

# CONSENSUS ON THE ECONOMY; REALITY, ILLUSION OR SHAM?

Dr NICOLI NATTRASS, of the Department of Economics at the University of Capetown, argues that economic restructuring will be limited, if democratic consensus is to be the guiding process.

THERE SEEMS to be a lot of consensus about the economy around these days. The participants in the new macroeconomic bargaining forum have agreed that 'restructuring' the economy needs to be negotiated jointly. The ANC has openly accepted the need for 'financial discipline' and its latest economic policy resolution stresses that policies must 'be guided by the balance of evidence' rather than 'any rigid ideological framework'.

Even the usually evangelistic free-market rhetoric of the business community is being modified. The Nedcor-Old Mutual scenario plan, for example, sees selective government intervention (such as occurred in South Korea), the creation of a Job Corps and the implementation of prescribed assets as 'urgent and necessary'.

If the business community accepts the arguments put forward by the scenario plan, then constructive co-operation between the various economically and politically powerful groups is more likely. With socialists moving away from central planning towards more market-oriented mixed economies, and important business lobby groups talking enthusiastically about the South Korean state, then clearly some common ground is evident. Hard-line Stalinists and Thatcherites have been relegated to the lunatic fringes. The ANC has agreed not to kill the golden egg-laying goose so long as the state and business agree to get the barren fowl laying, and laying fast.

ON SPECIFIC policy levels too, it is possible to point to common ground. In both Nedcor-Old Mutual's 'changing gears scenario' and the ANC's economic policy proposals, housing provision is seen as a socially desirable and economically feasible 'kick start' to the economy. Both accept the need for industrial 'restructuring', fiscal and monetary discipline, and the promotion of exports.

However, it would be a mistake to believe that some form of social democratic consensus is on the cards. In

crucial respects, agreement is superficial only, with both sides attaching very different meanings to commonly held policies. Take, for example, the frequent favourable citing by both the ANC and the Nedcor-Old Mutual scenario plan, of the South Korean success story.

South Korea provides the ANC with an example of successful state intervention and shows that planning can be both efficient and necessary for economic success. For the ANC, support for the South Korean model provides a convenient way out of having to adopt a market position in the face of the collapse of central planning in Eastern Europe. For business, South Korea offers an example of a supportive and facilitating state which helps the private sector succeed in rapidly shifting cut-throat international markets. Both sides see what they want to see.

WHAT THE ANC fails to mention about South Korea is that the short-term interests of the consumer and the labour movement were sacrificed, and had to be sacrificed, in the interests of winning export markets. In this respect, the absence of democracy in South Korea was rather helpful. I once heard an influential ANC speaker proposing that the South Korean model should be followed in every way — except of course when it comes to repressing labour. That you could not have a South Korean model without repressing labour, seemed to escape him.

What business fails to see about South Korea, is that the state nationalized the financial sector and used its control over credit to force the industrial conglomerates into areas of production targeted by the State. Sure the state was facilitating, but it was also coercive. Business should prick up its ears when the ANC talks admiringly about 'disciplining capital' a la South Korean style. Restructuring industry towards a more export-orientation will inevitably result in some severe conflicts of interest between industrialists and gung-ho state-planners picking what they see as 'indus-

trial winners'.

There is still an unbridgeable gap between those who ultimately have faith in the market to allocate resources efficiently, and those who believe the state is ultimately in a better position to do so. People in favour of the state will talk admiringly about South Korea forcing a very reluctant group of industrialists into the ship-building industry — a move which resulted in South Korea becoming world market leader in less than ten years. Sceptics who stress the limits of state judgment will point to the recent loss of South Korean market share to Malaysia and other South-East Asian economies. The state can help pick industrial winners, but you need luck, as well as resources, capability and good judgment, to do so.

OTHER PROBLEM areas when it comes to interpretation include talk about 'financial discipline' and 'restructuring'. In early and more recent versions of ANC economic policy, 'fiscal and monetary discipline' and 'macro-economic balance' is seen as vital to the health of the economy. These statements can be taken at their face value. No-one wishes galloping inflation and balance of payments crises on South Africa. However, the ANC also calls for a 'massive injection of finance' in the interests of Basic Needs provision. There is little explicit appreciation of the fact that in the interests of macro-economic balance, the 'massive' injection of finance must certainly not be as massive as popularly demanded. Thus when it comes to designing packages of policies, political interests will probably result in groupings like the ANC tolerating a much higher inflation rate than other constituencies with which they are seemingly in agreement at present.

The debate is at its most obtuse when it comes to the need for restructuring. Like motherhood and apple-pie, everybody is in favour of it.

Yet listening to the debate, one gets the impression that very few individuals

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understand the disadvantages that such a process will entail for their own constituencies. 'Restructuring' means diverting resources from some (predominantly import-substituting) industries and sectors to other (predominantly export-oriented) industries and sectors. It means altering the production process, the labour process and the allocation of economic surpluses between wages, distributed profits and investment. The up-side of this is better growth and the reduction of unemployment in the longer-term. The down-side is the unemployment and disruption that would inevitably follow in the short-term if 'radical restructuring' is implemented.

**T**AKE THE automobile industry for example. It is conventional wisdom that owing to the high level of protection, the automobile industry has too many producers for the limited size of the market. This means that production runs are too short to allow for adequate advantages of scale.

In the interests of economic efficiency, it would make sense to scrap protection and allow the cold winds of international competition to force the industry to consolidate around fewer producers. Do you think that the trade unions or industrialists in the industry are going to take that idea lying down? Of course not. When 'restructuring' is looked at more practically, it becomes clear that specific interest groups — who seemingly support the general idea now — will later become vocal and obstructive in their opposition to it.

This problem is going to make its presence felt in the recently initiated macroeconomic bargaining forum. After its first meeting in January, representatives of both labour and capital talked positively about the 'common ground' they had found on the issue of restructuring. Given that both unions and management have an interest in maintaining industrial protection (to protect profits and jobs in the short-term), the nature of that restructuring is bound to be limited. Even though economic growth (and hence the interests of those

currently without jobs) would be promoted in the longer term by radical restructuring, powerful interest groups such as organized labour and employers will object to it.

Interestingly, Bruce Scott (one of the Nedcor-Old Mutual scenario planners) observes in his contribution that restructuring is best done *before*, the transition to democracy takes place. He argues that under democracies, those with vested interests are able to influence policy and hence would limit the inevitably painful process of restructuring. Given that no transition from inward-oriented to export-driven growth has taken place under democratic regimes, this analysis must be taken seriously. It is thus disturbing that both the ANC and the Nedcor-Old Mutual scenario planners seem to believe that radical economic restructuring in South Africa must and can be done democratically through consensus.

**T**HIS, UNFORTUNATELY, is a sham. Given that those who will benefit from restructuring are currently in the minority, while those workers and capitalists who will lose are highly organized constituencies, it is safe to conclude that restructuring will be limited if democratic consensus is to be the guiding process. One doesn't have to be a political-economist to recognize that there is tension between the ideal of democracy and the interests of rapid restructuring. This is a nasty fact of life, and these days when no-one wants to appear anti-democratic in any way, very few will admit to it.

This is most unfortunate as it leads to bad political strategy. The demand from the left that no restructuring of the economy must take place before the transition to an interim government is, in my opinion, seriously misguided. It is in the long-run political interests of the ANC to have De Klerk start the painful restructuring now — and let the National Party deal with the resulting flack! In a few years time, when the economy is on a better footing and a democratic government is installed, the ANC will be able to reap the rewards. ●

**GREAT SO  
FAR! BUT  
NOT YET  
GREAT  
ENOUGH**

**T**HE BOIPATONG tragedy and its aftermath are yet another sad example of the South African political malaise. We urgently need a political arrangement to give us a credible government representative of the entire population — a black-white coalition of national unity that has both Mr Mandela and Mr De Klerk in the leadership.

This is only possible if these two main players on the political scene commit themselves jointly to the basic rules of parliamentary democracy to which they have pledged themselves separately. They should make a personal, unprecedented and visible statesmanlike gesture before it is too late.

— by —  
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It has been said that an economic upswing is a prerequisite for a political solution. The steadily declining path of our economy suggests the opposite. No lowering of interest rates, no "kick-start" or any other gimmick, is likely to make our economy take off while uncertainty about the succession to the present minority government persists. The longer this uncertainty lasts and the greater it becomes, the greater the danger of the economy suddenly sliding further. Another set-back could have tragic consequences when set against the background of the falling gold price, persistent inflation and the drought.

The State President and Mr Mandela still travel the world separately, which forces them to highlight their differences. They would both be far more convincing about South Africa's future — to their

