THE POST-APARTHEID ECONOMY

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Rigidities and Imponderables en Route

The nature of the post-apartheid society is very much on the agenda. In the multitude of publications, conferences and debates on this agenda, the bulk of the attention is given to the need for—and the possible characteristics of—a non-racial political system. Much less attention is given to the nature of the post-apartheid economic system, and to the structural changes necessary to synchronize it with the new political system and to ensure that it will have the fiscal capacity to sustain a truly democratic parliamentary system.

This relative neglect of the economic dimension of the post-apartheid agenda is unfortunate. Whilst the abolition of apartheid in the political sense of the word is undoubtedly a *necessary* condition for removing the barriers to a more just system with higher living standards for especially the black population, it is unlikely to be a *sufficient* condition. It will only prove to be a sufficient condition if the transition towards a post-apartheid system can take place in a relatively orderly (or non-disruptive) way and during a time-span that will create adequate opportunities for not only the restructuring of a new economy, to remove at least the most important social and economic distortions of a century of apartheid-based development, but to rebuild the economy to enable it to create more job opportunities, to redress some of the most serious poverty conditions and to reconstruct its tax capacity.

Several reasons can be offered for the relative neglect of the economic dimension of the post-apartheid agenda. The apartheid system is first and foremost a political system and the abolition of it necessitates political action to create a non-racial constitution. Although it will not be easy for the participants in genuine and representative negotiations to reach agreement on the new constitution, a relatively high degree of freedom exists to "fabricate" or to "choose" a new constitution from a large variety of constitutional models. In the case of a future economy, no comparable freedom to "fabricate" or to "choose" a new system exists. The present economic system cannot be changed easily or at random or in a short space of time. It possesses certain almost fixed characteristics, certain rigidities and a kind of rhythm or logic of its own. All of these will impose strict limitations on the freedom of future governments to "fabricate" a functional "new" economy. If these strict limitations are ignored the consequences would be disastrous. But apart from these considerations, a great number of internal and external imponderables will also exert a decisive influence on the nature, strength and success of the post-apartheid economy. Many of these imponderables have to do with "timing" in more than one sense of the word.

> *The present economic system cannot be changed easily...*

A Transformation Model

In an attempt to analyze the effects of the economic rigidities and the imponderables on the post-apartheid economy, it is useful to systematize these effects in terms of a possible "transformation" model. Within the time framework of such a model—let us call it the ABCD-model—we can distinguish three successive periods, (i) the Final or "Destructive" phase of Apartheid (the AB-period in the ABCD-model), (ii) the Transformation or the Reconstruction phase (the BC-Period) and (iii) the Post-Apartheid or the (non-racial) Democratic phase (or the CD-period).

ABCD-Model

-A (±1975)	(i)	The Final or "Destructive" phase of Apartheid
-B (19??)	(ii)	The Transformation or Reconstruction phase
-C (20??)	(iii)	The Post-Apartheid or Fully Democratic phase
-D(20??)		

This model enables us to ask important questions that undoubtedly will prove to be relevant for the post-apartheid economy. How long will the AB-period or the Final phase of Apartheid last and how destructive will its effects be on the South African economy and on its external relations? When will South Africa reach point B and what will symbolize the dramatic "turning-point" in its history? Will internal forces and the outside world be "patient" enough to allow South Africa the "luxury" of a mainly economic Transformation and/or Reconstruction period? How long will this Transformation phase be? What kind of foreign aid and co-operation will South Africa need during this phase? What kind of foreign aid and co-operation can it expect during this phase, especially if a non-racial political system is not fully implemented during this phase? When will South Africa reach point C, and what will symbolize this important milestone in its history?

One would need prophetic skills to answer all these questions. But the answers to these questions represent some of the imponderables already mentioned.

The Final Phase of Apartheid

A series of events in the early 1970s brought about structural changes on economic and social levels that undoubtedly signalled the beginning of the end of the Verwoerdian or any other apartheid's paradigm. These events, coupled with the world economic downswing following the OPEC oil price hikes, affected the growth rate of the economy negatively. Since 1974 the annual growth rate averaged less than two percent per annum and real *per capita* income declined by almost one percent annually and aggravated poverty conditions in mainly Black circles.

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At the end of the 1980s the situation in South Africa had become precarious. The structural deterioration of the economy, the growing international isolation and the growing strength of the mass democratic movement inside and outside South Africa represent a formidable challenge to the stability of the social order and its legitimacy without the ability to overthrow it or to transform it fundamentally. The bureaucratic state can still mobilize the powers necessary to perpetuate the *status quo*; it is seemingly unable to restore its stability and legitimacy to such a degree that internal and external conditions conducive to a high and sustained economic growth rate can again be created.

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Some people speculate about what event will symbolize the end of apartheid and the beginning of the Transformation period. It will have to be a fairly dramatic event, important enough to signal the normalization of South Africa's international relations. Given the dramatic nature of this symbolic event (or Point B in the ABCD model), it is probably not realistic to expect it in the foreseeable future. Although the bureaucratic state undoubtedly cannot postpone the symbolic end of apartheid indefinitely, the enormous powers at its disposal seem sufficient to enable it to retard the end for several years.

The Transformation or Reconstruction Phase

South Africa needs to be governed during the Transformation period by a transitional government with the task to phase out White dominance and to phase in a representative democratic government in an orderly and non-disruptive way. The transitional government needs to be in a position to resolve the stability and legitimacy crises, so that South Africa's economic relations with the rest of the world will become "normalized" to an increasing degree. It would be almost impossible for a transitional or a new democratic government to start with the restructuring of the economy if it cannot create internal and external conditions conducive to high and sustainable economic growth.

In the "Declaration of the OAU Ad Hoc Committee on Southern Africa" issued in Harare in August 1989 (and endorsed by the General Assembly of the UN in December 1989) it is stipulated that "after the adoption of the new Constitution...the international community would lift the sanctions that have been imposed against apartheid South Africa." If the ANC and the international community are indeed adamant to demand complete agreement on a new Constitution before economic relations with the rest of the world can be normalized, insurmountable economic problems will be created. Hopefully, a normalization of international relations will be possible at the *beginning* of genuine and credible negotiations on the nature and on the phasing-in of a truly non-racial and non-group democratic Constitution. It would probably be necessary for large-scale foreign involvement in the negotiation process as a method to attain early international economic co-operation.

The reconstruction of the economy during the Transformation period will be a formidable and time-consuming task. It will comprise at least the following four aspects: (i) The re-integration of the South African economy into the world economy; (ii) the structuring of a stable, non-conflicting and legitimate social framework; (iii) the democratization of economic structures and the economic empowerment of Blacks; and (iv) the democratization of the public economy, both on the public financial and the bureaucratic levels.

None of these tasks will be accomplished easily, given the socioeconomic rigidities, the structural distortions created and maintained during a century of apartheid-based developments and the imponderables created by unforeseen and unpredictable political, social and international events.

Reintegrating the South African Economy into the World Economy

As a developing country with an exceptionally high population growth rate, South Africa can only hope to attain adequate economic growth if it could again become integrated into the world economy and if it could maintain internal conditions attractive enough to invite a large inflow of foreign capital, entrepreneurship and technology.

Until the early 1970s the South African economy maintained a long-term growth rate in real GDP of at least 4 percent per annum. During the period 1947 to 1974 the average annual increase in real GDP was almost 5 percent. Typical of a developing country, South Africa made ample use of foreign sources for the financing of investment. In the first fifty years after the discovery of gold (1887-1934) foreigners supplied three-fifths of the investment in gold mining. In the relatively high growth period (1947-1975) net domestic saving was on average 13.5 percent of GDP annually. During this period South Africa financed 14 percent of investment annually from foreign sources. The low growth period (since the early 1970s) coincided with an outflow of foreign capital (equal to 8 percent of investment annually in the period 1977-1988) and a decline in net domestic saving to 7.5 percent of GDP annually during 1982-1988.

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With a population growth rate of at least 2.7 percent (and a similar growth in the labor supply) South Africa needs a target GDP growth rate of *at least* 5.5 percent to absorb the annual growth of the labor force. Even this modest target rate of growth will need a high inflow of foreign capital. (According to Jesmond Blumenfeld, the capital/output ratio amounted to an average level of 2.8 percent between 1977 and 1984. Blumenfeld calculated that with an expected capital/output ratio of 2.9 in the foreseeable future, the net investment requirements would be 16.5 percent of income. To translate this into a gross investment requirement, Blumenfeld takes the rate of depreciation of the capital stock into account. In recent years depreciation has been approximately 55 percent of gross investment. Thus, according to Blumenfeld, a net investment requirement of 16.5 percent would imply a gross investment/income ratio of no less that 36.6. percent.)[1]

To estimate the foreign capital needed during a 10 year Transformation period (assuming a gross investment/income ratio of 16.6 percent) it is advisable to distinguish between two domestic saving scenarios. If the Transformation period of 10 years should start in 1990 and net savings can again be on the high level of 13.5 percent of GDP (as was the case from 1960-1978) then an estimated 7.5 percent of investment will have to be financed from foreign sources. In the period 1990-1999 this will necessitate an *average* annual net inflow of R21,500 million (assuming an inflation rate of 14 percent annually). In dollar terms the foreign capital needed will be $4.4 billion annually if a gradual weakening of the Rand is also taken into account. (At present approximately $1.5 billion per annum is flowing out of South Africa.)

But if net savings should remain (according to the second scenario) at the relatively low level of 7.5 percent of GDP—the average of 1982-88—then no less than 24.5 percent of gross investment will have to be financed from foreign sources. In the period 1990-99 it will then necessitate an *average* annual net inflow of R65 billion (or approximately $13.3 billion) annually, given an inflation rate of 14 percent.

It is realistic to expect that strong political pressure will be exerted on the government during the Transformation period to increase social spending on Blacks to attain parity at White benefit levels (see below). The government's contribution to net savings will therefore in all probability remain low. Thus we have reason to believe that the net savings ratio will be nearer to the second scenario. To maintain a 5.5 percent growth rate during a ten year Transformation period from 1990-1999 it seems South Africa could need at least $10 billion foreign capital *annually*. Furthermore, at least half of it should be direct investment. If the Transformation period should commence only in the second half of the 1990s the amount needed would be substantially higher than $10 billion annually—not only in monetary but also in real terms.

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Foreign Capital

South Africa will thus need an influx of at least $100 billion of foreign capital during a Transformation decade. Is this kind of money available and is it possible to (re)allocate it toward South Africa? In terms of the global flow of capital an amount of $100 billion over 10 years is relatively small. But to allocate this amount to South Africa—and mainly as venture capital—will be extremely difficult, if not impossible. After 15 years of disinvestment and disengagement (and it can prove to be a much longer period) it is not realistic to expect that the multinational corporations that have left South Africa will return or that new ones will then make large investments. Even during the Transformation decade, with a gradual transition towards a democratic government, a high degree of uncertainty will discourage many potential investors. Although South Africa has an excellent infrastructure and a large reservoir of well educated and professional people, and should therefore not be compared to any other African country, potential investors will nonetheless be discouraged by what has happened to the economies of almost all the African countries after the first decade of independence. *En route* to liberation, a non-racial South Africa will unfortunately have to carry the heavy burden of the "Africa independence syndrome," over and above the heavy burden of the distortions of apartheid-based developments and the harm already inflicted and still to be inflicted on the South African economy in the Final or "Destructive" phase of apartheid.

A Sub-Continental Community Market

Should South Africa be unsuccessful in attracting the necessary venture capital during the Transformation decade, it would as a last resort have to fall back on large amounts of foreign money from the International Monetary Fund and/or a kind of Marshall Aid program. It will also not be easy to get this kind of support in the necessary amounts and for the needed duration. Many countries in the Third World have a dire need for this kind of support and some of these countries can put forward a much stronger case than South Africa. The only chance to get reasonably large amounts of official support will be if a case is presented to the international community, not for South Africa alone, but for the whole subcontinent, linked with a viable and credible program to build a sub-continental community market. An integration of the South African economy into a sub-continental economy will therefore be an unavoidable pre-condition for the reintegration of South Africa into the global economy.

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The capability and willingness of the large and rich countries of the world to support a Marshall Aid program for Southern Africa must also be taken into account. In the foreseeable future the USA will get more and more involved in the development problems of South and Central America, as well as Eastern Europe, while it will have to maintain its high involvement in the Middle East. There is little doubt that Germany's focus will in future be on Eastern Europe, while it is unlikely that Japan will be prepared to give large amounts of development aid to Southern Africa. Will the United Kingdom be willing and able to provide the necessary aid? Probably not. Consequently the prospects for the needed development aid look rather grim. The longer the South African government drags its feet, the more grim it is likely to become.

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Structuring a Stable and Non-Conflicting Social Framework

At this stage it is uncertain what kind of economic system South Africa will have in the post-apartheid era. But given the high dependency of the South African economy on global support and participation—and especially on the support on the capitalistic oriented economies of the First World—it is almost compelling that a post-apartheid South Africa should opt for a market or capitalistic oriented economic system. With this kind of economic system the new South Africa will probably have the best chance to invite the large amount of foreign capital needed to maintain high levels of productivity and a high economic growth rate. The structural problems encountered at present in the USSR and in the Eastern European countries in relation to their socialist oriented economic systems and their non-democratic political systems make any version of socialism less worthy of imitation. At the same time the poor growth performance of these countries lately and the weakness of their economies restrict their abilities to supply South Africa during the Transformation phase with the needed economic support.

But even if the new truly democratic government opts for a market-oriented system—*i.e.* a system of Democratic Capitalism—it will nonetheless be essential to restructure the social framework in a way that will insure that market-oriented economic activities—based on the principle of private property—will enhance the *social* welfare of the total society and all its component parts as a positive sum game.

Markets and Welfare

The fragmented and conflict-creating socio-political framework of the apartheid system never could create conditions where a market-oriented system could promote the *social* welfare of the total society and all its component parts. The apartheid system was deliberately structured to create a position of protection and privilege for mainly the White group at the expense of mainly the Black group. It therefore has created a (group) conflict situation where the so-called "free-market economy" enhanced the interests of some group(s) at the cost of other groups, seriously undermining the stability and the legitimacy of the political and economic systems of South Africa.

The strong South African proponents of a market-oriented economic system—not to mention the dogmatic preachers of a freemarket system—normally underplay the necessity of a stable and equilibrium-promoting social framework as an essential *pre-condition* for the alleged beneficial working of a market-oriented economy. A market system can promote the *social* welfare of the total society and all its component parts only if the social framework can supply centripetal forces and if adequate cross-cutting cleavages exist. The group-structured apartheid system is a typical "conflict-model" where economic activity is essentially a zero sum—and even a negative sum—game between the groups.

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En route towards a functional market-oriented economic system it will be necessary to eradicate all the remnants of apartheid and all the group-oriented and conflict-creating social and political structures. The De Klerk government is still committed to "democratizing" the political system on the basis of statutory defined groups. Even if it should succeed to define these groups in a non-racial manner—something that is highly unlikely—it will in effect continue to build group conflict into the structure of the body politic and the economic system.

The strong protagonist of a market or capitalistic oriented economic system—especially those with a large vested interest in this kind of economic system—should realize that a market-oriented economic system will only be "marketable" to a future truly democratic government in South Africa if a well-integrated social framework can be created. During the Transformation period it may be necessary to deliberately enforce social integration to compensate for the segregationist legacy. These "integrationist" measures may temporarily cause friction, but from a longer term point of view a well-integrated and equilibrium-promoting social framework is a precondition for an effective—social welfare promoting—market oriented economic system.

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Democratizing Economic Structures and the Economic Empowerment of Blacks

The social and economic distortions during the century of apartheid-based development are of such a fundamental nature that we can talk about the "structural crisis" of the South African economy. During the Transformation period it would be necessary to implement policy measures to remove the most serious distortions to compensate, at least partially, for its ill-effects and to succeed to a satisfactory degree with the economic empowerment of Blacks and with their integration into the mainstream of the newly structured economic system.

Fuad Cassim is correct when he alleges that an understanding of the "structural crisis" convinces one "that the great task of social and economic development in South Africa does not simply lie in a 'technocratic' manipulation of macro-variables to attain growth, but involves a *qualitative change* in socioeconomic relations both internally and externally. Thus, any alternative has to be about challenging the social relations that have been structured by apartheid and capitalism."[2]

Inequality

From a structural point of view the very unequal distribution of income, property and economic power should be regarded as the most serious distortions. With a Gini-coefficient of 0.68 the inequality in the distribution of income is one of the largest—if not the largest—of all the countries in the world. To complicate matters, a close correlation exists between the unequal distribution of income and opportunities and the ethnic and statutory defined racial groups.

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At present 50 percent of the population—and over 60 percent of the Blacks—receive an income below the breadline, while more than 50 percent of the Black labor force cannot find permanent job opportunities in the formal sector of the economy. The Land Acts of 1913 and 1936 deprived Blacks of land ownership in 87 percent of South Africa. (Recently these restrictions have been relaxed in certain Black Townships.)

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Monopoly

A basic feature of the South African private business sector is the very high concentration of economic power and control in the hands of less than 10 big conglomerates. Whites are in almost total control of trade, industry and mining; privatization may have increased the ownership and control of private business in White hands. While privatization may have economic merits, it is nonetheless a pity that it is not postponed until a truly democratic government can set the terms on which the relevant public assets, theoretically the "property" of 37 million people, can become privatized.

Decades of apartheid and racial capitalism have structurally disempowered the Black community—politically, socially and economically. Political disempowerment is not only the result of disenfranchisement but also of the impoverishment of political leadership in Black circles after decades of bannings, jailings, restrictions and mass detentions. Social disempowerment has been caused by poverty and by living conditions that brought about a breakdown of the home unit and family life. To this must be added the economic disempowerment caused by discrimination, the totally inadequate educational system and the lack of opportunities to develop senior leadership capabilities in private and public business organizations and in trade unions. The restructuring of the South African economy would be incomplete if it cannot rectify the situation of undeserved poverty, chronic deprivation and structural disempowerment of Blacks.

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Jobs, Land and Business

The necessity of effective measures to create enough job opportunities cannot be overemphasized. If it is possible to maintain a 5.5 percent growth rate of GDP during the Transformation period, enough job opportunities will be created to absorb the new entrants into the labor market. But a high growth rate will not be enough to integrate the Blacks into the mainstream of the new economy. It will also be necessary that all kinds of structural changes should decrease the high capital intensity of the industrialization and urbanization processes to enhance the employment orientation of the economy. While deregulation and the stimulation of small business development is highly desirable, it would be a mistake to regard such measures as a sufficient strategy for labor-intensive development. In the eventuality of an unavoidable trade-off between relatively high growth rate and a somewhat lower growth rate but with a higher employment orientation, the latter should be chosen.

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From a Black perspective the land issue is undoubtedly a very important one, not only for economic but for emotional reasons. In its 1988 "Guidelines" the ANC put forward a strong plea for the following: "the abolition of all racial restrictions on ownership and use of land; implementation of land reform in conformity with the principle of affirmative action, taking into account the status of victims of forced removals." Hopefully, a transitional government will implement a comprehensive land and resettlement program during the Transformation period. Such measures can prove to be economically viable if sound property principles are respected and if appropriate infrastructural support can accompany the resettlement of Blacks on smallholdings. The Latin American experience shows "that land reforms tend to raise agricultural output in the medium term...(while) it can (also) lead to considerable labor absorption."[3]

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Nationalization

A convincing case can be put forward why the large conglomerates or other private business should not be nationalized. The conglomerates constitute the core of the capitalist oriented system and are strategically placed to play a key role in the integration of the South African economy in the global economy and in the attraction of needed foreign capital. But it will be unrealistic and even naive of the capitalistic business community—especially the big conglomerates—to think that they can convince the transitional or the new democratic government that they should remain protected against measures to restructure economic power relations. Hopefully, the new political authorities can be convinced to proceed gradually with restructuring and the democratization of the private business sector to ensure that this disruptive effect on economic growth and productivity will be as small as possible.

If the mainly White business sector on their part can also become convinced of the need that power relations and the control of big business should become democratized and would be prepared to take the initiative with comprehensive and imaginative schemes, it would greatly facilitate the unavoidably painful adaptation. The business sector may then even succeed in defusing demands for large-scale nationalization. But then the integration of Blacks in the property and control network of big business must avoid tokenism.

Democratizing the Public Economy

One of the most important issues to be addressed during the Transformation period is the unequal social spending, e.g., on education, social pensions, health services and housing, on the different population groups. With political power almost exclusively vested in the hands of Whites, social spending on them is at present in *per capita* terms *at least* six times higher than on Blacks. It is on average two to three times higher on Whites than on Coloureds and Asians. In the 90 years since the advent of Union of South Africa, unequal social spending has made a considerable contribution to the structurally undeserved wealth of the Whites and the structurally undeserved poverty of the other population groups. Over the last two decades unequal social spending has caused controversy and has played an important role in undermining the stability and legitimacy of the apartheid system and the public economy connected with it.

Affirmative Action

There can be no doubt about the dire need for affirmative action to compensate for the distortions and the injustices caused by decades of unequal social spending. One of the main targets should be to reach parity in social spending at White benefit levels at the end of the Transformation period. Of course, it is not easily attainable. As parliamentary representation and effective political bargaining power is attained by groups that have been deprived of it, they will be—and ought to be—inclined to close the social spending "gap" as soon as possible. Consequently the process of political democratization will have important public financial implications to be carefully taken into account during the negotiation and/or Transformation periods.

According to estimates made by Servaas van der Berg, social spending on Whites in 1986 was, in *per capita* terms, more or less three times higher than the *average* social spending on the total population. In 1986 social spending amounted to R13.6 billion or 10.7 percent of GDP. Van der Berg estimated that to reach parity in social spending at White benefit levels in 1986 would have necessitated an increase of social spending from 10.7 percent of GDP to between 27 and 35 percent (say 31 percent). In 1986 that would have demanded social spending of more or less R40 billion instead of the R13.6 billion that was actually spent. That would have increased total government spending from approximately 28 percent of GDP to 48 percent of GDP. (The possible savings that will accrue from an abolition of apartheid-oriented duplication is not taken into account, but its size should not be overestimated.) In 1986 government spending of 48 percent would definitely not have been attainable. It will remain unattainable as long as the growth rate of GDP remains lower than the population growth rate, causing the tax capacity to decline in *per capita* terms.[4]

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Closing the Social Spending Gap

The pace at which the social spending gap can be closed during the Transformation period—without overstraining the tax capacity of the economy—depends on several imponderables of which the growth rate of GDP will prove to be the most important. If a growth rate of 5.5 percent can be maintained for 10 years during the Transformation period, the percentage of GDP needed to attain parity at White benefit levels will decline from 31 percent in terms of the 1986 GDP to 22 percent. (It is estimated that a growth rate of 5.5 percent—twice the population growth rate—would bring about an increase of one-third in the *per capita* income.) While parity in social spending at White benefit levels would have necessitated total government spending of 48 percent of GDP in 1986, this would decline to 36 percent at the end of the Transformation period if a 5.5 percent growth can be maintained during this period.

Social spending of 22 percent and total government spending of 36 percent of GDP at the end of a ten year Transformation period, is unfortunately still unattainable. It would perhaps become possible to reach parity *with* white levels of social spending at the end of a ten year Transformation period if spending on Whites can be scaled down by 20 percent during that 10 year period. During a period of relatively high growth this kind of scaling down on White social spending may be possible without seriously endangering social stability. Fortunately the level of social spending on Whites is relatively high (perhaps too high) in terms of comparable international levels of income.

If an economic growth rate higher than 5.5 percent—say of 6.5 percent—can be maintained during a ten year Transformation period, the target to reach parity of social spending at the present (or at somewhat lower) White levels at the end of the Transformation period will become more attainable. But we should realize that to maintain a 6.5 percent growth rate the foreign capital needed would be much higher than the $10 billion annually needed to attain a 5.5 percent growth rate.

> *...the extremely difficult trade-off between economic growth and redistribution...*

Trade-Offs

During the Transformation period the transitional or a truly democratic government will continuously be confronted by the extremely difficult trade-off between economic growth and redistribution on behalf of greater social justice and legitimacy. While the need for the latter cannot easily be overemphasized after a century of apartheid, experience in not only developing, but also highly developed and industrialized countries, shows that a sharp increase in social spending and attempts to maintain a relatively high level of government-sponsored social services—*i.e.* high relative to the stage of economic development and/or income levels—can easily overstrain the tax capacity of the economy and cause a "fiscal crisis" with a negative effect on the growth performance of the economy. If this kind of fiscal "overload" should be experienced during the Transformation period it will negate attempts to create economic conditions attractive enough to invite the highly needed foreign capital. To prevent the danger of a "fiscal crisis" during the Transformation period it is desirable that the political transition towards a truly non-racial democracy should not take place in a *one-time* way or in too short a time span, but should be phased in accordance with processes agreed during negotiations and/or in accordance with the tax capacity of the economy. But if sound reason should exist why the political transition should be completed in a relatively short period of time, it would be desirable to reach agreement on constitutionally entrenched *fiscal* constraints to protect the economy against the dangers of fiscal "overload." The democratization of the public sector during the Transformation period will also necessitate expanding the employment of people other than Whites in the public sector, especially in senior positions.

To redress the unfortunate and unjust system that has developed in public sector employment, it would not be adequate to implement merely a government-sponsored equal opportunity policy. It would also be necessary to implement special opportunities for people other than Whites via an affirmative action policy. This implies that large numbers of Whites in public service will have to be "phased-out" into the private sector or they must be content with the prospect that almost no promotion possibilities will exist for them. Any policy to bring about a satisfactory "Africanization" of the public sector at the expense of Whites can only succeed without undermining social stability if it can happen during a high growth period when enough lucrative job opportunities are created in the private sector to absorb those Whites who will have to leave public service. Given the inadequate education system for Blacks and their lack of experience, it would originally not be easy to find enough Blacks with the necessary skills and experience for employment and promotion in the public service.

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Efficiency and Equality in a Transformation Decade

The nature and success of the post-apartheid economy depends on imponderables connected with unforeseen and unpredictable political, economic, social and international events. In all these events "timing" can prove to crucial. The need for a ten year Transformation period is regarded here as an essential precondition for a sound post-apartheid economy. Given the fundamental social and economic developments that should take place during such a Transformation decade and the stumbling blocks that will be encountered, it seems highly unlikely that a sound basis for a post-apartheid economy can be "created" in such a short period. From purely economic and public financial points of view it may be desirable that the Transformation period and the "restructuring" of the economy take place over a much longer period of time. But from a political point of view the "transition" from apartheid towards a truly democratic constitutional system should probably happen in less that 10 years.

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The task to synchronize a South African *Perestroika* with a South African *Demokratizasiya* will indeed be a formidable one. It should however be realized that social, economic and political restructuring will not only redistribute income and wealth but also power and esteem. The allocation of the concomitant high costs and benefits will therefore be very painful, even under the most favorable conditions. It is therefore advisable that all participants should be convinced, amidst an appropriate South African *Glasnost*, that the only chance to succeed with a process of political democratization will be if a very high growth rate of GDP can be maintained for a decade or more. In the indispensable Big Trade-Off between "Equality and Efficiency" there should be a built-in preference for the latter. But in accordance with the principles of social democracy, one can hold out the prospect that if a well-founded system of Democratic Capitalism with a truly democratic parliamentary system can be developed over the long run, the emphasis can shift toward equality.

> *...social, economic and political restructuring will not only redistribute income and wealth but also power and esteem.*

Notes

1. Jesmond Blumenfeld, "Investment, Savings and the Capital Market," in *After Apartheid—Renewal of the South African Economy*, edited by John Suckling and Landeg White, Centre for Southern African Studies, University of York, 1988, pp. 112-118.

2. Fuad Cassim, "Growth, Crisis and Change in the South African Economy," *Ibid.*, p. 13.

3. Terence Moll, "The Limits of the Possible: Latin America and South Africa," *Ibid.*, p. 25.

4. Servaas Van der Berg, "Meeting the Aspirations of South Africa's Poor through Market and Fiscal Processes," Colloquium Paper, July 8-13, 1989, Lausanne, Switzerland, sponsored by the Institut des Hautes Etudes en Administration Publique, p. 19.

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