

RECOMMENDATIONS ON POST-APARTHEID ECONOMIC POLICY

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I have kept my remarks brief and focussed on a few issues. I have made a few concrete suggestions which may serve as the basis for discussion. Rather than addressing the specific policies advanced by each of the different groups, I have confined myself to the broader drift of the Harare document.

The Process

The Harare document, whatever its weaknesses, does represent a considerable advance in economic policy for the progressive movement. It is a far more concrete and cohesive vision than has been available hitherto. Similarly, the process of policy formulation has been considerably advanced. The Harare meeting, for the first time, brought together both organisational/political groupings as well as intellectuals concerned with economic policy.

Such a process is very valuable and it should be continued and improved upon - it has not yet run its course. At the same time the very real limitations of such a process should be clearly recognised. More Harares will not produce the goods. Such a process can only produce a broad vision of economic policy. What such a process cannot easily do is, firstly, provide economic policies in any detail nor, secondly, suggest how such policies might actually be implemented. The validity of the first limitation is revealed in the Harare document where far and away the most effective section is the macro/overall framework. The closer the Harare document comes to spelling out specific details, the more problematic its proposals. For example, one can talk, as the industrial policy section does, of the need for targeting, but the detailed specification of this process requires much more intensive discussion/research and consultation particularly with the targets, ie especially capital. The second limitation is evident by a complete absence of attention paid to who precisely might implement this policy. There is no mention of any of the actual policy making institutions which currently direct policy and what their role might be in the new dispensation.

In broad terms, largely university-based intellectuals are an inadequate platform for economic policy formulation. In particular, the progressive movements will have to give serious consideration to involving present institutions/policy makers in its own endeavours at economic policy formulation and/or begin to place its own people within the current institutions that are critical to the making and implementations of policy. (Naturally, there are 'dangers' entailed in taking such a direction; but the issue cannot be avoided. The fear is that some people and organisations are operating under an illusion as to how much can be obtained from the progressive intellectuals.) Organisational groupings, linked to this process, such as ET, might want to discuss such a broadening of their linkages.

The Vision

We seem to be firmly wedded to a vision summarised as Growth through Redistribution (GTR). What I think is not stipulated clearly enough (particularly in the macro section) is precisely how and why these two, ie growth and redistribution, are linked. As I see it, the principal thrust of the policy must be to unlock the productive potential of the millions of people and large areas of the country who have been essentially marginalised or sidelined by the form of capitalist development which has characterised our society. What we are intending to redistribute primarily then are resources that will facilitate the expansion of employment and output amongst those who have been so marginalised. In brief, this is NOT a policy of income redistribution OR even a policy of wealth redistribution (although of course it will, if successful, reduce income and wealth inequalities). (In the Harare document this vision is best expressed in the section on industrial policy p 5 para 4.)

Thus, to take just one example, the issue of land redistribution and its precise form would have to be 'justified' in terms of how such a redistribution will advance production. Somehow we have to get away from widespread expectations that 'after liberation the state will look after my needs'. A fairer and more equitable dispensation will provide greater opportunities to disadvantaged peoples and communities. The income of these people and communities will depend on how successfully they are able to utilise these new opportunities and not on any form of state largesse.

Constraints and Priorities

Part 1, the macro section is replete with strong statements to the effect that the new economic policy would acknowledge and operate within very definite economic constraints. Reconstruction will rely on domestic savings; there will be no borrowing to finance current expenditure; the nationalised

industries will operate within strict budgetary controls etc. This contrasts with other sections, particularly the labour and human resources section which inter alia states that '...a massive injection of finance is going to be required to meet basic social needs.' Essentially, there are two problems -

- 1) The constraints identified in the macro section are not systematically taken account of when the 'demands' necessarily made in the other sections are formulated;
- 2) As critical, no systematic criteria are developed whereby the competing demands can be assessed against each other so that clear priorities can be drawn up. (If what has been said above concerning the principal thrust of the policy being the unlocking of the productive potential of those hitherto marginalised, then this should find concrete expression in the stipulation of criteria to allow choices to be made.)

Omissions

The World Bank has argued, to my mind with much validity, that one of the central problems in sub-Saharan Africa has come about because of the excessive expansion of the state bureaucracy. This is a drain on fiscal resources and skilled labour and results in over-regulation. Laurence Harris spoke in Harare of the need for a 'slim state'. Similarly, the Labour section refers to the creation of a compact state (2.3).

In South Africa there will have to be an expansion of at least some areas of the bureaucracy if we are to have nationalisation, re-nationalisation and/or totally new areas of state activity. In addition, there will be a process of changing the racial and political complexion of the state bureaucracy which will, in all likelihood, entail some expansion. Given this some clear principles concerning the growth of the bureaucracy should be formulated. Inter alia, the following might be considered -

- a) Long term expansion of the bureaucracy only in such areas which relate to the provision of infrastructure and services, eg education, state housing etc.
- b) 'Apprenticeship periods' for new members of the bureaucracy to be of limited time duration so preventing a situation where two do what was formerly the task of one;
- c) An extensive overhaul of the state bureaucratic machinery encompassing job definition, terms of employment, hierarchy, etc, in order to promote efficiency;
- d) A clear stipulation of caps on the earnings of state bureaucrats. A code of ethics both for the political leadership and the state bureaucrats more generally.

In sub-Saharan Africa, the growth of the state sector has provided the bulk of employment opportunities for the emergent more educated 'petty bourgeois elements' in the society. Unless we tackle the issue of limiting and re-defining the tasks of the state bureaucracy at the outset, ie before the entrenchment of vested interests, we are in danger of repeating the mistakes of sub-Saharan Africa, in this regard, with high costs both economically and politically.

Finally, the most concrete omission from the Harare document is any discussion of the tax regime after liberation. The only significant statement is that the burden of taxation would be shifted especially towards the corporations (3:1). Two things should be underlined, in this regard.

Firstly, clarity on a tax regime and, following from this, the likely resources of the fiscus is a vital pre-requisite for any assessment of state spending capacities. Discussion of state spending priorities will not be possible until more work is done in this regard.

Secondly, the burden of taxation is not easy to determine. It may, for example, appeal to progressives to state that business and especially the corporations will bear more of the tax burden, but there is considerable evidence from the US, that the incidence of corporate taxes is passed on, in a variety of ways. In our economy with high levels of economic centralisation we may well face the same predicament.