

phase of the business cycle," enriched inflationary expectations also noted consumption rather than saving. An important effect of the deterioration in personal saving was the increasing contribution of the life assurance industry to net personal saving — 85% in 1980 compared with an average 50% in the preceding four years.

Funds mobilised through life assurance premiums have also shown a significant absolute increase over the last few years. Lam says that while in the early Sixties over R3 out of every R100 of personal disposable income was saved by this means, the last three years have seen this rise to R6.

The curbing of private consumption expenditure as a result of this year's tight money policies, together with high interest rates, should result in an increased rate of personal saving as consumers consolidate their savings. At the same time, economists predict that corporate investment will not slow down too much.

ZIMBABWE

Grasping the nettle

Twice in the past month, Senator Enos Kalala, Zimbabwe's Finance Minister, has promised a "tough" budget on July 30. It is generally acknowledged that in three weeks' time, when he presents his proposals, he will have to announce some increases in taxation. But the general view of Zimbabwe business is that the budget is likely to be tougher on taxes than on spending and altogether not as harsh as necessary.

The Minister certainly faces a very formidable task. As he puts the finishing touches to his proposals, there are plenty of storm warnings for him to consider. For a start, retail spending is surging well ahead of industrial production, which itself is moving along merrily with an annual increase of close on 13% in volume in the first quarter of 1981. Secondly, inflation in May reached 14.9% — more than double the figure of 6.6% recorded last August. Thirdly the country's foreign exchange reserves at the end of June had dropped to below Z\$150m — and in the first quarter of 1981 Zimbabwe had a trade deficit of Z\$29m as against a surplus of Z\$83m in the same period last year.

To complicate his tax planning, emigration is running at 52% above last year's levels and on all sides businessmen are warning that higher direct taxes will increase the emigration rate further and exacerbate the already-severe shortage of skills that is currently restraining growth in some sectors of the economy.

The classical prescription for this situation would be to deflate the economy by reining in public spending, pushing up taxes and tightening control on the money

SAMPIE TERREBLANCHE

Enhancing social welfare

Sampe Terreblanche, economics professor at Stellenbosch University, talks to the *FM* about what he sees as SA's most important economic and political priorities.

FM: What are the most crucial priorities facing the South African economy?

Terreblanche: The most crucial is that end to which all economies address themselves — enhancing the social welfare of the total population. Thereafter it's a matter of interpreting and quantifying the concept of social welfare, and finding the best way to maximise it. Free marketeers might say it means maximising consumer sovereignty — stressing the efficient allocation of resources through the market mechanism. Or that growth, measured by gnp, is the prime object. **What do you think it means?**

Well, part of the answer to that might be found in the notion of a more equal distribution of income. This must be seen as an ideal — something to tend towards. It's a question of "more equal." By United Nation standards, South Africa has the least equal distribution of income. What it really boils down to is not the crude redistribution of income by money transfers, or the like, but effecting a more equal distribution of opportunity for the different population groups. This implies taxation and provision of services and that sort of thing.

Is that incompatible with the concepts of growth and consumer sovereignty?

No, but it implies a trade-off. Maintaining growth requires improving skills, which means education and by implication taxation. From an economic point of view, we need an enormous upliftment of the blacks. Quite apart from the social welfare aspects of this, which are justified on humanitarian grounds, the free marketeers' cherished ideal of growth cannot be achieved without it. But the thrust must come from government. The Urban Foundation and the Small Business Development Corporation are a good start, but only a start.

Surely the free-marketeters, as you call them, recognise this?

They may do, but their protestations contain contradictions. They want to de-politicise the economy, restore consumer sovereignty, but at the same time maintain the huge industrial conglomerates that wield monopoly power. They want to prune the public sector,

but at the same time maintain the open lines to government that grant them privilege. It's that double morality so typical of the bourgeois world. If we really want to de-politicise the economy, we must de-institutionalise it — get rid of all the pressure groups. This is clearly not possible. Professor Franszen has estimated the public sector subsidises the private to the tune of R1 billion a year through its host of tax incentives. It services all the white pressure groups, and that situation is basically ungovernable.

Do you believe the public sector will have to expand to accomplish the developmental aims that you stress?

It might, in fact. But I'm not a socialist. I want to see the public sector cut. Rationalisation of its inefficiencies would help. But there is also the segment that exists merely to protect white pressure groups. This would have to give way partially if we want to succeed with an operation of black upliftment. If the white pressure groups do not give way to the necessary extent, we could easily overstrain the economy, with disastrous results for all.

What then is the solution?

I'm not sure of the solution. But the problem is to bring about a different economic system — not socialism — that would achieve the necessary ends. It would involve redefining the borders of the public and private sectors, and a partnership between them. To bring about structural change in our economic system will of course necessitate important changes in our political and constitutional system. Reforms in the two fields are closely related and can only succeed if they are co-ordinated.

One thing is certain, however. The free market cannot do it. The golden period of the free market, between 1870 and 1914, saw low growth rates. Economies only really started growing when governments started getting involved. And it has been welfarism, not laissez faire, that has brought about redistributions of income and opportunity in Europe.

Don't get me wrong. I'm all for the free market. But only on the so-called island of Anglia on the planet Mars. It cannot exist in this world. And isn't it curious how the biggest enemies of the ideal appear to be its exponents. But remember, it's not only growth that matters, but the social welfare of the total population.