

## HERE'S A FINE MESS: A RESPONSE TO BEN FINE'S 'ALTERNATIVE ASSESSMENT'

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### A Fine Line: Fine's Basic Complaint About Natrass

Ben Fine's article, "Politics and Economics in ANC Economic Policy": an alternative assessment' (*Transformation* 25, 1994) is not so much economics as textual analysis. His goal is to critique economic arguments put forward by Nicoli Natrass. To do this, he has to understand Natrass' article, and either he has failed to do this or he has failed (knowingly or unknowingly) to explain himself properly.

A reading of Fine's article produces a bizarre revelation. He claims that 'lessons ... about ... the South Korean state ... lessons from Latin America and Australia ... are open to dispute ... general conclusions cannot be drawn' (21-2). To this he adds that 'whatever the lessons to be drawn ... the validity of applying them to South Africa remains open to question, because it is a different socio-economic formation' (22). The implications are breathtaking. If Fine is right, then economists must shut up shop, because if there is no way to draw conclusions when one compares economic systems, and no way to apply conclusions to systems even if they could be drawn, then (given that economic systems are constantly changing) it would be impossible even to draft a budget, whether for a nation or for a shopping expedition.

Fine bravely writes his article in defiance of his own discoveries, but his treatment is curious. Fine says 'Let the matter be put crudely' (20), 'Natrass' stance can be caricatured' (21), 'If [Natrass' reading] is a caricature' (22), 'at the risk of over-simplification [of Natrass' position]' (23) and 'again at the risk of parody [of Natrass' position]' (23). If Natrass' arguments are simple apologetics peddling 'simple nostrums' (28), why is it necessary to caricature and parody them? Does Fine feel unable to deal with the arguments as they stand?

Fine observes that Natrass' writings are 'apologetics on behalf of capital or business' (19). Natrass apparently places too much emphasis on business confidence (and by implication feels too much sympathy with big business itself); she is 'totally insulated from the realities of the South African economy' (27); she compares the South African economy with other economies in an unworkable way; she believes that low wages automatically produce high

employment; she trustingly believes ANC policy documents without realising that these documents do not reflect ANC policy. Such claims can only be tested with reference to what Nattrass really says.

### **The Fine Print: How Fine Explains Nattrass' Misconceptions.**

Business confidence is important to Nattrass. In 'South Africa: the economic restructuring agenda', she critiques the Macroeconomic Research Group (MERG) report, observing that MERG recommends state control of how companies raise capital; she suggests that 'business people might resent such policies' (Nattrass, 1994b:223) which is surely an understatement. Other such policies which MERG also recommends, she suggests, would annoy big business and might lead to capital flight, especially since in the globalised world this can be done in a few seconds at a computer keyboard. She notes that 'This ... simply suggests that capital has to be courted more than coerced' (Nattrass, 1994b:225). It seems realistic to say this, especially since coercion may be held in reserve for when courting fails; Nattrass is certainly not saying that governments are impotent.

Nattrass may be wrong. However, Fine's recipe of threatening business with 'social and political instability' (20) if they do not behave as the ANC wishes seems not only dangerous, but unlikely to build confidence anywhere, let alone in the business community. Fine does not say how one may coerce business and still keep its confidence high, or why (other things being equal) business confidence should be a bad thing to pursue. Indeed, Fine asks 'where ... is the voice of reason ... imploring [business] to show a bit of business confidence[?]' (20). Why does Fine ask this, since this is what Nattrass seems to urge on MERG? Does Fine believe that words alone are enough to persuade capital to invest in anything? Rather than addressing the issue, Fine goes off at tangents, denouncing Terence Moll for praising apartheid-era fiscal discipline (but does this make fiscal discipline a bad thing?) and denouncing small business, apparently because it has alleged links with big business. Finally, Fine's case does not seem to have been presented, much less proved.

Economic or political reality is obviously not to be derived from Nattrass' work alone. Fine must prove that her work is 'almost entirely free of any roots within the economic and political realities of the South African formation' (20), by showing where reality differs from her interpretations. (This makes the large assumption that Fine has unmediated access to reality.) In her tract *Profits and Wages*, Nattrass outlines her view of the South African macroeconomic situation and suggests ways of accommodating economic and political necessities. In 'Politics and economics in ANC economic policy' she gives her view on how ANC economic policy changed in the early 1990s, speaking not only as an

academic, but as an active ANC branch member and consultant who was eventually appointed to the Labour Commission. If she is as grossly ignorant as he alleges, Fine ought to be able to explain this in a paragraph. Since he does not do so, his allegations boil down to neo-Althusserian abusive language.

Fine does tackle Natrass' methodology – specifically her comparisons between South Africa and other countries – arguing that she relies on 'simple imposition of clichéd illustrations from other countries' (21). To elaborate on this he denounces the World Bank's free-market interpretation of South Korean economic growth. The casual reader might think that Natrass supports this interpretation, but on the contrary, she has referred to 'the state-guided industrialisation models of Japan and South Korea' (Natrass, 1992:57). Evidently she endorses effective government intervention; her principal complaint is that if ineptly administered it may be ineffective.

When Fine declares that 'it is implicitly assumed that the mode of functioning of one economy is identical in all respects to any other' (22) the reader might think that he was talking about Natrass' work. But in 'Politics and economics' Natrass merely notes that 'South Korea remains something of an anomaly in the developing world' (Natrass, 1994a:347), implying that one should not imitate it slavishly. In *Profits and Wages* Natrass points to Allende's Chile and 1960s Sweden as respectively bad and good examples, but notes that neither case is exactly parallel with South Africa. Where is the 'methodological fallacy' (22)? Why is Fine so silent on this (surely) easily explained issue?

Wages are an area where Natrass and Fine more obviously disagree. Fine observes hopefully that 'rising real wages are a necessary stimulus to lift certain sectors of the economy out of technological backwardness' (28). There is logic to this; workers are unlikely to be more productive if they feel exploited. On the other hand, is there a necessary connection between wages and productivity? Fine would need to clarify his position on this, since, other things being equal, more money on wages surely means less money for investment in plant or employee resources. However, having set his position out, he defines Natrass as his opponent, saying that 'Natrass' account is that there is some sort of inverse relationship between wages and employment' (28).

This is a grotesque oversimplification of Natrass' position outlined in 'South Africa: the economic restructuring agenda'. She critiqued MERG's proposal (closely resembling Fine's) that the national minimum wage be set well above the current average level for farm workers and domestic servants. Economic orthodoxy warns that employers might sack workers to save costs, so that raised minimum wages might lead to more unemployment. However, MERG argued, higher minimum wages 'act as a spur for ... enterprises ... to restructure ... and provide their workers with transferable skills' (quoted in Natrass, 1994b:222).

Natrass points out that 'South Africa ... is saddled with a predominantly unskilled labour force' (Natrass, 1994b:222). Simply paying workers more will not automatically increase productivity. What would be needed would be a long-term project to improve the skills of workers -- which would almost certainly require state intervention. Ironically, the logic of Natrass the capitalists' apologist leads to state involvement, while Fine the worker's friend seems willing to rely on the invisible hand of the market!

Natrass' argument is more complex than this. In *Profits and Wages* she notes that, ideally, 'substantial wage increases would result in ... poverty elimination and growth stimulation' (Natrass, 1992:25), because the wealthier workers would buy more, enriching capitalists who would invest more, and so on; a 'virtuous circle'. This is surely Fine's (and MERG's) position, and Fine is wrong to claim that Natrass leaves this 'unaddressed'. Natrass points out, however, that gains will only be made if the increase in wages leads to an easy increase in manufacturing production, assuming substantial unused capacity -- otherwise 'capitalists would increase ... market prices ... replace labour with capital ... and even consider moving their enterprises to other countries' (Natrass, 1992:26). Natrass paints a gloomy picture of expanding unemployment, growing welfare expenditure, hence a growing budget deficit; according to her, the Allende government in Chile followed comparable policies from 1970, until 'by 1973 real wages ... were a mere 70 per cent of their 1970 level' (Natrass, 1992:28). Perhaps she exaggerates or misinterprets the problem, but Fine seems unaware that it exists.

On the issue of misuse of policy documents, Fine's discussion is prefaced (again) by an attack on the IMF and the World Bank, pointing out that their policy documents differ from the effects of the implementation of their policies. Yet people all over Africa can testify, grimly, to the fact that IMF/World Bank policy documents did accurately reflect what those agencies intended to do, even if their actions had the opposite effect to those which they allegedly wanted. Why should Natrass not read ANC policy documents in the same way in which she reads IMF policy documents?

Fine loftily says that 'it is ... essential to uncover the position of policy documents with a greater degree of sophistication than Natrass even begins to exhibit' (23). Thus he complains about 'factual ... questions ... such as the attachment of MERG exclusively to the ANC' (28). Unfortunately, this is not what Natrass said; in 'South Africa: the economic restructuring agenda' Natrass merely says that 'the African National Congress ... helped set up the ... MERG' (Natrass, 1994b:219) while in 'Politics and economics' she refers to the 'ANC-aligned ... MERG' (Natrass, 1994a:359). Is Fine denying that the ANC helped set up MERG, or that it was ANC-aligned?

Fine claims special knowledge which Natrass lacks, 'as an active participant myself' (29). Truth will out, and he says of ANC policy documents that 'their most prominent impact has ... been ... dominated by a hostile press ... form and content ... has ... been bent towards this constituency' (29). In other words, the ANC's policy documents have been shams intended to fool the media. That ANC members like myself have also been fooled is a mere trifle. (Fine's point is often made by the right-wing media, which always insists that the ANC has a hidden agenda; they may leap on Fine's admission with shouts of glee.) According to Fine, 'policy making and policy documents have ... been negotiated in quite separate sites' (29). The only relevance of ANC policy documents 'has been that they have been a response and stimulus to grass roots debate' (30). This must be a wilder guess than the most extravagant claims made (according to Fine) by Natrass.

The South African Government of National Unity's policy has been more or less what was laid out in the pre-election economic policy statements. The RDP is being funded while some efforts are being made to reduce the deficit. The ANC is doing its best to contain public wage demands, courting business while at the same time trying to direct business attention towards sectors in need of development. Natrass may have been wrong about the process of creation of ANC documents, but 'Politics and economics' does not depend solely on documents; it includes public and private statements by ANC leaders. Perhaps because, as Fine puts it, 'leadership has been determined to reserve economic policy for itself' (30), Natrass seems to have effectively predicted what the ANC would actually do while in government. This was surely what she set out to do.

### **Ja Well, No Fine: Why Has Fine Failed?**

Fine set out to demolish Natrass. He pointed out several fields on which he would engage her. However, he did not address what Natrass was saying. Instead he ascribed ideas to her which she does not endorse and set up a straw Natrass, which would be easy to demolish. Yet he presented arguments which are unconvincing, shoddy and inconsistent. This is not a tenable position. The reader must search the text for some reason why a competent, respected academic like Fine should hold himself up to ridicule in this embarrassing manner.

Fine's energetic attacks on the foes of populism are frequent. He drags the World Bank/IMF in at every turn, with scant excuse. Small businesses may have been a device which conservative liberals used against left-wingers -- yet it is hard to understand why Fine is shocked that Natrass' policies would benefit small businesses. Is Fine so concerned with the symbols used by left-wing arguments that he has difficulties in addressing real issues?

This suspicion is bolstered by Fine's attitude towards the Reconstruction and

Development Programme. Fine predicts that the RDP 'is likely to be observed more in the breach of its quantitative targets than in their realisation' (30). This is intensely depressing for a South African well aware of the country's desperate need for more housing, better schooling, electrification and water supplies. Fine leads no evidence to sustain his claim; as he says, 'this pessimistic scenario may prove unfounded' (30). Then what is the purpose of raising it? It appears not so much that Fine *knows* that there is anything wrong with the RDP but that he *hopes* that there is something wrong with it.

Fine has been striving to incorporate radical scenarios into ANC documents, only to see his work replaced with more conservative policies. He is understandably bitter. When Fine protests that Natrass' stance 'is one in which [the vested interests] of large-scale capital are secured' (31), he begs the question of whether Natrass is not simply resigning herself to conditions which she sees no chance of quickly transforming. If South Africa is dominated by monopoly capital, and monopoly capital can only be destroyed at the cost of the collapse of the economy, we had better learn to live with monopoly capital. Fine admits that he is speaking largely 'irrespective of the veracity of [Natrass'] own arguments' (31); it appears that his complaint is really directed against 'the way in which the electorate's choices have been restricted by the economic power of business' (31). Natrass 'is characterised as an apologist for business' (31) because, since Fine can do nothing about business, he can at least try to destroy Natrass' reputation.

Fine is a master of anti-capitalist rhetoric. However, the African National Congress represents 68 percent of the membership of the South African Government of National Unity. Rhetoric has to be transformed into practical activity. The ANC is pursuing a cautious policy of moderate economic growth, slow reconstruction and development -- focussing on reducing the budget deficit to manageable proportions. Evidently Fine has a problem with this. Although the MERG report endorses the ANC's policy in many ways (and probably formed the foundations for some of it) Fine acknowledges that the feelings of some participants (presumably including him) were very different from the content of the report. Perhaps Fine's anticipation of the failure of the RDP is driven by a hope that if it does fail, his more radical ideas may be given more of a hearing.

Yet what does Fine think we ought to be doing? If there is a better road to a better life for the poorest South Africans than slow growth and cautious redistribution, South Africans are entitled to hear about it. Fine could have devoted his article in *Transformation* to unravelling such knotty questions.

## REFERENCES

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