

Going for growth but how?



Delegates, from left: Alec Irwin and Marcel Golding (Num) and Mo...

There is general consensus on the need for a vibrant and growing economy in South Africa. There is agreement also on the need for restructuring to redress the injustices of the past. What is lacking is clarity about how to ensure growth. **SUE VALENTINE** reports on a recent economic indaba.

WITHOUT a viable economy that goes at least some way towards meeting the expectations of all South Africans, the transition to democracy – already a fragile process – may be wrecked altogether.

This theme underpinned and informed much of discussion during the Cape Colloquium on "Growth and Redistribution" organised by the Association of Democratic Economists and the University of the Western Cape's Institute for Social Development.

In some hard-talking sessions, academics, trade unionists, business people and representatives from the Department of Finance and the ANC debated and examined ways of ensuring more equitable health, education and pension services within the confines of the failing South African economy.

However, far less forthcoming were clear suggestions on how to ensure economic growth which, as figures presented by Stellenbosch academic Servaas van der Berg showed, is desperately needed. In the last 15 years employment in South Africa has increased by only 1,1

workforce.

He said that in the medium term the budget was the only effective means of redistribution, but that in general people's expectations of what the South African economy could offer them far exceeded the reality.

South Africa was far too poor (and would remain so for a long time) to provide the financial resources to extend expensive "white" services to the entire population. If government spending on white social services (primary and secondary education, health and pensions) were to be extended to black South Africans, spending would have to increase five times – from R5,4 billion in 1986/7 to R25,2 billion.

Increased taxes and cuts in defence and other "ideological" expenditure could not hope to generate these kinds of amounts.

Van der Berg showed that if the "more realistic" alternative of re-allocating existing social expenditure to achieve parity in social spending was adopted, this would mean a reduction by one third of spending on

850 primary or 1 425 high schools employing 100 000 teachers in 10 years.

In a paper on "Congestion and Restructuring" presented at the University of the Western Cape, basic needs economic growth. Health care, a substitute for the tertiary sector, a place for the young to work.

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tion, citing sources which showed that, on balance, evidence was against public ownership and that large-scale nationalisation would "almost certainly cause long-run efficiency losses".

Acknowledging that the existing division of power in the South African economy was unsatisfactory, Roux argued that state intervention in the economy did not have to take place through nationalisation. As much as a strong trade union movement was needed, so was a dynamic business sector. A range of co-operative possibilities existed.

On the subject of efficient and/or successful state-run companies, Roux warned that South Africans "should not think we are so unique that problems that have happened elsewhere in the world will not happen here."

Responding to the paper, National Union of Mineworkers education officer Martin Nicol said that while nationalisation was widely advocated by most workers, it was not seen as the only solution. Nevertheless, nationalisation of certain industries could be used to influence job creation and to restructure industries such as mining along more "humane" lines.

He said that one of the main aims of nationalisation would be to destroy the power of the conglomerates because they held an "inordinate amount of power" and were not investing in areas that needed to be developed.

ON THE subject of land reform, the chairman of the Development Bank of Southern Africa, Dr Simon Brand, said it was not enough only to ensure access to land. It was also necessary to set in place support services for black farmers. This would include loan schemes, research and training services and mechanisms for land purchase.

He said two myths first had to be eliminated. The first was that the current system of white commercial agriculture was an efficient way of producing raw materials.

"It is clear that there are many aspects of this sector that show it is not a sustainable way to meet the agricultural needs of the country. It is ecologically and financially vulnerable and should not be allowed to continue as it has in



Dr Simon Brand

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DISCRIMINATION in state spending on pensions could be eradicated overnight if the government so chose, offering a meaningful signal that apartheid was indeed a thing of the past.

This was the view expressed at the colloquium by University of the Western Cape economist Pieter le Roux.

Le Roux, who has served on the Mouton Committee investigating social service spending since March this year, said it would cost R2,4 billion for the state to establish parity immediately.

Under the present structure, white old age pensioners received R276 a month, Africans R175 and Indians and "coloureds" R225 a month. At present levels, this expenditure - excluding pensioners in the "independent"

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Prof Pieter le Roux

homelands of Bophuthatswana, Venda, need R168