

AT THE CROSSROAD :POLITICALLY AND ECONOMICALLY

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It seldom happens that a country gets to such a decisive crossroad in its history as is the case with South Africa at the present moment. During last year the White electorate made a clear choice for a new political direction - they chose for power-sharing with the Coloureds and Asians. Important decisions on behalf of adapted forms of power-sharing and/or co-responsibility with the urban Blacks are inevitable and seemingly already in the pipeline.

In the debate on the process of change in South Africa the very close interaction between structural changes on the economic and the political levels is normally neglected to an alarming extent. We have an unexhaustible capacity to talk about political change but easily tend to forget about its (economic) costs - in financial, structural and ideological terms.

In the interaction between economic and political change it is generally difficult to distinguish between cause and effect. There can, however, be little doubt that the economic growth of the past two or three decades was a necessary precondition for the broadening of democracy to include Coloureds and Asians. But it is equally true that it would have been very difficult to maintain ongoing economic growth in the decades ahead without the present constitutional changes and without the redirection of government spending it is bound to bring about.

From an economic point of view the new constitutional dispensation is not only possible but also necessary. Its implementation can, however, be successful only if it can be complemented by important structural economic reforms required to remove certain unacceptable anomalies and unnecessary stumbling blocks. The attitudes of the Whites - especially those in positions of economic privilege and power - towards the necessary structural changes on the economic level will be the real test of our preparedness for fundamental political and constitutional change.

The most important economic effect of the new constitutional dispensation will be on the extent and direction of government spending - if not on the short run then definitely on the long run. Government spending on the population groups other than White^s were chronically at a too low level - already since 1910! The parliamentary bargaining power that is going to be vested in the hands of the Coloureds and Asians can be an instrument to correct this unfortunate trend.

One must, however, express the hope that the Coloured and Asians will realise that Rome was not built in one day. Because of the obvious vulnerability of the South African economy, the two new Houses will have to show the necessary restraint in their demands for increased government spending. Gradualism will have to be the keyword.

The Freemarketeers are still possessed with their ideological obsession that government spending must decline as a percentage of total spending. This is an unattainable pipedream. Their approach is based on the presupposition that government spending is unproductive which, of course, is pure nonsense.

Government spending is mostly indispensable and rather productive. It creates and maintains the social, educational and physical infrastructure on which the longterm productive capacity of the rest of the economy depends.

Unfortunately the government often delivers its goods and services at a too high price because of the proverbial bureaucratic inefficiency and because certain pressure groups (mainly in the White private sector) misuse their power to obtain more from the government than they deserve or the economy can afford!

Greater efficiency and cost effectiveness in every corner of government activity is now more desirable than ever before. The government must also get a strong disciplinary grip on all the (mainly White) pressure groups. These two things are prerequisites to government spending not increasing by another 10 per cent or more of total spending in the next decade. Should these two preconditions not be met - as in all probability is going to happen - it would be unfair to blame only the new dispensation for further increases in

government spending. Higher government spending on the groups other than Whites are - apart from humanitarian considerations - unavoidable if we want to create the necessary productive capacity to keep the wheels of our economy turning on the long-run. Let us be careful not to blame the wrong culprits.

The financing of the relatively high government spending will be one of the most difficult problems with which the tri-chamberal Parliament will have to wrestle. The relatively small tax capacity is a distinguished feature of the South African economy. In a special sense of the word, this small tax capacity is one of the original root causes of Apartheid and not the result of it as liberals so much like to believe.

Apart from the present depressed state of the economy, the tax capacity of our economy is structurally limited by the fact that the modern sector is relatively small for a country with a population of 30 million - especially if it is regarded as a First World country as so many Whites like to believe.

South Africa is not a First World country but at best a microcosm of the First and Third Worlds. The privileged First World sector of our economy have no choice but to carry greater responsibilities towards the upliftment and development of the large Third World sector.

One of the greatest challenges facing the new Minister of Finance will be to pluck the luxury and unnecessary feathers of the goose that lay the golden eggs, but to do it in such a way not to kill the goose nor to disturb her capacity - or her inclination - to lay the golden eggs! That will take some doing.

The Minister can take comfort from the fact that the living standard of the greater part of the Whites is too high and has to be normalised. I am not saying this with schadenfreude (malicious pleasure). I only want to be as realistic as possible. But let us be honest about at least one thing: the (White) goose has a lot of unnecessary and luxury feathers that can be plucked for better purposes, without causing too much harm. And those in privileged and protected positions can work a lot harder to match their relatively high income with higher productivity.

One possible way to collect additional income for the Treasury is to simplify the tax laws in an attempt to get rid of many of the loopholes. The exploitation of these loopholes has become something of a national sport - seemingly played without any moral scruples.

A special reason for the close interaction between economics and politics is because both have to do with power relations. The new constitutional dispensation is an honest attempt to bring about power-sharing between Whites, Coloureds and Asians in the political arena.

In the economy arena we also have too many monopolies and too much power concentrated in the hands of eight or ten conglomerates and in the hands of a hundred or more well-institutionalized (mainly White) pressure groups.

It is a mighty irony that in an economy so characterized by different forms of power blocks, the Freemarketeer rhetoric is at its zenith. The business world is not only very ingenious in selling their phoney freemarket propaganda (to get as free a hand as possible), but each separate group is equally ingenious in their attempts to convince the government that their particular activity is of a "strategic" nature and therefore deserves extraordinary government aid and protection!

A hard and critical look at the "conventional wisdom", propagated by the South African business community, is long overdue. In the (ideological) spirit of the new constitutional dispensation, the business community can do much more in the direction of "mittbestimmung" and power sharing. To counter the widely diffused poverty, the business community can also do more (and talk less) about their social responsibilities towards the groups other than Whites.

The greatest long-term challenge facing the South African economy is to create as many jobs as possible. Industry must try to build a growing capacity to export Black-labour-embodied-industrial-products. Therefore it must be possible for industrialists to buy their non-labour inputs on the cheap international markets. Will this ever materialize if we listen to the lobby for all kinds of protection? Some of the strongest lobbyists for protection are,

surprisingly enough, the big conglomerates - the same groups who propagate the freemarket internally!

Given this kind of contradictions the task of the political process to sort out the difference between short-term sectional interests and ^{the} long-term general interest, is not only a very obvious but also a very urgent one. We can only hope that the new political process will concentrate more sharply on this issue.

I hope action to create larger lebensraum for the informal sector will be high on the priority list of the tri-chamberal Parliament. According to reasonable estimates six to seven million heads of household will have to earn their living in the non-modern sectors of the economy at the end of the century. Too many typical First World rules and regulations rob many of these people from the opportunity of earning a living in the grey sector on the periphery of our urban centres.

These rules and regulations are in fact a subtle and disguised form of Apartheid because they keep some "out" and others "protected". If boundaries have to be broken down, the "boundary" of the excessive "regularization" of the economy has to come down - at least to a certain degree.

It is rather important that the structural problems inherent in the South African economy be rectified as soon as possible. If not, those on the political far right and far left may find it convenient in five years' time, to blame the new constitutional dispensation for the economic problems that already exist today!