

SA economy still on the decline

The South African economy will proceed through three stages during the next 30 or more years, says Prof Sampie Terreblanche.

I HAVE no reason whatsoever to be optimistic about the future of the South African economy. The South African economy is still on the decline that started in 1974 after the oil crisis.

The average growth rate was less than two per cent annually and the per capita-income declined by 0,5 per cent annually and by more than one per cent annually since 1981. It is important to realise that this decline is not a cyclical phenomenon as some government spokesmen allege. It is very much a structural phenomenon.

Over the last 30 years the South African economy has grown in an unappropriate and "skew" way. It has become far too capital intensive. Consequently every revival in the economy causes a sharp increase in the import of heavy capital equipment. Given that South Africa does not have the necessary foreign exchange and can no longer get hold of it, a structural ceiling puts a limit to the growth rate that can be maintained.

It is important to realise that in accordance with the Verwoerdian dream of a white South Africa, the economy was deliberately "structured" to be capital intensive on the one hand, and as independent of black labour as possible on the other hand. In its attempt to make the South African economy less dependent on black labour it ironically enough became more dependent on imported machinery. The external sector of the economy has thus become the structural Achilles heel of South Africa as a white-controlled country.

If this crisis phase is to continue for another 10 to 15 years the end result can be disastrous. Then the transitional phase will be much more difficult and painful and last much longer.

The transitional phase will only com-

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mence once a new and truly reform orientated government makes a credible commitment to the dismantling of apartheid. The length of this phase will depend to a very large extent on the level of growth that can be obtained and on the nature of the economic growth. The growth rate will have to be at least five per cent annually to accommodate the 350 000 (or more) that will enter the labour market annually. To maintain this kind of growth it will not be enough to normalise economic relations with the rest of the world. We will also need a Marshall-aid programme.

The transitional phase will be completed when the democratisation process



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has proceeded to that point where the majority in parliament can be black. The immediate purpose of the democratisation process will be to close the "welfare" spending gap between black and white as soon as possible. In per capita terms the "welfare" spending on the relative wealthy white is at least six times larger than the "welfare" spending on the very poor and less developed blacks!

The closing of this gap will put a heavy burden on the tax capacity of the South African economy and we will have to be careful not to overstrain this tax capacity of the economy. A balancing act will be necessary. Or to use the old Russian expression: We must be careful not to cut the wool so short that we cut into the skin!

I suppose that the negotiation process between all the relevant groups will have, inter alia, the task to agree on such compromises. But let us not bluff ourselves: the trade off between growth and redistribution will be an extremely difficult problem and also an on-going problem during the whole transitional phase.

Although I am not optimistic that the post-apartheid stage will be reached in the foreseeable future, I still hope that the future economy of that stage will have the following characteristics:

- A market-orientated economy.
- A labour-intensive economy based on appropriate technology.
- An economy with a well-developed and well-organised welfare state system (including a well developed educational system).
- An economy with a necessary large — but not too large — bureaucracy with a fair degree of efficiency.
- A fully internationally integrated economy and at least part of a Southern African Economic Confederation.
- A fairly stable and prosperous system of democratic capitalism structured to fit the situation in South Africa that in all probability will still be described as unique.

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