than the history of the past."

We South Africans all dream of a better future, of a South Africa that is peaceful, prosperous and democratic. If we want our dreams to come true we need

- a) to understand what makes a society peaceful, prosperous and democratic, and
 - b) to pressure our leaders into creating such a society.

Let us begin with a definition of democracy. When people use this word *democracy* they mean many different things. If

we study countries around the world that claim to be democratic, we find that they are often violent, poor and unfree.

The first democracies were the city-states of ancient Greece. Much like the traditional African Indaba system, all adult males would gather together to discuss issues and they would vote on the issues with a show of hands. The governments of Greece were not allowed to make new laws without consulting the people directly.

As it is time-consuming and difficult for an entire population to meet every time a decision has to be made, the step from direct democracy (in which the people vote directly on issues) to representative democracy (in which the people vote for representatives or politicians who make decisions on their behalf) was easily made.

Representative democracy

In a representative democracy the country is divided into different regions called *voting* or *electoral districts*. The people of the country form *political parties* that choose or nominate individuals or *candidates* who will represent the party.

The people in each region vote for the candidate of their choice and the candidate with the most votes is sent to the central government. The party with the most candidates becomes the government. In a representative democracy the people do not vote on new laws, their representatives do.

Representative democracy, however, has several shortcomings.

1) Politicians offer you a package deal

When politicians stand for election they offer the voter a takeit-or-leave-it package deal. So the voter usually votes on

general party policy and not on specific issues. Sometimes he is more than a little surprised after the election to find he has unwittingly voted for policies with which he does not agree. More often he simply has no choice as it



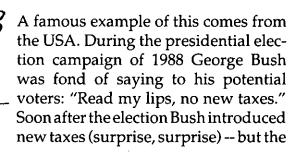
is almost impossible to find a candidate who takes the same stance as he does on every issue.

For example, a voter in the past may have voted for the National Party candidate in his district because he approved of apartheid, even though he disapproved of other policies that the NP supported, such as high taxation or labour laws. If he wanted apartheid he simply had to learn to tolerate the other policies that he disliked.

2) Politicians sometimes lie

During their campaigns politicians promise the voter all sorts of wonderful goodies. Once you have voted them into power, however, you have little or no control over whether

they carry out their promises to you.



American people could do nothing about it until the next presidential election several years later.

3) Politicians are open to pressure from vested interests

In Washington DC there are 23 000 registered lobby groups, each of which goes to the government and says in effect: "If you pass this law in my favour, I'll vote for



you or contribute to your campaign or bribe you in some other more subtle manner." (They are seldom as blunt as this -- they usually say: "If you pass this law in favour of the homeless or the hungry...") And every law passed in favour of one particular group or business is always at the expense of every other group or business in the country.

In South Africa, for example, textile industrialists recently persuaded the government to impose an additional tariff on second-hand clothing imported from Europe. They argued -- very convincingly -- that the sale of cheap imported clothes would ultimately put 30 000 textile workers out of work. They ignored, as did the government, the other side of the argument. The second-hand clothing imported from Europe was sold to hawkers who in turn sold it to consumers at less than half the price of South African clothing. Over 90 million items of clothing were sold by hawkers in 1991. The additional tariff, by making imported clothing too expensive for this market, will probably put 50 000 hawkers out of work. More important, millions of consumers have been deprived of a choice that they made in the past -- that is, to buy cheaper

clothes and use the money saved in this way to improve their homes or buy better food or pay their children's school fees.

In addition, pressure groups are often included as advisors in the decision-making process of government. These groups consist of people for whom the voters did not vote and over whom the voters have no control. And so the entire democratic process is perverted and becomes in effect government by a new elite.

4) Politicians have a different agenda from ordinary people

Their main object is to remain in power and to impose their

vision of right and wrong on an unsuspecting public. To this end they will bribe their voters with promises of subsidies (farmers); they will undermine their opponents by telling lies about them and sometimes even killing them (Civil Co-op-



eration Bureau); they will finance organisations perceived to be the opponents of their opponents (Inkathagate). This behaviour is not unique to South Africa -- it happens all over the world to a lesser or greater extent depending on the number and effectiveness of the checks and balances written into the constitution.

5) Politicians turn ordinary people into criminals and ordinary acts into crimes

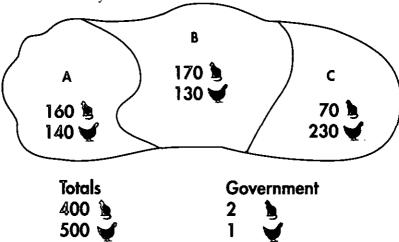
They do this by passing laws it would be impossible or stupid to obey, such as influx control and pass laws, group areas

laws, and laws that restrict new businesses. Those who disobey these laws are labelled criminals.

6) A system based on majority rule can lead to minority rule

This often happens in countries where three or more parties are contesting the election, but it can also occur even when only two political parties are running for election.

Take an imaginary country of 900 adult citizens, with 300 voters in each of three voting districts. At election time in District A 160 people vote for the Cat Party and 140 for the Hen Party; in District B 170 vote for the Cat Party and 130 for the Hen Party; in District C 70 vote for the Cat Party and 230 for the Hen Party.



The representative with the most votes in each district goes to government. Thus one Hen Party representative and two Cat Party representatives go to government, and the party with the greatest number of seats -- that is, the Cat Party -- forms the government. But if you add up the total number of

votes received by each party you will see that the Cat Party received 400 votes and the Hen Party 500. In effect, therefore, you end up with a minority party in charge of the country. Ironically, this is possible in any democracy based on simple majority rule.

(Source: The Common Sense of Wealth Creation, Swanepoel, 1992, p 72)

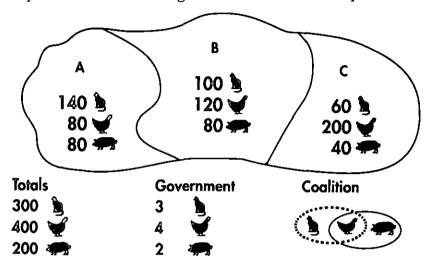
Proportional representation

In order to solve this last problem, some countries have rejected simple majority rule and chosen a voting system called proportional representation.

Under proportional representation the country is still divided into voting or electoral districts. This time, however, instead of voting for a specific candidate from the party of your choice, you vote for the party itself. Once the people have voted throughout the country the total number of votes received by each party is added up and the party then decides which of its candidates to send to government. Each party picks a number of candidates according to how many votes it received. For example, if the Hen Party gets 500 votes it gets 5 candidates, if the Cat Party gets 400 votes it gets 4 candidates. Any party with over 50% of the candidates forms the government. However, if there are several political parties, as in South Africa, and none of them has a clear majority, then several different parties are forced to form a government of consensus. This voting method is not possible in a one-party state.

While a representative democracy that uses the proportional representation method of voting is more democratic than

simple majority rule, it can still become undemocratic. Take the same imaginary country we used in our previous example, but this time imagine that there are three parties.



Notice that the Cat Party receives 300 votes, the Hen Party 400 and the Pig Party 200, and that there is, therefore, no clear majority. But two parties could combine to form a majority when voting on laws. Such a combination is called a coalition. For example, if the Cat Party wanted to pass a law that censored movies, and the Pig Party wanted to pass a law that forced people to buy meat from local farmers only, the two parties could agree to vote with each other on these issues, thus ensuring a majority on both even though the majority of voters may disapprove of both laws. In this system the minority party can in effect play an overly important role in government by "making a deal" with the party of its choice.

(Source: The Common Sense of Wealth Creation, Swanepoel, 1992, p 74)

So how do we solve the problems of representative democracy?

Community empowerment

An important part of the solution is to bring political power closer to the people. You do this by allowing democratically-elected local governments real decision-making powers. In other words, instead of the central state making all the decisions, local areas can introduce their own laws on the issues that affect them. This has several advantages.

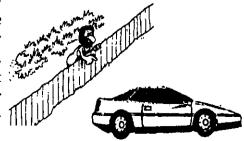
Firstly, it allows and encourages diversity. Not all South Africans have the same ideologies or needs -- some want

socialism, others capitalism, others a mixed economy. There is no reason why the whole country should live under exactly the same laws. In a rural farming area the people might introduce agriculture into the school syl-

labus. In a religious, conservative area the people might vote to ban Sunday movies and limit shop hours to six days a week. In a cosmopolitan urban area the people might allow shops to be open 24 hours a day and legalise gambling.

Secondly, when the politicians are closer to the people it is easier to ensure accountability. When politicians in Pretoria

or Cape Town make decisions for the whole country, you don't know who most of them are, you don't know what they are doing with your money, you have no con-



trol over them or their actions except at election time. When they live near you, you can keep an eye on them.

Thirdly, community empowerment leads to competition between local governments. If your local government introduces laws you don't like, you can move to another area that has laws



another area that has laws that you prefer. If lots of people dislike the laws in a particular area, the local government will have to copy the laws of the popular areas in order to attract taxpayers, workers and investors. When people can "shop around" for the laws they prefer, governments are forced to reflect more accurately the will of the people.

Direct democracy

The second step in solving the problems of representative democracy is to return to direct democracy. Direct democracy takes two forms -- the *referendum* and the *initiative*.

The **referendum** is the process whereby people vote "yes" or "no" to new laws. There are two types of referendum:

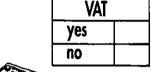
1) The **obligatory referendum** whereby the government must by law put any proposed changes to the

constitution to the vote. If the government wanted, for example, to change the constitu-

Vote Every	10	Years
yes		
no		

tion so that instead of voting every four years, people could vote only once every ten years, it would have to get the people's permission to make that change through an obligatory referendum. If the people voted NO, the constitution could not be changed.

2) The optional referendum whereby people can demand a vote on a new law provided a set number of citizens sign a petition within a set time. If the government wanted, for example, to change the tax sys-



tem from GST to VAT, people who didn't like the new law could collect a certain number of signatures and call a vote on the new law. If a majority of people voted against the law, the politicians could not introduce it.

The initiative is the process whereby people can change the constitution, introduce new laws and kick out unpopular politicians provided a set number of citizens sign a petition to call a vote and a majority is obtained in the vote. There are three types of initiative:

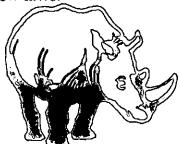
1) The constitutional initiative through which people propose amendments to the constitution.



Defence Fo	orce
yes	
no	

In Switzerland in 1989, for example, the Young Socialists collected the 100 000 signatures required to call a vote and demanded that the federal government scrap the defence force. The initiative lost, but had it won, the constitution would have been amended and the defence force scrapped -- a perfect example of genuine people's power!

2) The **legislative** initiative through which people propose new laws.



In countries where the legislative initiative is allowed, for example the USA and Switzerland, people are introducing new laws to protect the environment and limit taxes.

3) The recall initiative through which the people call for an election to remove a public official from office. In practice the recall is seldom used because in most cases it isn't necessary -- the merethreat of recall has a disciplinary effect on most officials.

In Los Angeles recently, for example, several policemen were filmed dragging a black civilian from his car and beating him. Soon after this video was shown on national TV, a recall initiative was launched to remove the chief of police from office. Police Chief Gates has since resigned under threat of recall. In other words, the people did not need to vote to get him out of office, they only needed to show they intended to do so.

More democracy

If, through community empowerment, different policies are practised in different areas instead of imposing one uniform policy on the whole country, people are more likely to end up living under the policies they prefer, particularly if they are allowed to vote directly on the laws and issues that affect them.

Note this example taken from *The Heart of the Nation: Regional* and Community Government in the New South Africa by Frances Kendall.

Imagine two democracies in which all the citizens vote on whether cinemas should be open on Sundays. In the first country, Centralia, decisions are made centrally and imposed uniformly nationwide. In the second country, Devolutia, there are strong and autonomous local governments.

AREA 1 AREA 2		١ 2	•		
For 20	For	19			
Against 80	Against	81	Total votes cast: 400		
AREA 3	AREA	١ 4	Votes against Sunday cinemas: 201 Votes in favour of Sunday cinemas: 199		
For 80	For	80	·		
Against 20	Against	20			
Devolutia] - 8	20	Centralia		
	,		Centralia		
CANTON 1	CANTO	ON 2	Centralia		
CANTON 1 No Sunday	CANTO No Sun	ON 2	Centralia		
	CANTO No Sun cinem	ON 2 iday	No Sunday		
CANTON 1 No Sunday cinemas 80 voters happy	CANTO No Sun cinem 81 voters	ON 2 day ias happy	No		
CANTON 1 No Sunday cinemas 80 voters happy CANTON 3	CANTO No Sun cinem 81 voters	ON 2 iday ias happy	No Sunday		
CANTON 1 No Sunday cinemas 80 voters happy	CANTO No Sun cinem 81 voters	ON 2 day las happy ON 4 nemas	No Sunday cinemas		

Figure One represents four polling stations in Centralia, and four communities in Devolutia. There are 100 voters in each area.

A total of 400 votes are cast, 199 in favour of Sunday cinemas and 201 against. In Centralia Sunday cinemas are forbidden throughout the country, which means 200 people get what they want, but the rest lose out.

In Devolutia, Areas 3 and 4 allow Sunday cinemas, whereas Areas 1 and 2 do not. Thus 321 people get what they voted for (and in Areas 1 and 2 the 39 people who want to see movies on Sundays but have none in their own regions can go to cinemas in Areas 3 and 4!) Moreover, in Centralia the will of the minority prevails in Areas 1 and 2, whereas in Devolutia the majority view prevails in all four areas.

A bill of rights



One of the most hotly debated issues in South Africa is the contents of our future bill of rights. A bill of rights should grant *all* individuals the *same* rights and should not discriminate against individuals or groups in order to satisfy the demands or aspirations of others. The most important rights that should be included are:

- the right to vote
- · the right to the referendum and initiative
- property rights
- · freedom of movement
- freedom of speech, religion, language, the press
- the right to a fair trial

Many people believe that the bill of rights should include other "rights" such as the right to education or health care. However, these "rights" are different from the ones listed above because they cannot be applied equally. For example, enforcing the right to education would mean forcing people without children to finance the education of other people's children. If the government wants to provide education and health care, it should deal with these matters in separate legislation -- they do not belong in a bill of rights.

The constitution

A constitution is simply a job description for the government: it tells the government what it is and is not allowed to do. Anything that is not specified in the constitution as a government responsibility should be off-limits to government. For example, whom you choose to marry has nothing to do with the government and it should not be allowed to interfere.

Independent courts

The people who make the laws should not be the same people who interpret and uphold the law. If the government makes

the laws and also interprets them, it is likely to interpret them in such a way that its own powers are increased. Judges should be elected by their peers or by the people, not by the politicians.



What is democracy?

We at Groundswell are uncompromising in our view of democracy. We believe wholeheartedly in the concept of direct self-government -- government of the people, for the people, and by the people. Democracy means that the people -- not the politicians -- are sovereign. In other words, the politicians are merely the servants of the people and it is the people who should have the final say in all decision-making.

In order to ensure democracy, checks and balances must be built into the constitution. These include a bill of rights, an independent judiciary and proportional representation. The most important and effective checks on political abuse are devolution of power (community empowerment) and direct democracy. Genuine democracy is a combination of these things.

2

The Poor Get Richer

The key to a peaceful South Africa is a prosperous South Africa. The key to prosperity is limited government intervention in the economy.

Yet many people today are calling for government intervention in the economy to "level the playing field" or to "redress past wrongs" through affirmative action and redistribution.

The debate between interventionists (people who want growth through redistribution) and non-interventionists (people who want redistribution through growth) is a tough

and ongoing one both here in South Africa and abroad. The entire debate revolves around finding a way to help the poor.

The questions I want to answer are these: Is there enough money in South Africa today to uplift the poor? And how can we uplift the poor in a genuine democracy?

The problem

South Africa is not as wealthy as we tend to think. The figures below show the number of people in each population group (in millions) and the average monthly income per person for each population group. If we take the total income and divide it equally amongst all South Africans, each person gets only R250 per month. The result is not a redistribution of *wealth*, but a redistribution of *poverty*.

	BLACK	COL	ASIAN	WHITE	
POP	28	3	1	5	37 (Total)
INCOME	R113	R211	R333	R1 025	R250 (Average)

The bottom line: If we want to improve the lot of the poor, we can't do it by taking from the rich and giving to the poor -- there is simply not enough money to achieve our goal in this way. The only solution to the problem of poverty is to create more wealth.

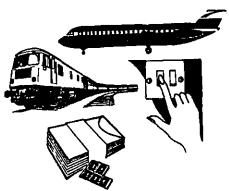
The solution

One-person-one-share -- Returning state assets to the people

There is only one way to satisfy both sides of the debate, and that is through privatisation -- not privatisation in the run-of-the-mill way but a **get-rich-quick** scheme to take state assets

away from the government and return them directly to the people.

State assets should be divided into x number of shares and distributed free of charge to all South Africans. There are several ways in which this might be done, but the best



would be to invest all the shares in a unit trust fund run by financial experts. They could buy and sell units or shares so that in the end each South African citizen would own a mixed bag of shares.

You might want to limit how much each person could cash in over a period of time, for example 1/3 after one year, 1/3 after three years and 1/3 after five years. You may want to debate whether or not old people are entitled to the same amount as young, whether whites are entitled to the same amount as blacks, whether the shares of children should be held in trust until they are 18 or 21.

However these details are decided, there are three main benefits that would arise from this form of privatisation. Firstly, every South African would be about R20 000 richer, either through share ownership or, if they chose to sell their shares, in cash. This is the only form of redistribution that a) actually redistributes a useful amount of money and b) does so without damaging the economy.

Secondly, the assets would go directly to ordinary people and not just to wealthy industrialists. Even if companies like Anglo-American ended up owning South African Airways or the post office through buying shares from people who wanted to sell, it is people who would benefit from the sale, not the government.

Thirdly, former state assets would now be in the hands of the private sector, and with an end to state-legislated monopolies there would inevitably be an increase in competition and therefore cheaper and more efficient services. This would benefit all South Africans, particularly the poor.

This form of privatisation has been adopted by the former USSR as well as several eastern European countries.

Low taxes -- High growth

The one-person-one-share privatisation option is a once-off option. If we want to ensure ongoing high economic growth in the new South Africa we must lower taxes.

There is a direct relationship between low taxes and high growth rates throughout the world. If the government reduced your income tax by R50 per month, you might spend the extra R50 you take home in the

first month on a pair of trousers, or you might put it in the bank. If you bought a pair of trousers, the trouser salesman would have an extra R50 to spend. He might buy his wife a pair of earrings or put the money in the bank. Money that you save in the bank is lent by the bank to people who want to start a business or buy a house or car. In this way the R50 per month that the government no longer takes from you works its way through the economy and makes everyone better off.

The same R50 in the hands of the government is spent mainly on salaries for government employees and only a tiny percentage of it is used to uplift the poor. Economists say that while the private sector *produces* wealth, the government sector only *consumes* wealth.

Unions should be calling for lower company taxes because this would benefit their members, not just as employees but also as consumers. The reason is that company taxes are passed on to consumers in higher prices and to workers in lower wages. Unions should try to make a deal with companies: if they can fight together for a reduction in taxes of x amount, then x/2 goes to the company for expansion, and x/2 to increased wages.

Deregulation -- Allowing people to generate wealth

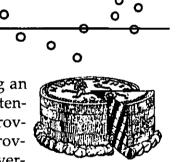
At present, ordinary people have to comply with hundreds of regulations if they want to open a business or earn a living. For example, if you want to open a cafe you must have two sinks, an extractor fan, cross ventilation, separate washrooms for men and women and a certain kind of hand towel. Each of these regulations makes it expensive and therefore difficult for people to enter the economy and generate wealth. If the government were to deregulate -- that is, remove all the

laws that prevent or hinder entry into the market -- we would see massive economic growth in South Africa. We could then begin to redress the inequalities created by apartheid.

Redistribution

Two major problems are experienced throughout the world whenever central governments become involved in redistribution programmes to uplift the poor. Firstly, only a tiny percentage of the money intended for the poor ever reaches them, and secondly, the government uses its subsidies or relief-aid programmes to force local regions to tow the government line—in other words, it begins to interfere in the democratic rights of communities.

Canada uses a redistribution scheme called the *Representative Tax Scheme* that to a large extent avoids these problems. Very simply, the federal government, using an average tax rate, works out the potential revenue from each of the ten provinces based on their resources. All provinces that fall below the potential aver-



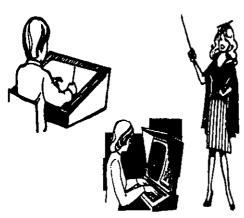
age revenue receive a **no-strings-attached cash grant** from the central government that brings them up to the average. Those provinces that fall on or above the average receive no additional federal aid.

In this way the rich regions help to finance the poor regions without interfering in their decision-making powers. In the new South Africa, for example, Soweto might receive a cash grant from the PWV region, while Johannesburg would receive no grant. The people living in Soweto could then

decide how to spend their grant, whether on schools, hospitals, roads or electricity.

Government-funded welfare and education

There is another way to avoid many of the ills of redistribution, and that is to separate the financing of a service from its provision. Just because the government finances, for example, welfare and education, that does not mean that the government should also provide these services. They can be provided far more efficiently and cost-effectively by the private sector.

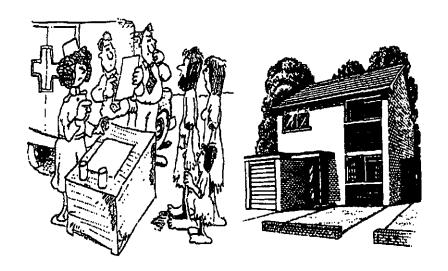


The central government in the new South Africa, for example, might finance education through centrally-collected taxes. It could do this by issuing a voucher of equal value to every school-age child. The parents would then decide where to spend the voucher--atagovernment

school, at a private school, or even at a business that offers to apprentice a child and teach him a trade.

In this way schools would be forced to compete with each other for vouchers by offering the best service at the best price. In addition, businesses would be encouraged to become providers of education in return for a state subsidy. This system, by separating the financing and the provision of education, would put decision-making about education firmly where it belongs -- in the hands of the parents.

A similar method could be used to provide health care and welfare.



Making our dreams a reality

Destiny is not a matter of chance
It is a matter of choice
It is not a thing to be waited for
It is a thing to be achieved.

William Jennings Bryan

If we want to achieve a genuine democracy in the new South Africa, if we want to ensure that we do not become the servants of a new set of masters, then we must take responsibility for ensuring that effective checks and balances are firmly entrenched in the new constitution and that our attempts to redress past wrongs are not as immoral or undemocratic as the old system. If we leave it to the politicians we will have lost our best chance for sovereignty.

We the people have the power and the ability to influence the constitutional and economic debate -- we must simply find the confidence to exercise that power. As Adolf Berle said: "A democracy is based on the idea that ordinary men and women *are* capable of governing themselves."

Groundswell's Democracy Training Programme

This two-hour programme covers the topics in this booklet in an easy-to-understand, non-ideological manner -- and leaves plenty of time for questions and debate.

If you would like Gail Day to present the course to your workers, please call her on (011) 442 8898.

Reading

South Africa: The Solution, Leon Louw & Frances Kendall

Let the People Govern, Frances Kendall & Leon Louw

The Heart of the Nation: Regional and Community Government in the New South Africa, Frances Kendall

The Common Sense of Wealth Creation, Marc Swanepoel

South Africa: The New Revolution, Don Caldwell

No More Martyrs Now, Don Caldwell

Economics in One Lesson, Henry Hazlitt

Liberty and Prosperity, Frank Vorhies & Richard Grant see ch 7, Privatisation and the Distribution of Wealth, Duncan Reekie



Thomas Jefferson once said: "I like the dreams of the future better than the history of the past."

We South Africans all dream of a better future, of a South Africa that is peaceful, prosperous and democratic. This booklet explains how to make our dreams come true by building effective checks and balances into our new constitution and by ensuring economic growth.

Groundswell is an educational movement that promotes participative democracy in South Africa.

Groundswell's proposals include sovereignty of the people through direct democracy (the referendum), strong regional and community governments, a limited central state and an entrenched bill of rights upheld by an independent judiciary.

Groundswell is not affiliated to any political party or group.

Groundswell believes that ordinary people should be empowered to play an active and effective role in the debate over our new constitution. *Democracy's Building Blocks* was written as a supplement to Groundswell's *Democracy Training Programme*.

Gail Day has been Groundswell's co-ordinator since 1987. She has done hundreds of presentations to ordinary South Africans in their homes, clubs and offices, and has spoken at dozens of seminars on democracy and economic growth.

Published by Groundswell PO Box 92385, Norwood 2117

