

spotlight

South African Individualist

By Patrick Cox

It is possible that in the past decade no country has moved further toward a libertarian society than South Africa has. Yes—South Africa. And much of the credit can be chalked up to a group of libertarians who have used almost clandestine techniques to achieve impressive ends. Leon Louw (low), a 32-year-old lawyer (jurist), a founder and the director of the Free Market Foundation, is at the center of the individualist conspiracy.

This Afrikaaner, descended from Dutch Louws who settled in Africa in 1654, says: "We work like the Fabian society. Historically, they have outwitted every capitalist, every free-marketeer, everywhere. Their weapons work, so we fight them with their own weapons. We infiltrate, we work behind the scenes, we reach opinion leaders. We disseminate literature, sometimes anonymously, sometimes with a suitable introduction through suitable channels. Our target market is the top people; we aim right at the top. We've taken the view that we can't reach the general public, and even if we could, it's not clear that it is the short-cut way to bring about real change. We've gone right at the cabinet ministers, at the popular leaders, the business leaders, the academic leaders, and the leading jurists."

There is a good deal of evidence to support the claim that such tactics are meeting with success. In the last three years, each successive South African budget has been a smaller percentage of the GNP there. Real tax rates have been reduced successively, and the country is moving away from all direct taxes. Foreign exchange has been completely deregulated, and central bank intervention has been decreased. The number of government departments has been cut from 44 to 18. Price and rent controls have been abolished, and transport laws are being phased out. Black trading restrictions have been removed, migration laws have been relaxed, segregationist public accommodation laws have been reduced significantly, and rights to property ownership are being extended to blacks. Economic deregulation has even helped the cheetah and other endangered species, which are on their way back following

denationalization of wildlife and parks. Louw points out that all this has been accomplished without overthrowing the government or running an election.

Nowhere in the world is the distinction between "right-wing" and "libertarian" so evident. Many South Africans are aware of Louw only as a crusader for civil and economic liberties for blacks, who make up 70 percent of South Africa's population. Conditions for blacks have been improving dramatically but "not fast enough," says Louw. "I'm an abolitionist. What's wrong is wrong. Freedom is the first principle. You cannot justify restrictions by saying there will be uncomfortable effects during the process of change."



Leon Louw

Black economist Walter Williams, who has visited South Africa extensively, says of Louw and the South African move toward a nonstatist society, "If you had to pick somebody on the continent that played a significant role, surely it would be Leon and the Free Market Foundation." The Foundation, says Williams, "is forcing people to view the problems of apartheid." Laughing, he points out that the American press reports that blacks aren't free in South Africa but ignores the fact that whites aren't either as long as the government regulates the telephone industry and controls economic activity. Louw is fighting for liberty for people, not blacks or whites.

An impressive measure of Louw's and the Free Market Foundation's influence is a list of its present friends and members. Since its inception in 1975 it has brought into the fold the head of the powerful

South African government-funded consumer union, who has resigned and, with Leon Louw, is forming a profit-making consumer organization because of his new philosophical objections to the use of tax money for his purposes. The most powerful labor union leader in South Africa has started working with Louw and the Foundation and has come out against racially segregated unions and closed shop laws (a barrier to black employment).

Two of the three recognized black leaders in South Africa are now participating in Foundation activities. The powerful Chief Buthelezi said a few years ago: "Free enterprise is the black's only hope." Dr. Motlana, the other black leader, who has been described as a socialist by the American press, is forming the Soweto Committee for Economic Freedom, which will be formed and financed entirely by blacks—"One of the most exciting developments in some time," Louw calmly understates in the Queen's English. "I have him reading Robert Nozick and Murray Rothbard." You get the impression that the third black leader would be coming around to libertarianism, too, if he could get out of prison long enough for Louw to talk to him.

Black business leaders, Jewish business leaders, politicians, civil servants, people from the entire spectrum of South African life, are involved in Foundation work and its publication, *The Free Market*. It's comparable, notes Louw, to having Ralph Nader, George Meaney, and David Rockefeller on REASON's list of contributing editors and arguing about the best way to get rid of the government.

Other Foundation publications include *Die Individualis*, Afrikaans for "The Individualist," an out-and-out libertarian newsletter, and Fred Macaskill's *In Search of Liberty*, the first South African book on libertarianism. Another book published under the auspices of the Foundation is Ad Wassenaar's *Assault on Private Enterprise*, a book that so enraged South African statists that, when it came out a few years ago, former Prime Minister John Vorster spent half an hour in parliament attacking Wassenaar and his ideas.

Louw's friends admit that he is in some danger. Professor J. A. Lombard, a founding member of the Foundation and the country's leading economist, has been the target of one unsuccessful bombing. The bombers could have been radical leftists or rightists, but Louw says his biggest enemies are not Marxists, who are rela-

tively easy to deal with once the issue of coercion is put on the table. The real enemies are those who say, "I am a capitalist, and in a capitalist society, you have to control morals. These are the most poisonous enemies," says Louw, because they say they're for free enter-

prise or freedom or libertarianism, but they're not.

Louw's wife, Frances, has just completed a book on the applications of individualism to child rearing. The couple and their children live in Johannesburg.

Louw is quick to admit that his country

has a long way to go, but after meeting South Africans like him and his wife and observing trends in the United States, I have been wondering... How hard is it to get South African citizenship?

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money

Exploiting Foreign Securities

By Steven K. Beckner

Anyone familiar with the plethora of tax and regulatory policies that beset American business should not be surprised with the so-so performance of US securities. There are still good profits to be made in American stocks for the astute, selective trader. But as a general proposition, it is discouraging to think that the recent Dow Jones Industrial peak of 970 was well below the index's all-time high of 1051 set in 1973—despite the overall inflation of the intervening years.

Fortunately, you need not restrict yourself to the vagaries of the US securities markets. A growing number of savvy investors, while they are not prepared to abandon the US markets with all their diversity and liquidity, are realizing that there are other markets around the world from which to choose.

Over the past decade, the US securities market has been among the world's worst in terms of both capital appreciation and dividends. Today's historically low price/earnings ratios are evidence of this dismal record. Of course, relatively low stock prices can be seen as great buy opportunities, but only if you are optimistic about the course of government policy and of the American economy.

Realistically, it makes sense to look for more action abroad. One of the most dramatic cases in point at the moment is the Japanese stock market. The Nikkei (the Japanese version of the Dow) stood at 6000 as recently as 1978, but was rapidly moving toward 7000 as this was written. And some observers foresee the index hitting 10,000 within a year.

The reason is that, despite its enormous dependence on foreign oil and resistance to its exports, Japan has experienced a resurgence in its trade performance, while keeping inflation under control. As a result, there has been a strong inflow of petrodollars into high-yielding Japanese investments. Simultaneously, holders of

Japanese securities have experienced a new surge in the value of the yen in which they are denominated.

Hong Kong has been the scene of another hot market. Stocks there have risen nearly 650 percent over the past decade, versus less than 17 percent for US stocks. Other exciting performers this year include France—the Indicateur de Tendence index of the Paris Bourse has gone from 96 to 119 since January—Mexico, and Australia.

It is hard to generalize about why foreign markets have been outperforming those of the United States. The important thing to recognize is that foreign markets follow US markets less and less closely. So when US stocks are in a slump, chances are you'll be able to find a healthy market elsewhere.

Aside from the countercyclical element, there are other good reasons to consider foreign securities. For instance, while it is validly argued that many foreign markets are less liquid (that is, harder to buy and sell in), this also carries advantages for those who are prepared to exploit them. For one thing, the stock of a foreign company will often sell at a lower price than the stock of a comparable American company—because of lower demand. For another, as Brian Toohey of the *Australian Financial Review* notes, the thinness of foreign markets often means that "it doesn't take much foreign interest to make it really take off."

Still another reason to consider foreign securities is the need for diversifying a portfolio. In some industries, of course, there simply are no respectable American stocks to choose from—for instance, in diamonds. But even where American companies are well-represented, it seems imprudent to ignore foreign alternatives.

"A security analyst or portfolio manager... is not doing his homework if he ignores Siemens, Hitachi or Philips in the electrical industrial; Sony and Pioneer in consumer electronics; L'Oreal in cosmetics; Petrofina in petroleum; Michelin in tires and rubber; Carrefour in retailing; Carlsberg-Tuborg and Heineken among breweries; Swissair among airlines; and Unilever, Ciba-Geigy, and a host of

others among multinationals," writes Rainer Esslen in his *Complete Book of International Investing*.

Then too, investing in foreign securities can be a good way to diversify into other currencies. Most people who buy foreign securities don't get involved in currency transactions directly. After all, most major foreign companies' shares are listed in the United States as American Depository Receipts (ADRs). Or you can buy shares in a foreign stock mutual fund traded here—for example, Scudder, or Templeton World, or Japan Funds. All these are traded in dollars.

If you decide to trade on the foreign market, using the international department of an American broker, chances are you'll be making the transaction in dollars here, with the actual currency conversion being made at the point of sale abroad. Even so, if you buy a Swiss stock and the Swiss franc rises against the dollar, when you sell the stock, the francs in which it is quoted abroad will exchange for more dollars.

Another approach is to trade directly through a foreign bank, drawing on foreign currency deposits to invest on overseas exchanges. Communications, however, become a problem for the active trader; a discretionary portfolio management program or, alternatively, shares in a foreign-based mutual fund or unit trust might make more sense.

The watchwords, in any event, are global flexibility for the '80s.

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Do you have an investment question? Mr. Beckner may have the answer. Send your query along to REASON Money, Box 40105, Santa Barbara, CA 93103.

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