

Rethinking economic strategies

That we need economic restructuring to achieve peace is now widely accepted. But what kind of 'economic restructuring'? ALAN HIRSCH, an economics historian of the University of Cape Town, argues that one's vision for the economic edifice of the future depends on one's perception of the problems in the present one. In this article he explains his perception of present problems to show why 'progressive social scientists are beginning to explore the question of economic restructuring in South Africa, a prerequisite for peace and real democracy'.



Alan Hirsch

It used to be only marxists who argued that politics and economics in South Africa were intimately related and that the resolution of political problems demanded fundamental economic change. Liberals said that market forces would ultimately wear down the undesirable features of National Party rule. The Nationalists, of course, refused to accept that there was either a political or an economic problem. In the last year, however, it has become commonplace that political and economic change are linked, and that a new, peaceful South Africa will have to be based on a restructured economy.

A past president of the Cape Chamber of Industries, for example, has argued that, for political stability, South Africa needs 'and must articulate a total programme for economic reconstruction' (*Cape Times* 8/11/85). Harry Schwarz, finance spokesman for the PFP opposition (often regarded as the party most closely representing big business) said recently that 'disorder will continue until government can assert its authority and until there is a change in the political, social and economic structure' (*Sunday Times* 3/11/85).

The deputy-governor of the Reserve Bank, Professor Jan Lombard, wrote in October last year: 'In the case of the present South African evolution(sic), economic development has been and remains at least a necessary if not also a sufficient condition for the political reform that seems to be required', and later, 'What the economy requires is a particular strategy of growth based on the social emancipation of the black people of this country' (ASSACOM-1985).

These representatives of business, the PFP and government are, as they probably know, relative late-comers to the economic restructuring party. As early as 1955, the Freedom Charter called for economic restructuring — by means of the nationalisation of the mines, banks and monopoly companies, in a society where housing, education and the right to a job would be guaranteed. More recently, in their 1985 May Day Demands, organised workers in the Transvaal called for a society similar in conception to that called for in the Freedom Charter, although the question of ownership is not overtly broached in the workers' document.

It goes without saying that the restructured economies envisaged by the government, big business and the popular masses and workers differ substantially in conception. Different visions of the new society rest fundamentally on the respective analyses of the faults embodied in the existing society. Before this issue can be taken any further, it is crucial to examine the deep economic crisis which has given rise to this unprecedented soul searching.

The economic crisis

Visible symptoms

• Unemployment

Without doubt the central feature of the economic crisis is the existence and continued rapid growth of mass unemployment. In recent weeks newspapers have frequently sported headlines reading 'Job queues lengthen' and 'Bleak employment outlook'. The advent of the new year, with a fresh 250 000 applicants on the labour market has heightened our awareness of widespread joblessness, but not many people understand the full breadth and depth of the problem.

Official government statistics indicate an unemployment figure of around 500 000. This would be bad enough if it were accurate, but the true picture is far worse. University researchers and private consultants have estimated that the true extent of unemployment in South Africa (including all the Bantustans) exceeds 2 000 000 people, with some estimating a figure closer to 4 000 000, or close to half the labour force. What's more, the situation is quickly deteriorating. Since late 1984, South Africa has been losing existing jobs at a rate of at least 8 000 every month.

But the critical issue is the fact that mass unemployment in this country is not just a consequence of the current, very deep recession; in fact, unemployment began to make itself felt more than 20 years ago, at the beginning of the 1960's. Since then the problem has continued to grow, never declining, only expanding more slowly during cyclical booms. The roots of the unemployment crisis are located deep in the soil of the South African economy.

• Inflation

The other critical characteristic of the South African economic crisis has been the persistence of double digit inflation since the early 70's. For 13 years inflation in this country has exceeded 10% per year. In 1986, for the first time, it seems likely to pass 20%.

Not unexpectedly, the combination of mass unemployment and rampant inflation has savagely attacked the living standards of almost all South Africans, black and white. Only the rich are exempt. Though, clearly, the living standards of salary and wage-earning whites have fallen in recent years, the brunt of the burden has fallen on blacks. In the urban and, even more so, the rural areas of South Africa, poverty wreaks havoc amongst black communities. Any reader of *Sash* will have ample evidence of this. Equally evident is the fact

that worsening poverty is one of the chief causes of the current political conflict; the scale and depth of unrest in the Eastern Cape, where unemployment is said to exceed 50% in a large number of places, confirms this unequivocally.

Underlying economic factors

At the first level of analysis, the economic crisis is fundamentally a crisis of growth. There are two central problems: firstly, that the economy has grown too slowly to support its population, and, secondly, that the form that such growth as has occurred has taken has not been of the kind to spread employment and wealth effectively.

The South African economy consists of four main sectors: mining, agriculture, industry and services (including commerce and government). The first two sectors, mining and agriculture, are limited as far as growth is concerned by natural conditions, though it is certainly true that both sectors could be better organised with regard to creating jobs and spreading wealth. The growth of services is largely dependent on the growth of the economy as a whole. The critical sector for any large modern economy is industry, and it is in examining the industrial sector in South Africa that the weaknesses of the economy became clearly apparent.

Between the 1930's and the late 1960's South Africa had its golden age of industrial development. Before the first world war practically no domestic industry of substance existed and, yet, by the end of the second world war manufacturing industry had overtaken South Africa's fabulous mining industry as the most significant economic sector. The 1960's saw the last great manufacturing boom; in the 1970's the industrial slowdown began.

The explanation for the behaviour of the industrial sector is pretty straight-forward. The 35-year boom was based on the replacement of a range of imported goods which could be made here. Local industry focused on the local market, and in this were assisted by protectionist state policies. However, due to South Africa's position in the international economic chain and our relatively low technological capability, import substitution was largely limited to consumer goods (not producer, or capital, goods). By the end of the 60's the limits of this form of import substitution had, more or less, been reached.

Because of the very slow growth of the internal market, predicated on the low living standards of the vast bulk of the black population, the scope of consumer oriented import substitution had become very narrow. Export markets were blocked by political factors and a lack of international competitiveness.

Exporters in the Far East outstripped other countries on the international market. On top of this, South Africa was hit by the oil price explosion and internal political unrest. From the late 1970's South Africa entered a period of steady decline.

Since that time foreign capital has steadily seeped away, somewhat accelerated, but not caused, by the disinvestment campaign. Local capital too began to seek more favourable investment prospects abroad. The manufacturing sector has been devastated with a 15% decline in real output over the last four years. Consequences of the combined political/economic crisis have included heightened unrest, a serious brain-drain and a collapse in international confidence, precipitating us

into a seemingly bottomless downward spiral.

The crisis in industry, which has its roots in the limited form of the original industrial boom, now confronts South Africa with a critical question: how do we establish a healthy economy on which a just and peaceful society can be based?

Proposed remedies

1 Traditional government answers

The economic development policy of the government since the 1960's has revolved around a twin strategy of industrial decentralisation and export promotion, policies which meshed into the bantustan political strategy. Industrial development in the 'border areas' and the bantustans, aided by exemption from minimum wage regulations was meant to bolster South Africa's balkanised political structure at the same time as it stimulated economic growth, partly through exports.

The policy, as is now widely accepted, proved to be ineffective and expensive, even hampering growth according to some analysts. The economy remained basically unsound, founded on the export of primary products (minerals and agricultural produce) subject to the vagaries of international markets, and the importation of capital goods.

2 The new regime — privatisation and deregulation

In recent years, desirous of reaching a rapprochement with big business, the government has moved towards the withdrawal of the state from certain fields of economic intervention. The quid pro quo is meant to be increased support from capital for an elaborated decentralisation policy.

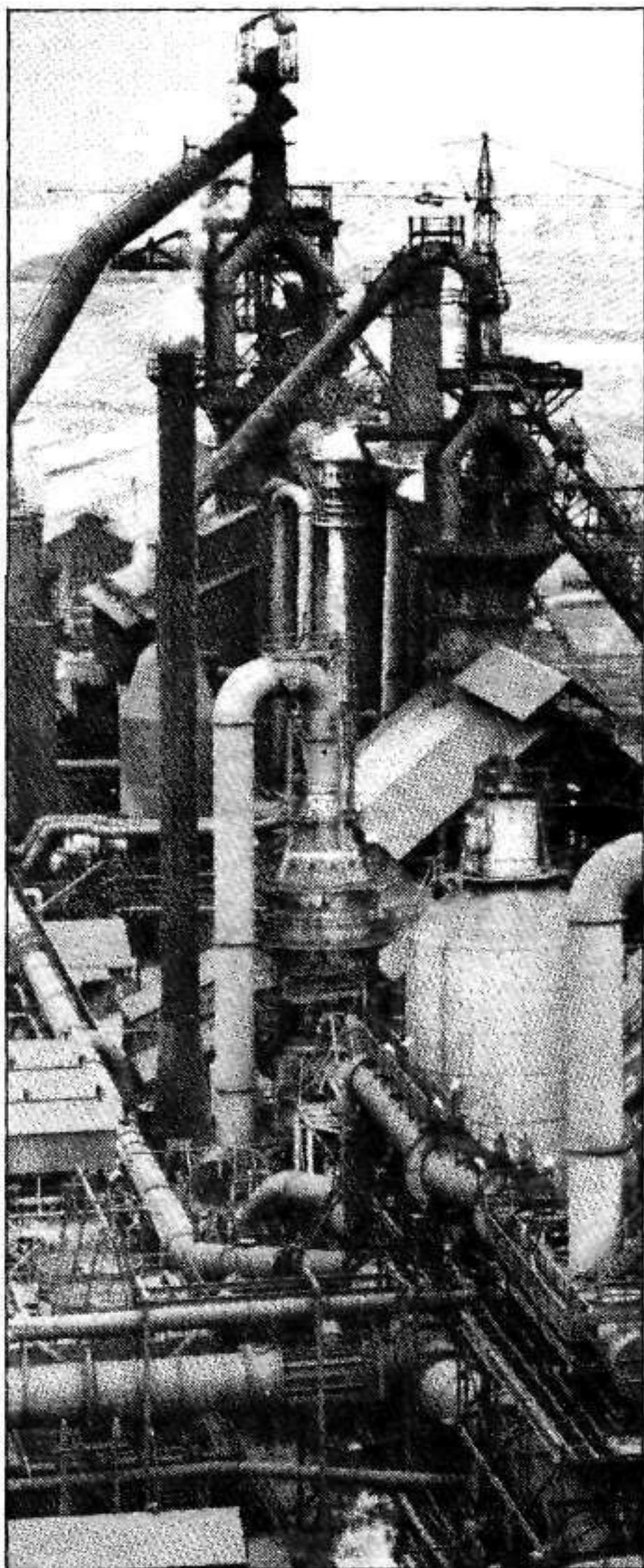
Catchwords of the new economic regime are 'depoliticisation', 'privatisation' and 'deregulation'. The first two terms effectively mean the same thing: handing over state-run economic enterprises into the hands of private capital. The first significant step was selling a large



Computer terminals — Bans on the sale of some kinds of technology to South Africa might prevent the destruction of jobs which so often goes hand in hand with mechanisation

number of shares in SASOL to private investors (who, incidentally, have made a killing at the expense of taxpayers whose money built SASOL). Further initiatives extend from the possible privatisation of ISCOR to the selling off of Administration Board owned beerhalls.

Harold Macmillan recently referred to Mrs Thatcher's privatisation programme (copied mindlessly by our government) as 'the selling off of the



The privatisation of Iscor — 'selling off the family silver'?
photo: Iscor News

family silver' — a fast buck for the government made from selling publicly owned assets. It is difficult, in this case, to disagree with that doyen of British conservatives. Privatisation means little more than giving big business the opportunity to invest in established enterprises built at the expense of the mass of tax-payers.

A greater degree of efficiency may emerge, but at the expense of control by representatives of (some of) the people who financed it. There is no inherent reason why privatisation should stimulate economic development.

Deregulation is about doing away with government controls over economic activity. In some cases this would certainly be desirable, as in the instance of influx control. But high on the deregulation agenda are proposals to eliminate minimum controls over wages and working conditions in economic enterprises. Such moves would contribute little to economic development, and much to inequality, dissatisfaction and conflict.

3 Alternative strategies

Current state economic development initiatives, welcomed by capital whose representatives clamoured for places on the government's privatisation committee, are based on the view that state intervention in the economy is a bad thing. The free market will heal our wounds, they would argue. There is absolutely no evidence for this view — many would argue instead that the problem is not state intervention per se, but rather the form and content of state intervention.

In fact, all countries that have developed advanced industrial economies since the second world war, from Hungary and the Soviet Union to South Korea and Taiwan, have done so on the basis of extensive state initiatives. The nature of the modern world economic system makes this a *sine qua non*. A South African reindustrialisation programme would require the concerted involvement of a united, directed government. The current economic meanderings of the government, encouraged in some important respects by big business, are easing us steadily down the descending spiral. Fundamental political and economic change are inseparable pre-conditions for a just and peaceful South Africa.

The state in a democratic South Africa will have to concern itself, simultaneously, with the creation of new wealth and the redistribution of wealth in general. Some very difficult problems will arise: for example, should workers on the gold mines be entitled to decent living wages although this may threaten the existence of invaluable economic assets? On the other hand, would not a broadly conceived economic strategy be able to radically improve the economic and social conditions of mine workers (with regard to housing, education and health) without placing the existence of the mines in jeopardy? Other vital and vexed issues would include rural poverty and unemployment, but unfortunately, specific questions cannot be examined here.

Economic restructuring with regard both to growth and the redistribution of wealth would not only be the moral obligation of a democratic government in South Africa — it would be a political necessity. The consent of the people as a whole would have to be founded on economic justice. That is why progressive social scientists today are beginning to explore the question of economic restructuring in South Africa, a prerequisite for peace and real democracy.